



**ECS ICT BERHAD**  
(Company No. 351038-H)



**DRIVING THE  
E-COMMERCE REVOLUTION**

**ANNUAL  
REPORT  
2017**

# OUR VISION

**To** be the leading provider of information & communications technology products and value-added services.

**We** strive for sustainable growth to achieve optimum returns to shareholders.

# OUR MISSION

**We** shall strive to be a leading provider within Malaysia of reputable, quality computer systems, hardware, software, services and support for our customers.

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

**We** shall have an environment to develop, motivate and reward our employees by providing training and incentives for productivity.

**We** shall achieve the profitability for future growth and to give an adequate return to shareholders.

**We** shall be good corporate citizens with social responsibilities to our communities.



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## COVER RATIONALE

### **DRIVING THE E-COMMERCE REVOLUTION**

ECS ICT Berhad (“ECSB”) leverages on its distinctive position as the leading distributor of Information and Communications Technology (“ICT”) products in Malaysia as an enabler for driving the nation’s digital economy.



# CORPORATE PROFILE



An associate company of

**VST ECS**

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 40 leading principals.

With a nationwide channel network of more than 6,600 resellers comprising retailers, system integrators ("SI") and corporate dealers, ECSB also provides value-added product support and technical services. For more information, please visit [www.ecsm.com.my](http://www.ecsm.com.my)



# EMBRACING THE NEW FRONTIER

With the prevalence of internet connectivity, products are evolving from being a standalone device to a holistic online service of sorts. With the increasing adoption of interconnected and cloud services, users are presented with innovative services that enrich the connected lifestyle.







# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

It is my pleasure to present to you the Annual Report and Audited Financial Statements of our Group for the financial year ended 31 December 2017 ("FY2017"). Our Group's results for FY2017 have been impacted by the tough market conditions as a result of lower ICT spending for the year.

### **FOO SEN CHIN**

*Non-Independent  
Non-Executive Chairman*





## CHAIRMAN'S STATEMENT

cont'd

### OVERVIEW

Malaysia's Gross Domestic Product ("GDP") annual growth rate has increased strongly from 4.2% in 2016 to 5.9% in 2017, while the Ringgit versus the United States Dollar ("USD") has appreciated by 9.9% for 2017. Despite the better economic conditions, the ICT market has remained challenging during the year due to lower consumer spending as well as lower corporate and public sector expenditure on ICT projects.

Nevertheless, amidst the intensely competitive market environment, The Group has managed to grow its revenue slightly for FY2017 to RM1.86 billion to maintain its market position as the leading ICT distributor in the country. However, The Group's Profit After Tax for FY2017 declined by 12.9% to RM26.3 million as compared to RM30.1 million recorded for the previous financial year ("FY2016").

### PROSPECTS

With the forecast for Malaysia's GDP growth ranging from 5.0% to 5.5% for 2018, and the Ringgit's continued strength versus the USD, we are more optimistic on the outlook of ICT spending on our range of products for the retail and enterprise markets. The forthcoming 14th General Election to be held on 9 May 2018 is also expected to boost public sector expenditure on ICT projects.

Budget 2018 has provided numerous incentives for the ICT industry, aimed at Industrial Revolution 4.0, Digital Economy, SME Industries, Broadband Infrastructure and other technological initiatives.

Additionally, the launch of the Digital Free Trade Zone ("DFTZ") in November 2017 will spur the growth of e-Commerce for online sales of consumer products. We are poised to capitalise on the rise of e-Commerce with our Business-to-Business ("B2B") and Business-to-Consumer ("B2C") platforms to distribute our products via our retailers and online partners.

### APPRECIATION

I would like to express my appreciation to the Board of Directors ("Board") for their invaluable guidance to ensure that The Group stays on the right course to achieve its objectives. I would also like to thank the management team and valued employees for their dedication and contribution.

Finally, I would like to thank all of our principals and resellers as well as investors for their continued support of The Group. We look forward to make 2018 an exciting and rewarding year for all our stakeholders.

### FOO SEN CHIN

*Non-Executive Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS

**SOONG JAN HSUNG**  
Executive Director/  
Chief Executive Officer



# 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.

ECSB's head office is situated on an 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 being supplied 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 REVIEW

The Group registered a total revenue of RM1,855.0 million for FY2017, being a 1.7% increase from the revenue of RM1,823.4 million recorded for financial year ended 31 December 2016 ("FY2016"), mainly from higher sales in the ICT Distribution segment.

For FY2017, the ICT Distribution segment marked a 2.0% increase in revenue at RM1,436.1 million as compared to RM1,408.0 million in the preceding year, attributed to higher sales of mobility devices and drones.

The Group's Enterprise Systems segment had an increase of 1.4% in revenue at RM383.1 million in FY2017 as compared to RM377.9 million recorded for FY2016 due to higher sales from storage and networking equipment. The ICT Services segment, however had generated 4.3% lower revenue of RM35.9 million in FY2017 versus previous year's contribution of RM37.4 million.

Although The Group's revenue increased slightly in FY2017, our Gross Profit ("GP") declined from RM92.6 million in FY2016 to RM87.5 million. The GP margin also declined from 5.1% in FY2016 to 4.7% in FY2017 mainly due to the product mix and competitive market conditions. Accordingly, our net profit for FY2017 was reduced by 12.9% to RM26.3 million from RM30.1 million in FY2016. The Group's Earnings per Share ("EPS") stood at 14.6 sen for the financial year under review as compared to 16.7 sen in the preceding financial year.

ECSB maintained a healthy balance sheet for FY2017 with a net cash position with cash and cash equivalents at RM50.5 million for the financial year to maintain our position of zero borrowings. We managed our cash flow by monitoring on a weekly basis the payments and receipts, and the working capital for inventory, trade debtors and creditors. Our working capital increased by RM61.9 million from RM175.9 million in FY2016 to RM237.8 million in FY2017 due to lower creditors and higher inventory and trade debtors.

The Group incurred a capital expenditure of RM1.0 million in FY2017 mainly on ICT equipment purchases for the enhancement of ICT infrastructure. As at 31 December 2017, The Group has a light fixed asset totalling RM2.8 million, mainly for ICT infrastructure and warehouse facilities.

The Group invested RM12.2 million in a joint venture that owns the office building cum warehouse in which The Group's head office and warehouse are located.

There is no significant change in performance, financial position and liquidity for FY2017 as compared with the previous financial year.

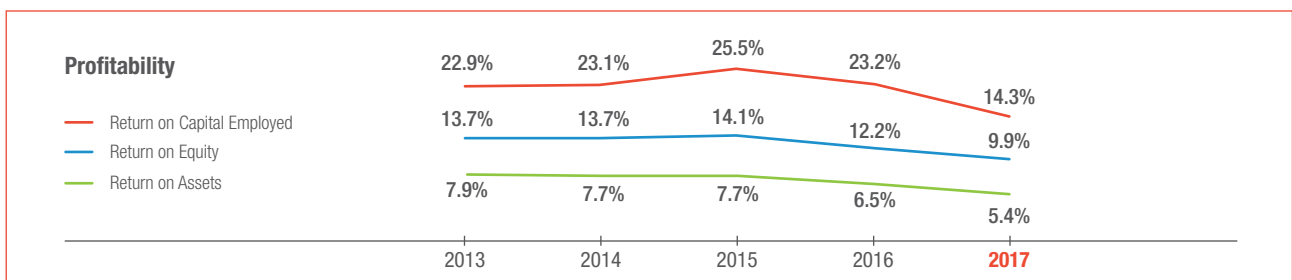
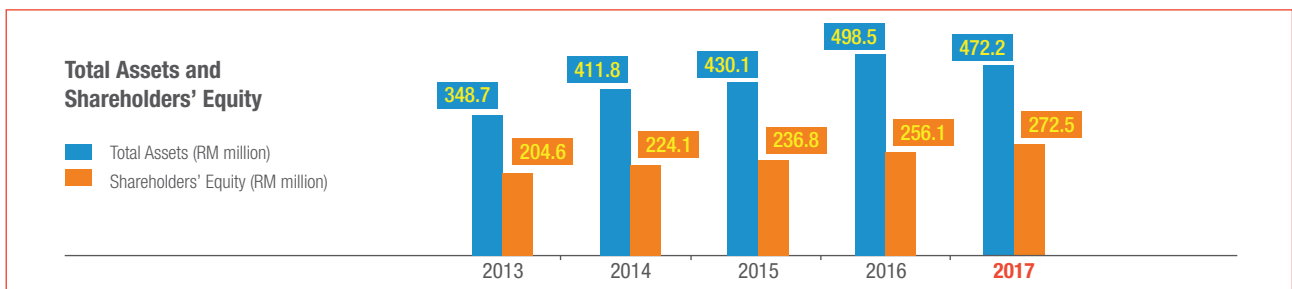
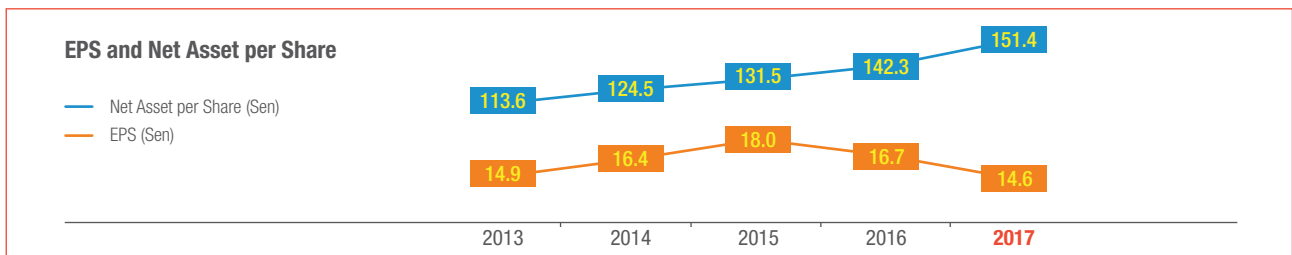
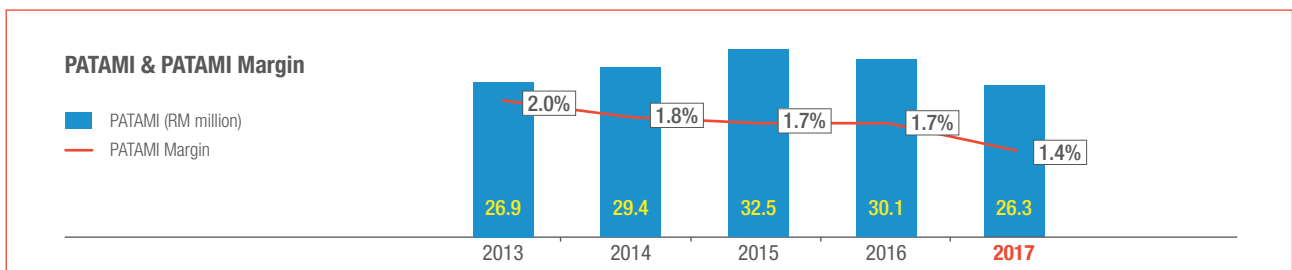
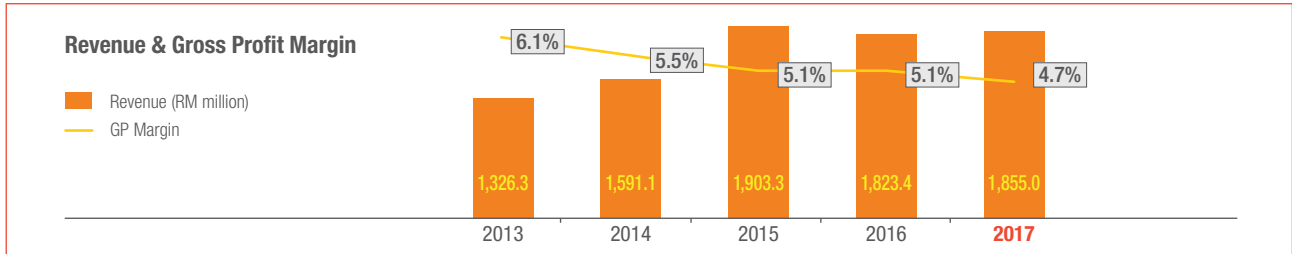
ECSB's financial performance in the last five years is shown in the following five charts:

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



# MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

## 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

### ICT Distribution

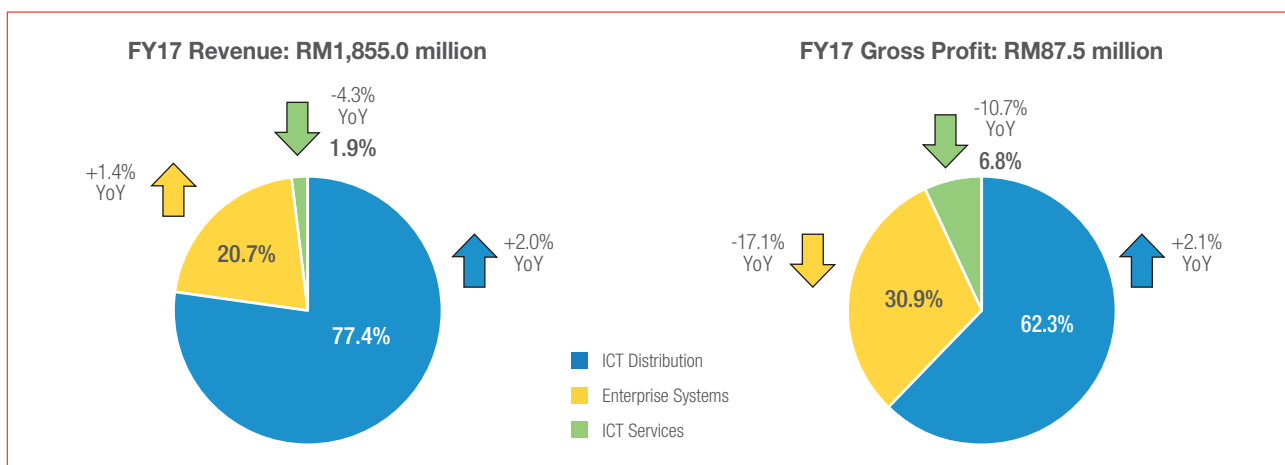
Notebooks, PCs, tablets and smartphones remained as The Group's key ICT distribution products for 2017. We expanded our product portfolio with the recent introduction of the THUNDERBOT gaming notebooks to ride along the wave of the fast-growing e-Sports market. The Group's venture into the Unmanned Aerial Vehicles ("UAV"), also known as drones, has expanded into many new non-ICT channels such as photography and hobbyist retailers. The aerial photography and videography markets have good growth potential for the DJI range of consumer and professional drone products.

In the e-Commerce sector, we continue to grow our established Business-to-Business ("B2B") platform by expanding our product offering and recruiting more resellers into our B2B platform. We have also been appointed by our principals to manage their Business-to-Consumer ("B2C") brand stores via our partnerships with popular local e-Commerce marketplaces.

### Enterprise Systems and ICT Services

The Group leveraged on the partnership with Rubrik and Hortonworks to tap into the Cloud Data Management and the Big Data Analytics growth trend, to launch new products within our Enterprise Systems segment. Together with Simplivity from HP Enterprise and Palo Alto Networks, we enhanced our hyper-converged infrastructure and cybersecurity solutions to all our system integrators.

We shall continue to enhance our portfolio of enterprise products together with the strengthening of our value-added ICT Services to spur further growth and enhance our margins within The Group's Enterprise Systems and ICT Services segments.



# MANAGEMENT DISCUSSION AND ANALYSIS

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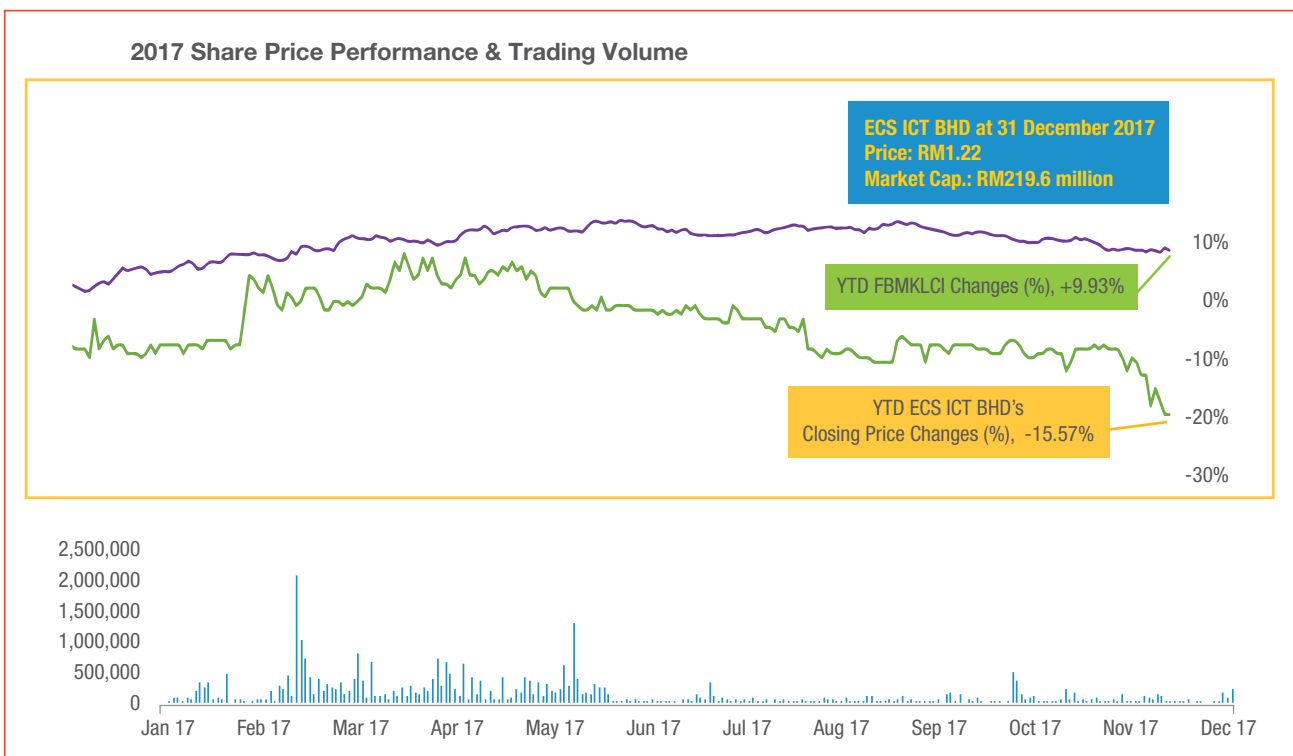
## Awards

We are delighted that ECSB continues to gain industry recognition for our performance. The list of awards and accolades for ECS Astar and ECS Pericomp for FY2017 include:

- “Distributor FY2016” by ASUS
- “Partner Authorised Distributor” by Dell EMC
- “Pointnext Contract Category” by HPE
- “Top Distributor Server” by HPE
- “Top Consumer Notebook Distributor” by HPI
- “Top Consumer Desktop Distributor” by HPI
- “Best Business Partner (BP) Performance Award in Malaysia” by IBM
- “Top Distributor 2017” by Dell EMC

## Share Price Performance

ECSB's share price closed at RM1.22 on 31 December 2017, with a total market capitalisation of RM219.6 million, a 12.9% decline from RM252.00 million as at 30 December 2016. Year-high and year-low share prices marked RM1.60 and RM1.22 respectively. Average daily trading volume is at 106,610 units.



Source: Wall Street Journal



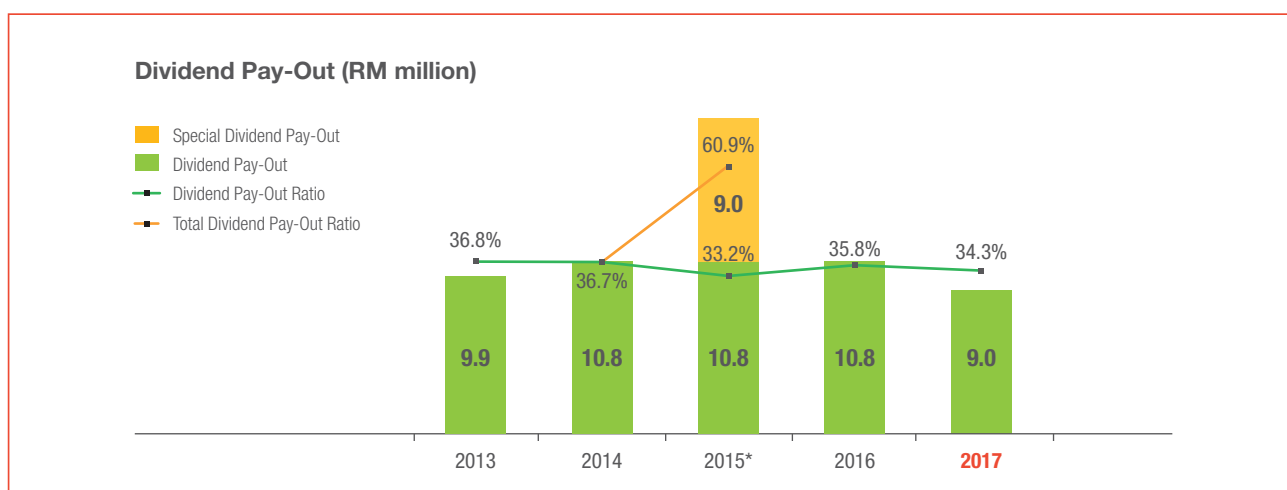
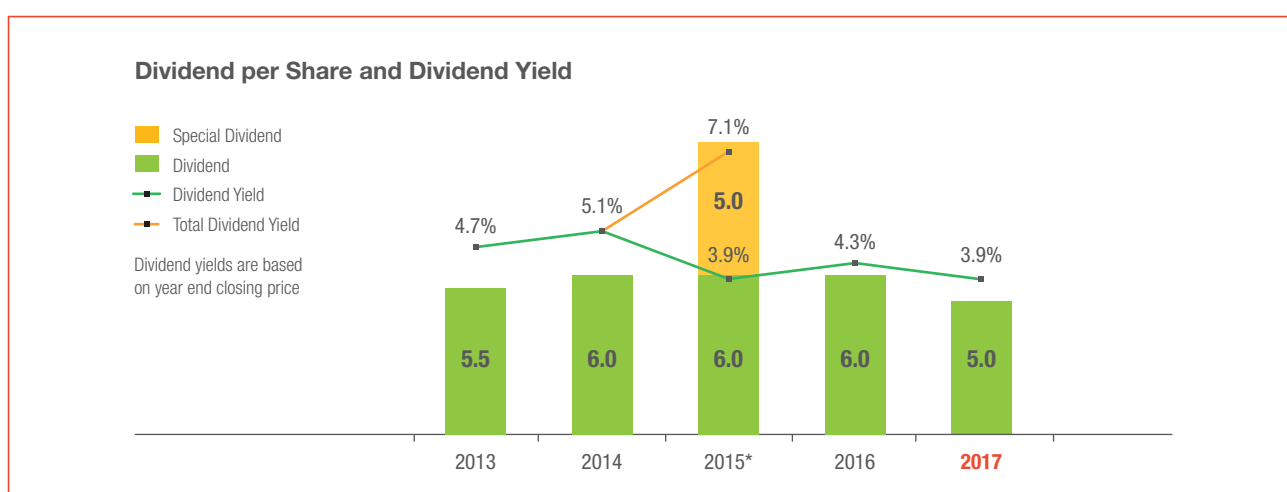
# MANAGEMENT DISCUSSION AND ANALYSIS

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## Dividend

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 2.5 sen per ordinary share to shareholders on 14 December 2017. The Board is also pleased to propose a single tier final dividend of 2.5 sen per ordinary share for FY2017, subjected to shareholders' approval at the forthcoming Annual General Meeting scheduled on 16 May 2018 to be paid to shareholders on 13 June 2018.

As a whole, The Group has declared total dividend of 5.0 sen per ordinary share, amounting to RM9.0 million, which is equivalent to 34.3% of the total net profit for FY2017. This adheres to The Group's practice of distributing a minimum 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

cont'd

## ANTICIPATED/KNOWN RISKS & 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.

With the market trend going towards e-Commerce where consumers are buying products and services from online merchants on B2C platforms, we are mindful on the change of the eco-system on ICT products that we are distributing. We are in continuous discussion with our principals to formulate go-to-market strategies to distribute our ICT products to the customers in a fast changing eco-system.

## BUSINESS OUTLOOK

We maintain our cautiously positive view on the business outlook for 2018 as we focus to maintain our market share as the leading ICT distributor in Malaysia. In line with the country's development towards Industrial Revolution 4.0, The Group will be concentrating on few key areas, namely the e-Sports market, e-Commerce, Internet of Things ("IoT") related products and to further enhance our Enterprise solutions and services.

The e-Sports market is rapidly growing, comprising teenagers and young adults that are actively engaged in computer based network digital gaming. The Malaysian government is supporting and sponsoring various Cyber Games events to boost the awareness and the active participation of e-Sports in our country to prepare for the 2022 Asian Games.

Tapping on the lucrative world of e-Sports gaming, ECSB will be riding along the wave with our recent appointment in January 2018 as the first distributor in South East Asia to offer THUNDEROBOT range of specialised gaming notebooks. This appointment is on top of the many brands of gaming computers that we are already representing. Looking ahead, we shall offer more gaming related products like the high-end Virtual Reality ("VR") headsets as well as expand our distribution channel towards the gaming software and accessories retailers.

With the shift in consumer buying behaviour towards the e-Commerce platform from the traditional retail shops, we are embracing the trend in order to remain relevant and ensure sustainability for The Group's business. We shall continue to grow our B2B platform and to expand our number of B2C brand stores via partnership with our principals and leading e-Commerce marketplaces. We plan to run regular online promotional activities with vendors and marketplace owners to increase sales with the rise of e-Commerce.

From the IoT perspective, we shall continue to explore more IoT related products for 2018, particularly to offer more converged ICT and smart digital lifestyle products to the ever increasing technology savvy consumers.

In terms of our Enterprise Systems business segment, our realignment of Enterprise product offerings is in line with the rise of cloud computing and the growth of Data Centers. As many enterprises are adopting subscription base services and hybrid cloud infrastructure solutions, we are working closely with our vendors in offering these services and solutions with our existing full range of enterprise products and solutions on hyper-converged infrastructure, servers, software, storage and cyber-security.

## MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

We continuously monitor the latest technological trends involving smart buildings, smart townships, IP sensors for raw data capturing, Big Data Analytic solutions, Robotics, Artificial Intelligence (“AI”), and Machine Learning (“ML”) applications. We are also mindful of future opportunities to work closely with market leaders within these aspects. Additionally, we will be strengthening our provision of support services for ICT products, and to provide more value-added services to the Enterprise market segment.

The Group is always on the lookout for potential new business opportunities within the ICT industry. We are exploring opportunities of possible merger and acquisition exercise with suitable companies, which are in related business segment to complement the overall operations of our Group.

We believe that ECSB is well-positioned with our strategies in place to grow our business in parallel with the technology trends driving the digital economy of the country.

**SOONG JAN HSUNG**

*Executive Director/Chief Executive Officer*





# THE UBIQUITY OF E-COMMERCE

Today's technology provides the luxury of convenience that we have never imagined it possible before. With online searching, browsing, shopping, payment and delivery, today's e-Commerce experience is a seamless end-to-end transaction at the comfort of your own space.



**TAY ENG HOE**

*Independent  
Non-Executive Director*

**ONG WEI HIAM**

*Non-Independent  
Non-Executive Director*

**HO CHEE KIT**

*Senior Independent  
Non-Executive Director*

**FOO SEN CHIN**

*Non-Independent  
Non-Executive  
Chairman*



# BOARD OF DIRECTORS

(As at 24 April 2018)





**CHOW YING CHI**

*Non-Independent  
Non-Executive Director*

**SOONG JAN HSUNG**

*Executive Director/  
Chief Executive Officer*

**AHMAD SUBRI BIN  
ABDULLAH**

*Independent  
Non-Executive Director*

**WONG HENG CHONG**

*Independent  
Non-Executive Director*



## PROFILE OF BOARD OF DIRECTORS

(As at 24 April 2018)



**FOO SEN CHIN, 70**

*Non-Independent Non-Executive Chairman | Malaysian, Male*

<b>Date of appointment as Director</b>	: 21 July 1995
<b>Length of service as director since listing on 15 April 2010 (as at 24 April 2018)</b>	: 8 years 0 month
<b>Board Committee(s) served on</b>	: Member of the Remuneration Committee
<b>Academic/Professional Qualification(s)</b>	: 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
<b>Present Directorship(s)</b>	:
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Nil
<b>Working experience</b>	: 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 appointed as the Executive Chairman of the Board of ECS ICT Berhad on 1 January 2015 and has been re-designated as Non-Independent Non-Executive Chairman on 1 January 2018.  He began his career as an Engineer in 1972 with a commercial organisation in the electrical industry for 4 years in Ipoh. In 1977, he joined a multinational company in marketing technical products that included office automation and computer products. In 1982, he was appointed the General Manager of a computer bureau services company in Kuala Lumpur.  Foo has been active in the ICT industry in Malaysia for more than 30 years. He has served as a Councillor, Treasurer and Deputy Chairman in the Association of the Computer & Multimedia Industry of Malaysia ("PIKOM") from 1995 to 2005, and was appointed as an Advisor of PIKOM from 2006 onwards.  Foo has played a pivotal role in growing The Group to become one of the largest ICT distributors in Malaysia and established it as the leading distribution hub in supplying ICT products for Malaysia's knowledge based economy.
<b>Time committed</b>	: Foo attended all the 4 Board Meetings.



## PROFILE OF BOARD OF DIRECTORS

(As at 24 April 2018)  
cont'd



**SOONG JAN HSUNG, 54**  
*Executive Director/Chief Executive Officer | Malaysian, Male*

<b>Date of appointment as Director</b>	: 21 February 1997
<b>Length of service as director since listing on 15 April 2010 (as at 24 April 2018)</b>	: 8 years 0 month
<b>Board Committee(s) served on</b>	: Nil
<b>Academic/Professional Qualification(s)</b>	: Bachelor of Science (Honours) majoring in Mathematics from the University of Malaya in 1987
<b>Present Directorship(s)</b>	:
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Nil
<b>Working experience</b>	: 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 ICT 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 ICT 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 ICT hub in Malaysia.
<b>Time committed</b>	: Soong attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 24 April 2018)

cont'd



**TAY ENG HOE, 66**

*Independent Non-Executive Director | Singaporean, Male*

<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (Tenure including the position as Non-Independent Non-Executive Director) (as at 24 April 2018)</b>	: 8 years 0 month
<b>Length of service since re-designation as Independent Non-Executive Director on 3 April 2017 (as at 24 April 2018)</b>	: 1 year 1 month
<b>Board Committee(s) served on</b>	: Member of Nominating Committee
<b>Academic/Professional Qualification(s)</b>	: Bachelor of Science (Honours) Degree from LaTrobe University, Australia; and MBA from University of Melbourne, Australia
<b>Present Directorship(s)</b>	:
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Nil
<b>Working experience</b>	: 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 ICT business. In August 2005, he was conferred the Public Service Medal by the President of the Republic of Singapore in recognition for his public services to the country. He has been re-designated as Independent Non-Executive Director on 3 April 2017. He has subsequently been appointed as member of the Nominating Committee on 10 August 2017.
<b>Time committed</b>	: Tay attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 24 April 2018)

cont'd



**WONG HENG CHONG, 67**

*Independent Non-Executive Director | Malaysian, Male*

<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (Tenure including the position as Non-Independent Non-Executive Director) (as at 24 April 2018)</b>	: 8 years 0 month
<b>Length of service since re-designation as Independent Non-Executive Director on 8 August 2012 (as at 24 April 2018)</b>	: 5 years 8 months
<b>Board Committee(s) served on</b>	: Chairman of the Audit Committee; and Member of the Nominating Committee
<b>Academic/Professional Qualification(s)</b>	: 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.
<b>Present Directorship(s)</b>	:
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Nil
<b>Working experience</b>	: Wong began his working career in Coopers & Lybrand in Australia and in Malaysia. He had previously served as an Executive Director of 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. He has been re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 8 August 2012.
<b>Time committed</b>	: Wong attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 24 April 2018)

cont'd



**AHMAD SUBRI BIN ABDULLAH, 68**  
*Independent Non-Executive Director | Malaysian, Male*

<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (as at 24 April 2018)</b>	: 8 years 0 month
<b>Board Committee(s) served on</b>	: Chairman of the Remuneration Committee; Member of the Audit Committee; and Member of the Nominating Committee
<b>Academic/Professional Qualification(s)</b>	: Chartered Insurer and Fellow of the Chartered Insurance Institute in the United Kingdom and a Fellow of the Malaysian Insurance Institute
<b>Present Directorship(s)</b>	:
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Berjaya Sampo Insurance Berhad Pheim Unit Trust Berhad and Group Malaysian Life Reinsurance Group Berhad
<b>Working experience</b>	: Subri is a Director of KDU Management Development Centre Sdn. Bhd. and is now serving as the Director and Advisor of Emerio (Malaysia) Sdn. Bhd., an NTT Communications Company. During the year 2017, Subri has been appointed as the Director of Berjaya Sampo Insurance Berhad, Pheim Unit Trust Berhad and Group and Malaysian Life Reinsurance Group Berhad respectively.  Subri has more than 30 years of experience in the Insurance and Financial Services industry and has previously served as Chairman of the General Insurance Association of Malaysia, a Director of the Malaysian Insurance Institute and Malaysia Export Credit Insurance Bhd.
<b>Time committed</b>	: Subri attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 24 April 2018)

cont'd



**HO CHEE KIT, 70**

*Senior Independent Non-Executive Director | Malaysian, Female*

<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (as at 24 April 2018)</b>	: 8 years 0 month
<b>Board Committee(s) served on</b>	: Chairperson of the Nominating Committee; Member of the Audit Committee; and Member of the Remuneration Committee
<b>Academic/Professional Qualification(s)</b>	: Advocate and Solicitor Bachelor of Arts at the University of New England, Australia in 1971
<b>Present Directorship(s)</b>	:
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Yayasan De La Salle Hospis Malaysia
<b>Working experience</b>	: Ho worked as an audit assistant in a commercial company in Sydney before returning to Malaysia in 1972. She was attached with a property company in Kuala Lumpur before proceeding to read law at Inner Temple, England in September 1975. She was called to the English Bar in June 1978 and the 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 specializing in corporate, financial, commercial, conveyancing, banking, intellectual and industrial property laws and private clients' and business services.  She has previously served as an Independent Director and member of the Audit Committee of Fiamma Holdings Berhad.
<b>Time committed</b>	: Ho attended all the 4 Board Meetings.



## PROFILE OF BOARD OF DIRECTORS

(As at 24 April 2018)

cont'd



**ONG WEI HIAM, 46**

*Non-Independent Non-Executive Director | Malaysian, Male*

<b>Date of appointment as Director</b>	: 4 June 2013
<b>Length of service as director since appointment (as at 24 April 2018)</b>	: 4 year 10 months
<b>Board Committee(s) served on</b>	: Member of the Audit Committee; Member of the Nominating Committee; and Member of the Remuneration Committee
<b>Academic/Professional Qualification(s)</b>	: Bachelor Degree in Economics from University College London; Master Degree in Analysis, Design & Management of Information Systems from London School of Economics and Political Science; Fellow of the Hong Kong Institute of Certified Public Accountants; and Fellow of Institute of Chartered Accountants in England and Wales
<b>Present Directorship(s)</b>	:
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: VSTECS Holdings Limited (Listed on the Stock Exchange of Hong Kong)
<b>Working experience</b>	: 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 ECS Holdings Limited on 16 April 2012. Ong is concurrently The Group Chief Financial Officer and Executive Director of VSTECS Holdings Limited (formerly known as VST Holdings Limited), the parent company of ECS Holdings Limited.
<b>Time committed</b>	: Ong attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 24 April 2018)

cont'd



**CHOW YING CHI, 49**

*Non-Independent Non-Executive Director | British, Female*

<b>Date of appointment as Director</b>	: 19 June 2017
<b>Length of service as director since appointment (as at 24 April 2018)</b>	: 10 months
<b>Board Committee(s) served on</b>	: Nil
<b>Academic/Professional Qualification(s)</b>	: Bachelor Degree of Arts (Honours) in International Business from the University of Huddersfield in the United Kingdom
<b>Present Directorship(s)</b>	:
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: VSTECS Holdings Limited (Listed on the Stock Exchange of Hong Kong)
<b>Working experience</b>	: Chow has more than 20 years of experience in Information Technology industry. She joined VSTECS Holdings Limited Group (formerly known as VST Holdings Limited) ("VSTECS Group") in 1996 and started working in business development for the East and North China Region and was appointed as Operation Director of VSTECS Group in 2002. She is now responsible for the overall business operations and management of The Group.  Currently, Chow is the Executive Director and Group Chief Operating Officer of VSTECS Holdings Limited which is listed on the Stock Exchange of Hong Kong.
<b>Time committed</b>	: Chow attended all 2 Board Meetings during her tenure.

### 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, 70**

*Non-Independent Non-Executive Chairman | Malaysian, Male*

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



**SOONG JAN HSUNG, 54**

*Executive Director/Chief Executive Officer | Malaysian, Male*

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



**TEE ANG KUAN, 56**

*Group General Manager | Malaysian, Male*

Tee was promoted to Group General Manager on 1 January 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, 51**  
*Chief Financial Officer | Malaysian, Male*

Chan was promoted to Chief Financial Officer of our Group on 1 April 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 22 years. With his vast experience in finance industry, he has contributed significantly to the success of our Group.



**CHUAH KEE HENG, 49**  
*General Manager of ECS Astar Sdn. Bhd. | Malaysian, Male*

Chuah was appointed as General Manager of ECS Astar Sdn. Bhd. on 1 July 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

cont'd



**TAN SAY MENG, 51**

*General Manager of ECS KU Sdn. Bhd. | Malaysian, Male*

Tan is the General Manager of ECS KU Sdn. Bhd. since 1 October 2006. 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 other directorship in public companies and listed issuers;*
- (b) any family relationship with any Director and/or major shareholder of the Company;*
- (c) any conflict of interest with the Company; and*
- (d) any conviction of offences (other than traffic offences) within the past five (5) years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*



## PROFILE OF MANAGEMENT TEAM



**FOO LEK CHOONG, 42**  
*Chief Information Officer | Malaysian, Male*

Foo is the Chief Information Officer of our group since 1 April 2017 and he is 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 20 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.



**LI CHIN YEO, 44**  
*Assistant General Manager, ECS Pericomp Sdn. Bhd. | Malaysian, Male*

Li was promoted to Assistant General Manager of ECS Pericomp Sdn. Bhd. on 1 June 2017 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 Senior Manager (Sales) in ECS Pericomp Sdn. Bhd. He graduated with a Bachelor of Commerce from University Of Wollongong, Australia, in 1999. In 2002, he joined ECS PERICOMP Sdn. Bhd. as Support Executive and subsequently promoted to Technology Specialist in 2003, Assistant Business Development Manager in 2006, Business Development Manager in 2007 and Product Manager in 2008.

## PROFILE OF MANAGEMENT TEAM

cont'd



**CHIN SAI LEONG, 58**

*Senior Logistics Manager | Malaysian, Male*

Chin is the Senior Logistics Manager of our Group since 1 March 2012 and he is 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 Sdn. Bhd. as a Service Supervisor and subsequently promoted to Technical Manager in 1991, Logistics Manager in 1997 and Senior Logistics Manager in 2006.



**LOO CHEE MENG, 48**

*Senior Marketing Manager | Malaysian, Male*

Loo is the Senior Marketing Manager of ECS Astar Sdn. Bhd. since 3 May 2016 and he is responsible for the product management, development and marketing strategies of the entity's entire ICT products. He graduated with a Diploma in Telecommunications and Computer Engineering and started his career as customer service representative for a local System Integrator in 1991. From 2004 to 2016, Loo worked with various multi-national ICT principles ranging from Software, Storage, Networking and Security portfolios before joining The Group in mid-2016. With his vast experience in the ICT industry and Channel Management, he aims to levitate The Group's success through the ever changing distribution landscape and market demands.

## PROFILE OF MANAGEMENT TEAM

cont'd



**YEE CHEE YOON, 44**  
*Human Resource Manager | Malaysian, Female*

Yee is the Human Resource Manager of The Group since 25 August 2014 and she is 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 Sdn. Bhd. as Human Resource Manager.



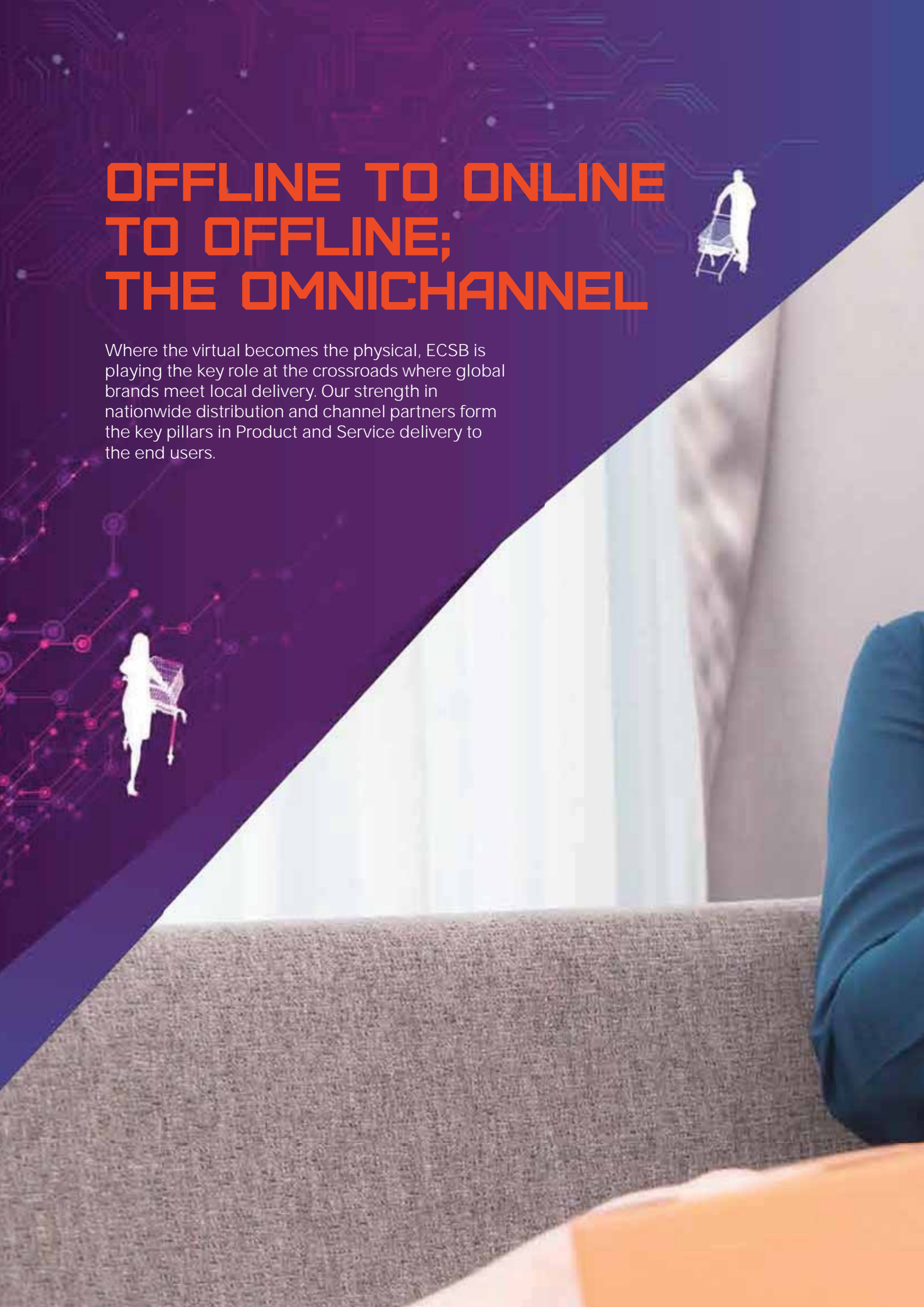
**CHAI MEIW CHENG, 44**  
*Inventory Manager | Malaysian, Female*

Chai is the Inventory Control Manager of our Group since 1 October 2017 and she is responsible for the entire inventory management of The Group. She holds a Diploma in Business Administration. In 1997, she joined Pericomp-Sistech as sales co-ordinator, 1 year later transferred to Astar Marketing, subsequently promoted as Order Processing Administrator in year 1999. She was promoted as Order Processing Executive in 2006, promoted as Senior Order Processing Executive in year 2009. In year 2015 she has transferred to ECS KUSH Sdn. Bhd. promoted as Assistant Inventory Manager and promoted as Inventory Manager in 2017.

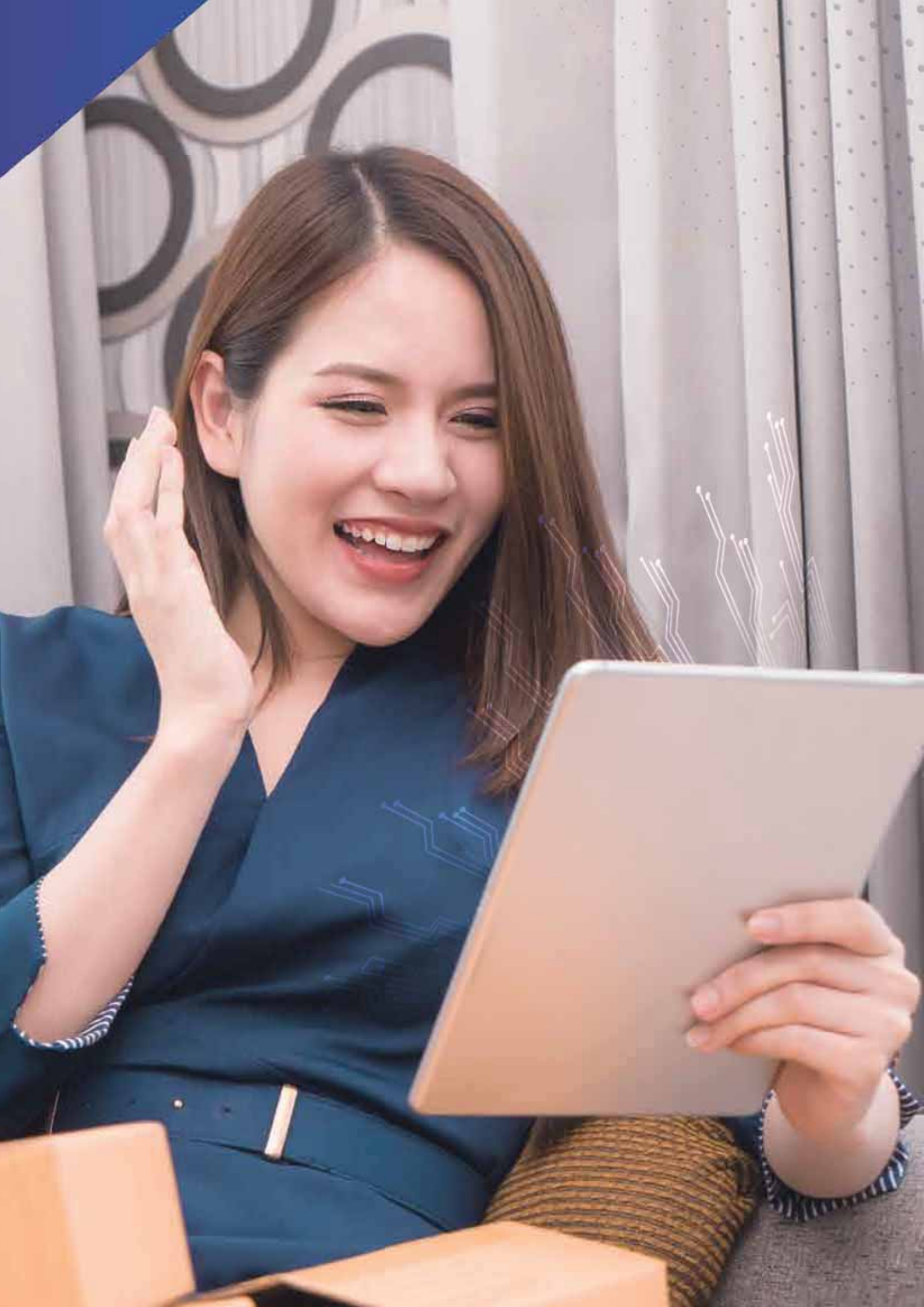
# OFFLINE TO ONLINE TO OFFLINE; THE OMNICHANNEL



Where the virtual becomes the physical, ECSB is playing the key role at the crossroads where global brands meet local delivery. Our strength in nationwide distribution and channel partners form the key pillars in Product and Service delivery to the end users.









## CORPORATE INFORMATION

(As at 24 April 2018)

### BOARD OF DIRECTORS

*Non-Independent Non-Executive Chairman*

**FOO SEN CHIN** (re-designated on 1 January 2018)

*Executive Director/Chief Executive Officer*

**SOONG JAN HSUNG**

*Senior Independent Non-Executive Director*

**HO CHEE KIT**

*Non-Independent Non-Executive Director*

**ONG WEI HIAM**

**CHOW YING CHI** (appointed on 19 June 2017)

*Independent Non-Executive Director*

**WONG HENG CHONG**

**AHMAD SUBRI BIN ABDULLAH**

**TAY ENG HOE**

### 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

Tay Eng Hoe (appointed w.e.f. 10 August 2017)

### REMUNERATION COMMITTEE

Ahmad Subri Bin Abdullah - *Chairman*

Foo Sen Chin

Ho Chee Kit

Ong Wei Hiam

### SECRETARIES

Chua Siew Chuan (MAICSA 0777689)

Cheng Chia Ping (MAICSA 1032514)

### 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

Email : jason.cheng@sshbs.com.my

### 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, 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

**RM1,855.0** million

2016: RM1,823.4 million



+1.7%



**REVENUE**

**RM26.3** million

2016: RM30.1 million



-12.9%



**PROFIT FOR  
THE YEAR**

**9.9%**

2016: 12.2%



-18.9%



**RETURN  
ON EQUITY**

**14.6** sen

2016: 16.7 sen



-12.6%



**EARNINGS  
PER SHARE**

**5.0** sen

2016: 6.0 sen



-16.7%



**DIVIDENDS  
PER SHARE**

## GROUP FINANCIAL HIGHLIGHTS

cont'd

Financial year ended 31 December	2013	2014	2015	2016	2017
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Key Operating Results</b>					
Revenue	1,326,266	1,591,117	1,903,299	1,823,383	<b>1,855,030</b>
Gross Profit	81,438	86,735	97,664	92,609	<b>87,470</b>
Profit Before Tax	36,582	39,202	43,614	40,371	<b>35,643</b>
Profit For The Year	26,888	29,432	32,488	30,142	<b>26,268</b>
<b>As at 31 December</b>					
<b>Key Financial Data</b>					
Total Assets	348,715	411,831	430,102	498,481	<b>472,229</b>
Total Liabilities	144,153	187,737	193,320	242,357	<b>199,737</b>
Total Equity	204,562	224,094	236,782	256,124	<b>272,492</b>
<b>Financial Ratio</b>					
	%	%	%	%	%
Revenue Growth/(Decline)	3.9	20.0	19.6	(4.2)	<b>1.7</b>
Return on Equity	13.7	13.7	14.1	12.2	<b>9.9</b>
Dividend Yield <sup>(1)</sup>	4.7	5.1	7.1	4.3	<b>4.1</b> <sup>(3)</sup>
Dividend Payout Ratio <sup>(2)</sup>	36.8	36.7	60.9	35.8	<b>34.3</b> <sup>(3)</sup>

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

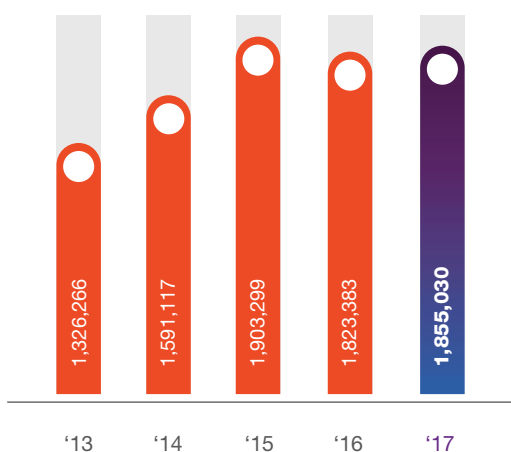
(2) Based on total dividend, inclusive of special dividend, as a percentage of Basic Earnings per Share

(3) Subject to shareholders' approval on final dividend

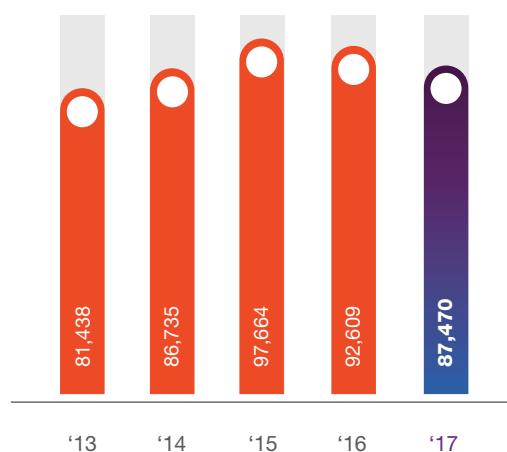
# GROUP FINANCIAL HIGHLIGHTS

cont'd

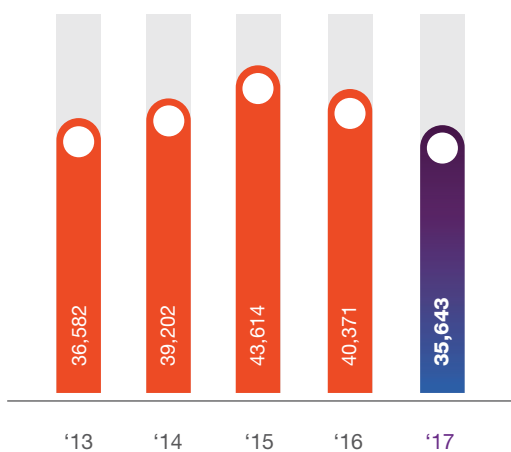
**REVENUE**  
(RM'000)



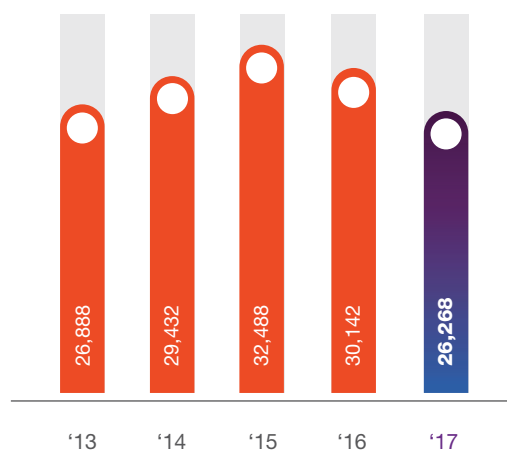
**GROSS PROFIT**  
(RM'000)



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



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



# GROUP CORPORATE STRUCTURE





## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company and its subsidiaries (“Group”) are fully committed to business integrity, transparency and professionalism whilst pursuing their corporate objectives to enhance shareholders’ value and their overall competitive positioning. As part of this commitment, the Board of Directors (“Board”) of the Company recognises the importance of governance and plays an active role in administering and reviewing The Group’s governance practices and framework to ensure its relevance and ability to meet future challenges.

### DEVELOPMENT IN CORPORATE GOVERNANCE

The Securities Commission of Malaysia had on 26 April 2017 released the new Malaysian Code on Corporate Governance (“New MCCG”), superseding the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”), a set of best practices to strengthen corporate culture anchored on accountability and transparency.

### APPLICATION PERIOD

The Board is pleased to present this Corporate Governance Overview Statement (“Statement”) to provide investors with an overview of the extent of compliance with three (3) Principles as set out in the New MCCG under the stewardship of the Board.

Notwithstanding the above, item 3.4 of the Practice Note 9 of the Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) stipulated that *“a listed issuer must also ensure that the Corporate Governance (“CG”) Report covers the practices for the whole financial year. If a practice had been in place for only part of the financial year, the listed issuer must state so and the period during which it had been in place.”*

In view of the transitional period where the New MCCG only came into operation with effect from 26 April 2017, this Statement in general complied with MCCG 2012, New MCCG, Companies Act 2016 (“CA 2016”), Amended Main LR of Bursa Securities effective since 2 January 2018 and also be guided by the Corporate Governance Guide issued by Bursa Securities.

Application Period	CG Practices
1 January 2017 to 25 April 2017	MCCG 2012
26 April 2017 to 31 December 2017 and/or up to 24 April 2018 (being the date of notice of annual general meeting, where applicable)	NEW MCCG

This Statement also serves as a compliance with Paragraph 15.25 of the Main LR of Bursa Securities. In addition, the CG Report which sets out the application of each Practice is available for viewing in The Group’s corporate website at [www.ecsm.com.my](http://www.ecsm.com.my).

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### (1) Board Responsibilities

##### Intended Outcome 1.0

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

#### (i) 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:-

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

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

##### (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 strategic 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 those 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 FY2017, Mr. Soong was responsible for presenting the above agenda item to the Board for review and consideration.

##### (c) **Identification of principal risks and implementation of appropriate internal control 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 FY2017, there were four (4) ERM Meetings conducted to review all the risk inputs given through all quarters of the year for all risks together with the impact recorded for risk-ranking purpose. The ERM Committee had also attended and worked on to the risk elements reference as requested by the Internal Auditors.

##### (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.

The Board had approved the new Organisation Chart in view of the re-designation of Mr. Foo Sen Chin ("Mr. Foo") as Non-Independent Non-Executive Chairman of the Company which took effect from 1 January 2018 (hereinafter referred to as "Re-designation of Mr. Foo as Non-Executive Chairman").

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

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

##### (d) **Succession Planning** *cont'd*

In compliance with Practice 1.3 of the New MCCG, the positions of Chairman and CEO are held by different individuals. Mr. Foo is the Non-Independent Non-Executive Chairman while Mr. Soong is the CEO.

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

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

In ensuring the effective communication with the Company's shareholders and stakeholders, the Corporate Disclosure Policy includes an Investor Relations ("IR") section which 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 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 74 to 77 of this Annual Report, provides an overview of the state of risk management and internal controls within The Group.

#### (ii) **Key Responsibilities of the Chairman**

In view of the re-designation of Mr. Foo as Non-Executive Chairman, the Chairman is primarily responsible for:-

- Leading the Board of Directors in setting the direction and policies of The Group; and
- Advising on the strategic plans for medium to long term growth of The Group.

#### (iii) **Separation of the positions of the Chairman and Chief Executive Officer**

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.

Throughout the FY2017, Mr. Foo, 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.

Whereas Mr. Soong, the CEO in essence is 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### (iii) Separation of the positions of the Chairman and Chief Executive Officer *cont'd*

In view of the re-designation of Mr. Foo as Non-Executive Chairman, the Board had through the NC revised and approved the respective roles of the Chairman and the CEO of the Company. The role of the Chairman and the roles of the CEO are both updated 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.

#### (iv) Company Secretaries

In compliance with Practice 1.4 of the New MCCG, the Board is supported by two (2) suitably qualified and competent Company Secretary as follows:-

- Ms. Chua Siew Chuan, FCIS
- Mr. Cheng Chia Ping, ACIS

Both the 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 CA 2016. Details of the qualifications and experience of the Company Secretaries are set out in Item 1.4 of the CG Report, available for viewing in The Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my).

For the FY2017, the Company Secretaries have attended the relevant continuous professional development programmes as required by MAICSA for practising company secretaries. Both the Company Secretaries possessed a valid Practising Certificate issued by MAICSA for FY2017.

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. Moreover, 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 CA 2016, Main LR of Bursa Securities and Capital Market and Services Act 2007;
- Facilitating and attending Board Meetings and Board Committee Meetings, respectively;
- Ensuring that Board Meetings and Board Committee Meetings, respectively are properly convened and the proceedings are properly recorded;
- Ensuring timely communication of the Board level decisions to the Management for further action;
- Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;
- Maintaining records for the purpose of meeting statutory obligations;
- Facilitating the payment of Directors' Fees to the Non-Executive Directors;
- Facilitating the 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 SC; and
- Rendering advice and support to the Board and Management.

For FY2017, the Board is satisfied with the performance and support rendered the Company Secretaries to the Board in discharging its functions.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### (v) Circulation of meeting materials

As a standing practice, the notice of the Board Meetings is served at least seven (7) days before each Board Meetings. In compliance with Practice 1.5 of the New MCCG as well as Board Charter of the Company, Board papers and agenda items are to be circulated in electronic form via e-mail at least seven (7) days prior to the Meetings to allow ample time for Directors to consider the relevant information.

Comprehensive meeting papers comprising background, matters arising, research, analysis, findings/updates, results, presentations, recommendations and any other relevant information are prepared and circulated in advance to enable the Board to make considerations, deliberations and decisions.

Minutes of the Board Meetings have been accurately recorded by the Company Secretaries to reflect the deliberations, in terms of the issues discussed, and the conclusions thereof in discharging its duties and responsibilities. The Minutes were then tabled at the next following Board Meeting for perusal and confirmation. Upon Directors' confirmation, the Chairman of the Board Meeting signs the minutes as a correct record of the proceedings and thereafter, the said minutes of all proceedings are kept in the statutory book at the registered office of the Company to be made available for inspection under the CA 2016.

#### Intended Outcome 2.0

There is a demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

#### (vi) Board Charter

In compliance with the New MCCG, the Board has adopted a Board Charter which governs how the Board conducts its affairs. The Board Charter is applicable to all Directors of the Company and, amongst other things, provides for 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;
- The Board Structure; and
- The Board Processes.

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

Consequent to the New MCCG and re-designation of Mr. Foo as Non-Executive Chairman, the Board Charter has been revised and updated by the Board on 19 March 2018.

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](http://www.ecsm.com.my).

#### Intended Outcome 3.0

The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The Board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### (vii) Code of Conduct

One of the key roles of the Board is to promote good business conduct which engenders integrity, transparency and fairness that permeates throughout The Group. Consequently, the Board has formalised the following Codes in compliance with Practice 3.1 of the New MCCG 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.

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

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

#### (c) Whistle-Blowing Policy

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

As guided by Guidance 3.2 of the New MCCG, 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 or stakeholders;

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

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

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

- Provide proper internal reporting channel to disclose any improper or unlawful conduct in accordance with the procedures as provided for under this policy;
- Address a disclosure in an appropriate and timely manner;
- Provide protection for the whistle-blower from reprisal as a direct consequence of making a disclosure and to safeguard such person's confidentiality; and
- Treat both the whistle-blower and the alleged wrongdoer fairly.

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

A copy of this Policy is available for viewing under the "Corporate Governance" section of The Group's corporate website at [www.ecsm.com.my](http://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/e-mail 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/Non-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 e-mail address: [hengchong.wong@gmail.com](mailto:hengchong.wong@gmail.com); or
- (2) Non-Executive Chairman**  
Mr. Foo Sen Chin at e-mail address: [scfoo@ecsm.com.my](mailto:scfoo@ecsm.com.my); or
- (3) Chief Executive Officer**  
Mr. Soong Jan Hsung at e-mail address: [jhsoong@ecsm.com.my](mailto:jhsoong@ecsm.com.my)

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

- (1) Head of Human Resources**  
Ms. Shirley Yee at e-mail address: [cyyee@ecsm.com.my](mailto:cyyee@ecsm.com.my); or
- (2) Chief Executive Officer**  
Mr. Soong Jan Hsung at e-mail address: [jhsoong@ecsm.com.my](mailto:jhsoong@ecsm.com.my)

For the FY2017 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition

#### Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

#### (i) **Board Composition**

For the FY2017, the Board of the Company consists of eight (8) members comprising two (2) Executive Directors and six (6) Non-Executive Directors, of whom four (4) are Independent and therefore the prescribed requirement for one third of the membership of the Board to be independent Board members is fulfilled. This also applies to Practice 4.1 of the MCCG where at least half of the Board comprises independent directors. 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 27 of this Annual Report.

Consequent to the re-designation of Mr. Foo as Non-Executive Chairman which took effect from 1 January 2018, the Board of the Company currently consists of eight (8) members comprising of one (1) Executive Director and seven (7) Non-Executives Directors, of whom four (4) are independent.

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

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

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

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

#### (ii) **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.

For FY2017 and up to the date of this Statement, the Board noted that none of its Board members have attained such tenure.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

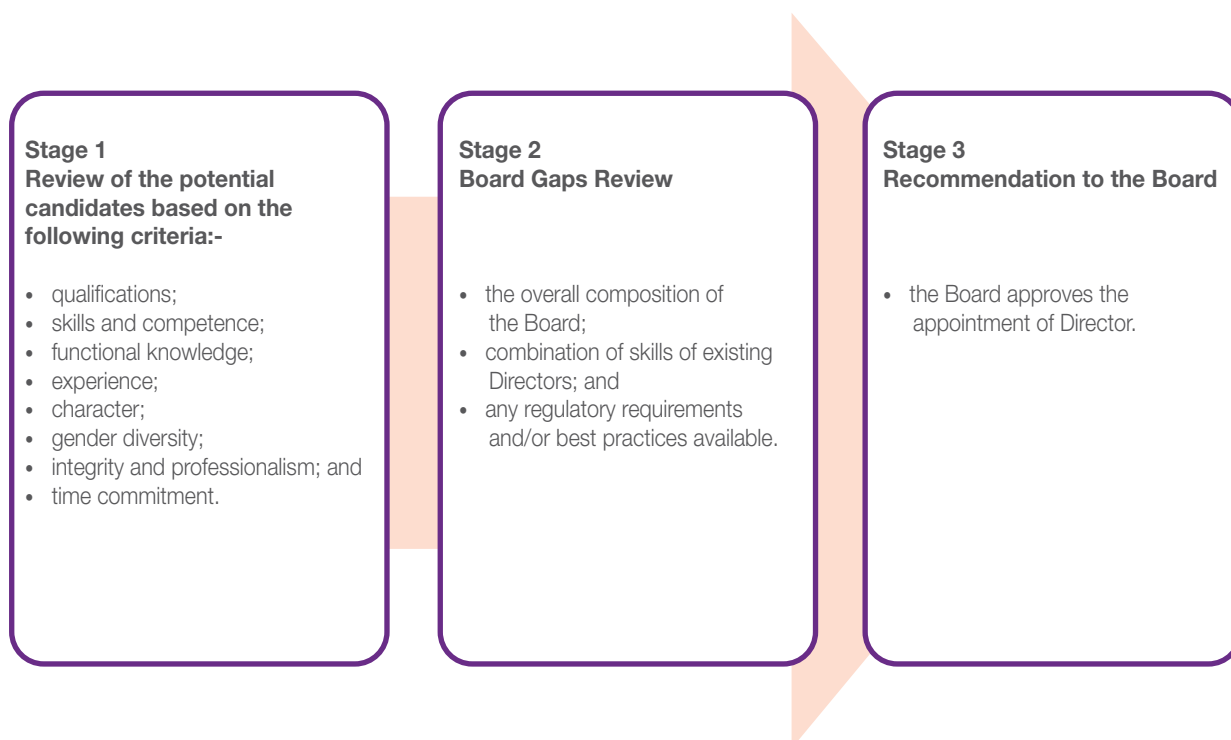
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## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

#### (iii) Appointment of the Board and Senior Management

A three-staged review process for the appointment of the Director is as follows:-



The appointment of Ms. Chow Ying Chi (“Ms. Chow”) as Non-Independent Non-Executive Director on 19 June 2017 followed the above process. She is nominated by VSTECS Holdings Limited, the ultimate major shareholder of the Company as their representative to the Board of the Company. Her nomination was recommended by the Nominating Committee to the Board, having reviewed the skillset, expertise and experience as well as The Group level insight that would be brought forward by Ms. Chow.

#### (iv) Board Diversity

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.

The Nominating Committee has taken into consideration the gender diversity issue prior to the appointment of Ms. Chow as Non-Independent Non-Executive Director on 19 June 2017.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

#### (iv) Board Diversity *cont'd*

##### **Gender Diversity**

For the FY2017 till to the date of this Statement, the Board currently consists of two (2) female directors who are as follows:-

- (a) 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; and
- (b) Ms. Chow has been appointed as a Non-Independent Non-Executive Director of the Company on 19 June 2017.

The Nominating Committee is guided by the Board Diversity Policy to review and assess the Board's composition and to consider the benefits that flow from diversity and to appoint candidates based on merit and without prejudice. The Nominating Committee has also undergone a three-staged review process by reviewing the potential candidates based on the particular criteria, Board Gaps Review and Recommendation to the Board.

In this regards, the percentage of Board's gender diversity for FY2017 has increased to 25% from 14% for FY2016.

##### **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.

##### **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 is 54 years of age; while Mr. Ong Wei Hiam and Ms. Chow, the Non-Independent Non-Executive Directors, are 46 and 49 years of age, respectively which underlines the Board's commitment to age diversity at the Board level appointment.

Consequent to the New MCCG, the Board Diversity Policy has been revised and updated by the Board on 19 March 2018.

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](http://www.ecsm.com.my).

#### (v) Nominating Committee

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

The Nominating Committee is governed by the Terms of Reference ("TOR") of the Nominating Committee. Consequent to the New MCCG, the TOR of Nominating Committee has been revised and updated by the Board on 19 March 2018. An updated copy of this TOR is available for reviewing under the "Corporate Governance" section of The Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my).



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

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

For the FY2017, the Nominating Committee comprises exclusively of Non-Executive Directors, the majority being Independent Non-Executive Directors, i.e. four (4) 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> )	4/4
Ahmad Subri Bin Abdullah ( <i>Member</i> )	4/4
Wong Heng Chong ( <i>Member</i> )	4/4
Ong Wei Hiam ( <i>Member</i> )	4/4
Tay Eng Hoe ( <i>Member</i> ) ( <i>appointed w.e.f. 10 August 2017</i> )	1/1

The Nominating Committee met four (4) times during the financial year under review for undertaking the following activities:-

- (a) Conducted the online assessment of the Board, the Committees of the Board and the contribution of the CEO and Executive Chairman;
- (b) Conducted the online assessment of the Audit Committee Member's Self and Peers;
- (c) Assessed the size and composition of the Board and Nominating Committee;
- (d) Reviewed the skills and competencies of the Board of Directors;
- (e) Reviewed the independence of the Independent Directors;
- (f) Reviewed the attendance of the Board Members at Board and Board Committees Meetings;
- (g) Reviewed the Directors' training programmes attended by the Board of Directors;
- (h) 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;
- (i) Reviewed the Services Agreement of the Executive Chairman and CEO;
- (j) Reviewed and recommended to the Board of the appointment of a new director; and
- (k) Presented the scope of duties and responsibilities of the Non-Executive Chairman and as an Advisor to the Management of the Company.

#### **Directors' Time Commitment**

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

For the FY2017, 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.

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 FY2017.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

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

##### **Directors' Time Commitment** *cont'd*

For the FY2017, the Board members achieved a 100% attendance at the Board Meetings held, notwithstanding that four (4) of its Board members were residing out of Malaysia. The attendance record of each Director at Board Meetings during the last financial year is as follows:-

Name of Directors	Attendance	Percentage 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%
Chow Ying Chi <i>(Appointed w.e.f. 19 June 2017)</i>	2 out of 2	100%

The Board will also meet on an ad-hoc basis to deliberate urgent issues and matters that require expeditious Board direction or approval. In the intervals between Board Meetings, any matters requiring urgent Board decisions and/or approval can be sought via directors' circular resolution(s) which are supported with all the relevant information and explanations required for an informed decision to be made. Directors' circular resolution(s) which were approved in the intervals between the Board Meetings, would be tabled to the next following Board Meeting for ratification.

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

In facilitating the schedule of the Directors, in particular the Directors whose principal place of residence 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.

##### **Protocol for acceptance of New Directorships**

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

For the FY2017, the Company received three (3) notifications from two (2) Directors.

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

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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

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

##### Directors' Training *cont'd*

All members of the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. The newly appointed Non-Independent Non-Executive Director, Ms. Chow had completed the Mandatory Accreditation Programme in September 2017, within the timeframe i.e. four (4) months from the date of appointment as prescribed by Bursa Securities.

For the FY2017, the Directors had participated in the following training programmes in addressing their own training needs (hereinafter referred to as the "2017 Directors' Trainings");-

Name of Directors	Description of Training Programmes
Foo Sen Chin	<ul style="list-style-type: none"> <li>Vistage CEO Tea Talk on cyber security and peer-to-peer financing</li> <li>Companies Act 2016</li> <li>PIKOM Leadership Summit 2017</li> <li>Malaysia 2017 ICT Market Trends and Updates</li> </ul>
Soong Jan Hsung	<ul style="list-style-type: none"> <li>Companies Act 2016</li> <li>Malaysia 2017 ICT Market Trends and Updates</li> </ul>
Tay Eng Hoe	<ul style="list-style-type: none"> <li>Companies Act 2016</li> <li>Malaysia 2017 ICT Market Trends and Updates</li> </ul>
Wong Heng Chong	<ul style="list-style-type: none"> <li>Companies Act 2016</li> <li>Malaysia 2017 ICT Market Trends and Updates</li> </ul>
Ahmad Subri Bin Abdullah	<ul style="list-style-type: none"> <li>Financial Institutions Directors' Education Programme</li> <li>Effective Internal Audit Function for Audit Committee</li> <li>Companies Act 2016</li> <li>Anti-Money Laundering Act Training</li> <li>Malaysia 2017 ICT Market Trends and Updates</li> <li>Capital Market Director Programme for Equities and Futures Broking</li> <li>Capital Market Director Programme for Fund Management</li> </ul>
Ho Chee Kit	<ul style="list-style-type: none"> <li>Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committee</li> <li>Companies Act 2016</li> <li>Malaysia 2017 ICT Market Trends and Updates</li> </ul>
Ong Wei Hiam	<ul style="list-style-type: none"> <li>Companies Act 2016</li> <li>Malaysia 2017 ICT Market Trends and Updates</li> </ul>
Chow Ying Chi	<ul style="list-style-type: none"> <li>Companies Act 2016</li> <li>Mandatory Accreditation Programme for Directors of Public Listed Companies</li> <li>Malaysia 2017 ICT Market Trends and Updates</li> </ul>

In addition, the Company Secretaries and 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 2017 Directors' Trainings were adequate.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

#### (2) Board Composition *cont'd*

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

##### **2018 Directors' Training**

Upon review of the training needs of the Directors for the financial year ending 31 December 2018 ("FY2018"), the Board has requested Management to arrange the courses in relation to the taxation topics to be organised as part of the Directors' continuing education programmes for the FY2018.

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

#### **Intended Outcome 5.0**

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

In compliance with Practice 5.1 of the New MCCG, on behalf of the Board, the Nominating Committee conducted the following assessments annually and subsequently reported the respective results to the Board for notation:-

##### (a) **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 FY2017, the Nominating Committee was satisfied with the performance of the individual Directors.

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

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

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

Based on the Evaluation conducted for the FY2017, the overall performances in four (4) areas have improved as compared to that of the financial year ended 31 December 2016 ("FY2016"). The Nominating Committee was therefore satisfied with the performance of the Board and Committees of the Board.

##### (c) **Evaluation on the contribution of the CEO**

The Nominating Committee conducted an evaluation on the contribution of the CEO for the FY2017 and was satisfied with the performance of the CEO.

##### (d) **Evaluation on the contribution of the Executive Chairman**

The Nominating Committee also conducted an evaluation on the contribution of the Executive Chairman for the FY2017 and was satisfied with the performance of the Executive Chairman.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

#### (vi) Annual Assessment of the Board *cont'd*

##### (e) 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 Paragraph 1.01 of the Main LR of Bursa Securities through the assistance of the Nominating Committee.

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

- Mr. Wong Heng Chong;
- Encik Ahmad Subri Bin Abdullah;
- Ms. Ho Chee Kit; and
- Mr. Tay Eng Hoe (*re-designated to Independent Director on 3 April 2017*).

Based on the outcome of the abovementioned assessments, the Board is satisfied with the level of independence demonstrated by the INEDs 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.

##### (f) Re-election/Re-appointment to the Board

###### (i) Re-election of Directors

All Directors are subject to election by shareholders at the first opportunity after their appointment in the next AGM. The Company's Articles of Association ensure that 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 and all Directors stand for re-election at least once in every three (3) years.

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

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

The Nominating Committee, as guided by the Directors' Assessment Policy, has undertaken a formal assessment of the Retiring Directors using the abovementioned criteria and was satisfied with the performance of the Retiring Directors.

Mr. Wong Heng Chong, as the Independent Director has been subject to the following further assessment:-

- 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 he has exercised his independent judgement and opinions in the Board and Board Committee Meetings, respectively.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

#### (vi) Annual Assessment of the Board *cont'd*

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

##### (i) Re-election of Directors *cont'd*

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

##### (ii) Re-appointment to the Board

Pursuant to Articles 109 of the Articles of Association of the Company, 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.

Ms. Chow has been appointed as Non-Independent Non-Executive Director on 19 June 2017. She is then required to retire at the forthcoming Twenty-Second AGM pursuant to the Articles 109 of the Articles of Association of the Company.

### (3) Remuneration

#### Intended Outcome 6.0

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

#### (i) Remuneration Committee

In compliance with Practice 6.2 of the New MCGG, the Board has established a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and senior management.

For FY2017, the Remuneration Committee comprises three (3) Non-Executive Directors and one (1) Executive Chairman during FY2017.

In view of the re-designation of Mr. Foo as Non-Executive Chairman with effect from 1 January 2018, the Remuneration Committee currently consists solely of Non-Executive Directors/Chairman and two (2) of them are Independent Directors, in compliance with Guidance 6.2 of the New MCGG.

The Remuneration Committee of the Company was formed to recommend to the Board the remuneration package of Executive Directors and Non-Executive Directors of the Company and its subsidiaries to attract, retain and motivate Directors. The membership of the Remuneration Committee is set out as follow:-

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (3) Remuneration *cont'd*

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

The remit of the Remuneration Committee is governed by the TOR of the Remuneration Committee. 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](http://www.ecsm.com.my).

The Remuneration Committee met twice during the FY2017, reviewed and recommended to the Board for approval the following matters:-

- (a) the bonus payments to Mr. Foo as Executive Chairman and Mr. Soong as CEO for year 2016;
- (b) the remuneration packages of the Executive Chairman and Executive Director/CEO for the financial year ended 31 December 2017 pursuant to the Directors' Remuneration Policy;
- (c) the bonus payment to the senior management team for year 2016;
- (d) the increments to the senior management team for year 2017;
- (e) the Directors' and Board Committee's fees for the financial year ended 31 December 2017;
- (f) deliberated on the payment of benefits payable to the Directors under Section 230(1)(b) of the Companies Act 2016; and
- (g) the remuneration package of the Non-Executive Chairman and Executive Director/CEO for the financial year ending 31 December 2018 pursuant to the Directors' Remuneration Policy.

#### (ii) 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 and subsequently revised and updated on 25 April 2016. This is also in compliance with Practice 6.1 of the New MCGG.

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 to ensure that the Directors and CEO are paid a remuneration commensurate with the responsibilities of their positions.

In view of the re-designation of Mr. Foo as Non-Executive Chairman and the expiry of service agreement of Mr. Soong as CEO, the remuneration package for Mr. Foo and Mr. Soong respectively were thereafter revised accordingly and reported to the Board for approval.

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

#### Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

#### (iii) Details of each individual director's remuneration for the FY2017

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.

In compliance with Practice 7.1 of the New MCGG, there is detailed disclosure on named basis for the remuneration of individual directors.

For the FY2017, the aggregate of remuneration received and receivable by the Executive Directors and Non-Executive Directors of the Company and The Group categorised into appropriate components are as follows:-

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (3) Remuneration *cont'd*

#### (iii) Details of each individual director's remuneration for the FY2017 *cont'd*

##### Received and receivable from the Company

Name of Director	Salaries RM'000	Fees RM'000	Meeting Allowance RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Executive Directors</b>					
Foo Sen Chin	-	66	-	-	66
Soong Jan Hsung	-	40	-	-	40
	-	106	-	-	106
<b>Non-Executive Directors</b>					
Ho Chee Kit	-	60	7	-	67
Tay Eng Hoe	-	42	3	-	45
Wong Heng Chong	-	57	7	-	64
Ahmad Subri Bin Abdullah	-	59	7	-	66
Ong Wei Hiam	-	57	8	-	65
Chow Ying Chi (Appointed w.e.f. 19 June 2017)	-	21	1	-	22
	-	296	33	-	329

##### Received and receivable on Group Basis

Name of Director	Salaries RM'000	Fees RM'000	Meeting Allowance RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Executive Directors</b>					
Foo Sen Chin	1,608	70	-	35	1,713
Soong Jan Hsung	1,662	44	-	24	1,730
	3,270	114	-	59	3,443
<b>Non-Executive Directors</b>					
Ho Chee Kit	-	60	7	-	67
Tay Eng Hoe	-	42	3	-	45
Wong Heng Chong	-	57	7	-	64
Ahmad Subri Bin Abdullah	-	59	7	-	66
Ong Wei Hiam	-	57	8	-	65
Chow Ying Chi (Appointed w.e.f. 19 June 2017)	-	21	1	-	22
	-	296	33	-	329

Note: Salaries include bonus and EPF

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (3) Remuneration *cont'd*

#### (iv) Top five (5) senior management's remuneration for the FY2017

Range	Senior Management
RM900,001 to RM950,000	1
RM550,001 to RM600,000	1
RM400,001 to RM450,000	1
RM350,001 to RM400,000	2

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Intended Outcome 8.0

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### (1) Audit Committee

The membership, a summary of the activities of the Audit Committee and Internal Audit Function and Activities are stated in the Report of the Audit Committee of this Annual Report on Pages 78 to 82.

As at the date of this Statement, the Chairman of the Audit Committee is Mr. Wong Heng Choong, an Independent Director while Mr. Foo is the Non-Independent Non-Executive Chairman of the Board.

In compliance with Practice 8.1 of the New MCCG which stipulates that Chairman of the Audit Committee is not the Chairman of the Board, the TOR of the AC has been updated accordingly.

#### ***No appointment of former key audit partners as Audit Committee/Board Member***

Practice 8.2 of the New MCCG requires the Audit Committee to have a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. The TOR of the Audit Committee has been updated accordingly in order for the AC to formalise such policy.

As a matter of practice, the Audit Committee has recommended to the Nominating Committee not to consider any key audit partner as a candidate for Board Directorship/Audit Committeeship to solidify the Audit Committee's stand on such Policy.

#### ***Assessment of Suitability, Objectivity and Independence of External Auditors***

In compliance with Practice 8.3 of the New MCCG, for the FY2017, 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:-

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

#### (1) Audit Committee *cont'd*

##### **Assessment of Suitability, Objectivity and Independence of External Auditors** *cont'd*

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 reserved by the Disciplinary Board of MIA;
- The External Auditors firm has the geographical coverage required to audit The Group;
- The External Auditors 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 Auditors 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 Auditors scope is adequate to cover the key financial and operational risks of The Group.

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 auditors.

The Audit Committee noted, for the FY2017, KPMG PLT, 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 2018. The Board has in turn recommended the same for shareholders' approval at the forthcoming Twenty-Second AGM of the Company.

During the FY2017, 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.

#### **Intended Outcome 9.0**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

#### (2) Risk Management and Internal Control Framework

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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

### (2) Risk Management and Internal Control Framework *cont'd*

In compliance with Practice 9.1 of the New MCCG, 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	Non-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
Li Chin Yeo	Member	Assistant General Manager
Tan Say Meng	Member	General Manager

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 74 to 77 of this Annual Report provides an overview of the state and features of risk management and internal controls within The Group, in compliance with Practice 9.2 of the New MCCG.

For the FY2017, 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](http://www.ecsm.com.my).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

### (2) Risk Management and Internal Control Framework *cont'd*

#### (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.

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](http://www.ecsm.com.my).

#### (iii) Related Party Transaction Policy

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

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

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

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

#### Intended Outcome 10.0

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

#### 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 FY2017, 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 2 November 2016, 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 2017, encompassing the following audit visits and timing:-

#### (a) First Visit (January – June 2017)

##### ECS Astar Sdn. Bhd.

- Utilisation of Marketing Fund and Marketing Claim
- Procurement including promotional items and receiving controls
- Accounts Payable Management



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## **PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT** *cont'd*

### **(2) Risk Management and Internal Control Framework** *cont'd*

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

##### **(a) First Visit (January – June 2017)** *cont'd*

###### **ECS ICT Group**

- Half-yearly Recurrent Related Party Transactions Review

##### **(b) Second Visit (July – December 2017)**

###### **ECS ICT Group**

- Review of Corporate Governance Compliance
- Usage of CRM System
- Warranty Claim Management
- Half-yearly Recurrent Related Party Transactions Review

The Audit Committee has resolved that the Outsourced Annual Audit Plan for the year 2017 be approved for adoption.

For the FY2017, 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 FY2017, the In-House Internal Auditors met up four (4) times with the Audit Committee.

At the Audit Committee Meeting held on 2 November 2016, the In-House Internal Audit Manager has presented to the Audit Committee the In-House Internal Audit Function's Audit Plan for year 2017 ("2017 Audit Plan"), encompassing the following key areas:-

- Claims approval procedures – First Quarter 2017
- Account receivable management – Second Quarter 2017
- Enterprise Resources Planning – sales billing management – Third Quarter 2017
- Enterprise Risk Management – Fourth Quarter 2017

The Audit Committee has subsequently approved the In-House Audit Plan for year 2017.

For the FY2017, 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 2017.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### (1) Communication with Stakeholders

#### Intended Outcome 11.0

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

In compliance with Practice 11.1 of the New MCCG, the Board ensures that there is effective, transparent and regular communication with its stakeholders through a variety of communication channels as follow:-

#### (a) Corporate Disclosures/Investor Relations

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 on 3 August 2016 adopted the Corporate Disclosure Policy which superseded the 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.

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

The Board has designated a limited number of spokespersons who responsible for communication with investment community, regulators and media.

#### Primary Spokespersons:-

- (i) Non-Executive Chairman
- (ii) Chief Executive Officer

The Company's Non-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.

#### (b) Analysts and media briefings

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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

### (1) Communication with Stakeholders *cont'd*

#### (b) Analysts and media briefings *cont'd*

The Company provides regular investor briefings with research analysts and fund managers, to promote clear and transparent communications to the investment community.

The Group has carried out the engagement activities during the FY2017 as set out below:-

<b>15 February 2017</b> Press Release on 4Q 2016 Results	<b>17 February 2017</b> Research Report 4Q 2016
<b>17 May 2017</b> 21st Annual General Meeting	
<b>19 May 2017</b> Press Release on 1Q 2017 Results	<b>22 May 2017</b> Research Report 1Q 2017
<b>11 August 2017</b> <ul style="list-style-type: none"> <li>• Press Release on 2Q 2017 Results</li> <li>• Research Report 2Q 2017</li> </ul>	
<b>3 November 2017</b> Press Release on 3Q 2017 Results	<b>6 November 2017</b> Research Report 3Q 2017

For the FY2017, the Company has held four (4) analysts briefing and issued four (4) press releases. The research reports and press releases are available for viewing under the "News" section of The Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my).

#### (c) Corporate Website

The Company's website at [www.ecsm.com.my](http://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 all the announcements made by the Company, Annual Reports, Summary of Key Matters Discussed at the AGM, Corporate Presentation for the Quarterly Financial Results and etc. 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.

The Company had published its summary of key matters discussed at the 21st AGM on its corporate website under the "Financial Information" section at [www.ecsm.com.my](http://www.ecsm.com.my) in complied with the Paragraph 9.21(2)(b) of the Main LR of Bursa Securities.

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

#### (2) Conduct of General Meetings

##### Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

##### (i) **Notice of Annual General Meeting**

In accordance with the Articles of Association of the Company, a notice to convene the Annual General Meeting is issued by the Board. Notice is given at least fourteen (14) days before the meeting or at least twenty one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. The notice is to be published in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to Bursa Securities.

The Board had on 25 April 2017, before the effective date of the New MCCG, issued its Notice of Twenty-First Annual General Meeting of the Company ("21st AGM"), at least twenty one (21) days before the date of the meeting i.e. 17 May 2017. The Notice clearly identified the directors seeking re-election, the auditors seeking re-appointment and the Notice of Dividend Entitlement.

##### (ii) **Attendance of Directors at General Meetings**

All Board members, save for Ms. Chow Ying Chi, attended the 21st AGM of the Company held on 17 May 2017 and provided responses to the shareholders on the key matters arose during the Meeting. Mr. Soong, the CEO had presented a short review of the Company's 2016 performance and key initiatives for 2017 to the shareholder on operations highlights, financial snapshot, growth strategies and investment highlights. In addition, Mr. Foo Lek Choong, the Chief Technology Officer of the Company had given a presentation on the Company's corporate website for the benefit of all who were present.

The Directors may call an Extraordinary General Meeting of the Company whenever necessary in compliance with the Companies Act 2016. There were no Extraordinary General Meeting held in year 2017.

##### (iii) **Poll Voting**

The Company had conducted the poll voting manually for all resolutions set out in the Notice of 21st AGM which the 21st AGM held on 17 May 2017. The Company has appointed an independent scrutineer to validate the votes cast at the 21st AGM. The poll results were announced by the Company to the Bursa Securities on the same day.

As guided by Guidance 12.3 of the New MCCG, the Board shall be adopting electronic voting for the forthcoming 22nd AGM scheduled to be held on 16 May 2018 to facilitate greater shareholders participation and to ensure quicker and efficient outcomes of the poll voting process.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## **KEY FOCUS AREAS AND FUTURE PRIORITIES**

Looking ahead to financial year ending 2018 and 2019, the Board and its respective committees will:-

- Focus on major strategic issues to ensure sustainability and growth;
- Continue to monitor succession planning for the senior leadership team, to ensure a healthy pipeline of talent is emerging for future senior executive management;
- Consider other variety of approaches and independent sources to identify suitable candidate for appointment of Directors, should the need arise; and
- Continue to review the balance, experience & skills of the Board.

## **CONCLUSION**

The Board is satisfied that, it complies substantially with the Practices of the MCCG 2012 and New MCCG, respectively in their application period. The CG Report which sets out the application of each Practice of New MCCG is available for viewing in The Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my).

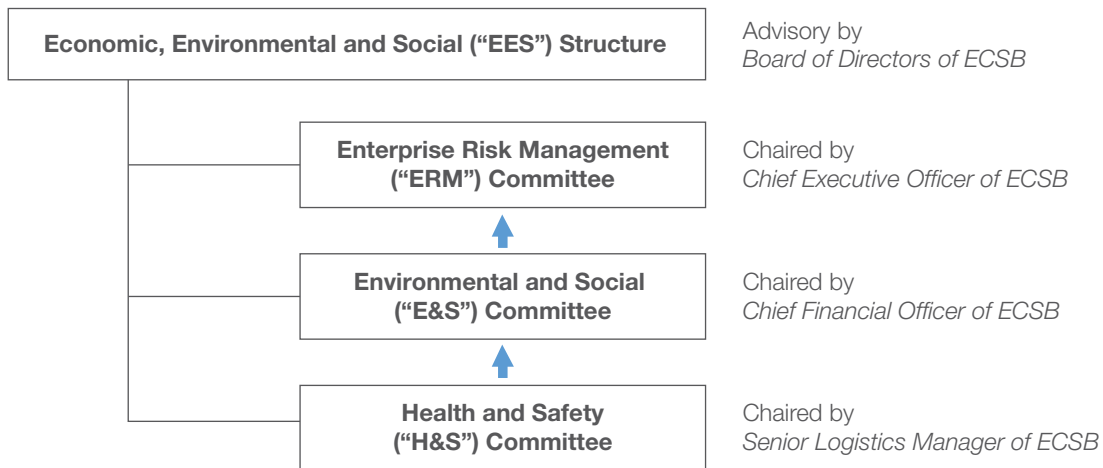
This Statement and the CG Report have been approved by the Directors in accordance with a Resolution of the Board of Directors passed on 19 March 2018.

## SUSTAINABILITY STATEMENT

ECSB recognises the importance of Corporate Sustainability made up of Economic, Environmental and Social (“EES”) risks and opportunities. The Group is committed with its adoption of EES practices in its management system and corporate strategy, which have been clearly demonstrated through various programmes implemented since 2012.

For 2017, we continued to practise these initiatives by conducting our activities and operations as a viable and sustainable commercial enterprise; always keeping in mind the best interests of our key stakeholders, from shareholders to customers, suppliers and employees. Furthermore as responsible corporate citizens, we strive to conduct our operational activities in a socially and environmentally responsible manner at all times.

At ECSB, sustainability is governed by the Board, which oversees the Enterprise Risk Management Committee (“ERM Committee”), Environmental and Social Committee (“E&S Committee”), and the Health and Safety Committee (“H&S Committee”), chaired by The Group’s Chief Executive Officer, Chief Financial Officer, and Senior Logistics Manager respectively.



### OUR SUSTAINABILITY PRACTICES

ECSB has been disclosing its sustainability practices in the form of the Corporate Responsibility Statement in our Annual Reports since 2012.

The identified sustainability matters pertinent to ECSB, and our ongoing sustainability practices to mitigate these matters are as follows:

#### 1. Economic Sustainability Matters

##### 1.1 Product Portfolio Management

We have currently more than 40 global leading principals within our ICT product portfolio. Our distribution portfolio of Consumer ICT products comprises of notebooks, PCs, smartphones, tablets, printers and supplies, software, drones and wearables. Our portfolio of Enterprise ICT products comprises of servers, network systems, data centre infrastructure equipment, enterprise software, cloud services as well as value-added ICT services for SI and corporate dealers.

We are constantly moving with the latest market trends to represent new products and develop new markets in order to maintain our market position as the leading ICT distributor in Malaysia.



# SUSTAINABILITY STATEMENT

cont'd

## OUR SUSTAINABILITY PRACTICES *cont'd*

### 1. Economic Sustainability Matters *cont'd*

#### 1.2 New Business Development

International Data Corporation (“IDC”) Malaysia has forecasted that the ICT industry will focus on the four pillars of technology for 2018, namely Cloud, Mobility, Social Media and Big Data Analytics, along with six innovation accelerators being Augmented and Virtual Reality (“VR”), Cognitive/Artificial Intelligence (“AI”) systems, Next Generation Security, IoT, 3D Printing and Robotics, collectively known as Industrial Revolution 4.0.

We believe that ECSB is well-positioned for growth within this upcoming trend as we are already distributing many related products, such as drones, VR goggles, servers, enterprise software and cloud services, as evidenced in our growing ICT product portfolio. We shall continue to look for more products in line with Industrial Revolution 4.0 to move up the value chain.

For 2018, ECSB will be focusing on two key areas to further grow The Group’s business, namely e-Commerce and the digital gaming (“e-Gaming”) market.

With strong support and endorsement from our vendors, we are currently managing 13 online brand-stores in partnership with our principals across leading e-Commerce platforms. Going forward, we aim to launch more online brand-stores in the coming months. We are also working closely with our vendors and e-Commerce partners to drive online marketing with promotions.

In addition, we have ventured into the e-Gaming space via our distribution of gaming notebooks. We look towards further expanding our product portfolio to include more gaming notebooks, PCs and accessories to expand our product offering.

#### 1.3 Competitive Advantages

The Group operates in a highly competitive ICT distribution industry with international and regional players. Therefore, it is imperative for The Group to strengthen its competitive advantages in order to maintain its market leadership position in the ICT value chain as a one-stop supplier to a nationwide channel of more than 6,600 resellers servicing a diverse customer base from consumers to corporate users.

Furthermore, our strong service team of over 40 industry-certified technical support personnel affirms competence in our implementation and value-added after sales service to support SI and enterprise resellers. This ultimately bolsters our enterprise products and value added service offerings.

We also provide various payment systems such as credit card terminal programme, trade-card programme and online corporate e-Payment interfaces to give a convenient and quick manner for our resellers to remit payment, which in turn also helps to improve collection as well as to reduce the credit exposure of the Company.

#### 1.4 Operations Infrastructure

ECSB practises effective inventory and logistics management to minimise inventory holding cost. This includes the use of business analytics tools to track and monitor inventory sell-through and overall market trends. We prioritise and practise timely delivery with same-day shipping to our retailers whenever possible.

We have a time tested distribution infrastructure, supported by an in-house integrated Enterprise Resource Planning (“ERP”) system that processes end-to-end transactions from the vendor to our channel partners in a single, coherent manner.

# SUSTAINABILITY STATEMENT

cont'd

## OUR SUSTAINABILITY PRACTICES *cont'd*

### 1. Economic Sustainability Matters *cont'd*

#### 1.4 Operations Infrastructure *cont'd*

To cater for the high volume of transactions in our nature of business, we operate an in-house ERP system that is designed on a high-availability platform architecture. Our ERP system infrastructure has multiple redundancies including an off-site remote location as a backup system for Business Continuity Management (“BCM”) requirements. Our main office location is also supported by multi-path Internet uplinks, thus ensuring that critical services such as e-mail, online payment gateways and the Business-to-Business (“B2B”) online portal is accessible at all times. ECSB maintains an up-to-date BCM plan that includes periodic testing of system switchovers, and remote location facilities as per the BCM requirements.

#### 1.5 Talent Management

ECSB exercises the principle of equal opportunities in hiring and rewards dedicated employees’ for their performance and merits. As at 28 February 2018, The Group employs a total of 360 employees, with a balanced male to female employee ratio of 51:49.

The workforce age ranges from 21 years to 60 years, with 76.3% within the age group of 21 to 40 years. The diversity in workforce ensures a healthy combination of young dynamic individuals and highly knowledgeable industry veterans to operate in this competitive ICT industry.

ECSB recognises the importance of continual investment in our employees to adequately raise their skill levels to commensurate with the ever-evolving ICT sector. Hence, The Group has implemented a Training and Development Programme for its employees.

During 2017, more than 300 of our employees attended training courses on vendors’ products and technical certifications, finance and accounting, statutory compliances, soft skill and health and safety. This ensures that both existing and new employees are equipped with the necessary knowledge and competencies to meet the job requirements while nurturing new talents and abilities.

### 2. Environmental Sustainability Matters

ECSB believes in having the moral and social responsibility in playing an active role to reduce its carbon footprint and contribute towards a greener environment.

#### 2.1 Paper & Packaging Materials Consumption

As a distribution company, by-products in the form of used packaging materials constitute the largest portion of our waste. In striving for minimal wastage on packaging materials, our warehouse practises a system of assessing materials such as paper, plastic and wooden pallets that can be either recycled or reused for repackaging and reshipment purposes. The recyclability breakdown is as below:

Total amount of materials recycled	
Paper	14,658 kg
Plastic	1,950 kg
Pallets (not reusable)	4,770 units

In line with recycling of packaging materials and supplies, we have also initiated two recycling events, in January and December of 2017, as part of our continued effort to promote the concept of “Reduce, Reuse and Recycle” and waste management to our employees.

Both recycling events were very successful as The Group collected 1100 kilogrammes of electronic devices, 309 kilogrammes of paper, 160 kilogrammes of clothing, 3 kilogrammes of metal, and 22 kilogrammes of plastic for recycling in 2017.

# SUSTAINABILITY STATEMENT

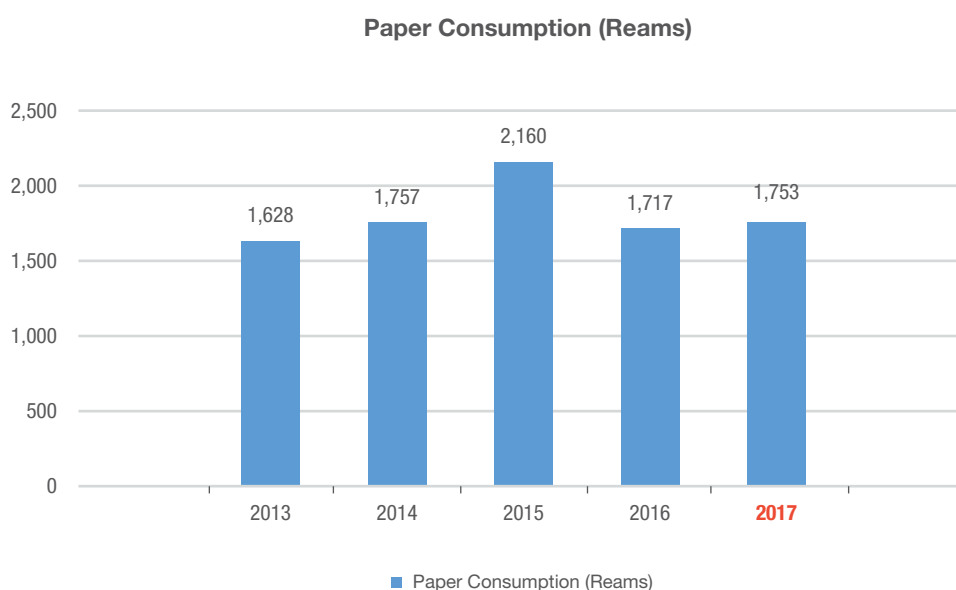
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## OUR SUSTAINABILITY PRACTICES *cont'd*

### 2. Environmental Sustainability Matters *cont'd*

#### 2.1 Paper & Packaging Materials Consumption *cont'd*

On the usage of office paper, we have managed to keep our paper consumption relatively unchanged throughout the period from 2013 to 2017, despite the implementation of GST in 2015 which called for more paper usage for record-keeping and compliance purposes. A decline in paper usage in 2016 onwards was due to concerted efforts to streamline paper usage and to adopt more e-documentation practices throughout the Company.



Nevertheless, we remain committed to our initiatives to ultimately reduce paper and material consumption throughout the office, such as:

- Transitioning of some of our operations to utilising digital systems. We currently practise paperless processes for employees' claims and leave application, and e-Statements for our customers;
- Paper conservation programme to manage paper consumption across all departments;
- Centralised printing – reduction of individual desktop printers throughout the office to manage and reduce printing tasks;
- Installation of hand dryers to manage paper roll wastage for all washrooms;
- Promote daily office recycling activity with recycling bins at strategic locations for effective waste management;
- Implement the use of food containers at the canteen that are in line with the green policy; and
- Encourage the use of washable food containers to reduce usage of disposable containers.

#### 2.2 Electricity Management

Our annual electricity consumption throughout the ECSB office has reduced by 23.7% from 1,051,388 kilowatt hour ("kWh") in 2013 to 802,304 kWh in 2017. The reduced electricity consumption is attributable to several initiatives that we have undertaken and practised throughout the office by the management and staff:

- Campaign to remind all management and staff to switch off the lighting, air-conditioning and/or other electrical appliances in the office and pantry when they are not required;
- Regular office and compound walks to check for maintenance and replacement of electrical equipment and lighting to maximise energy efficiency;
- Installation of timers to electrical appliances including air conditioners to manage electric consumption; and
- Installation of LED lights throughout the ECSB office and warehouse;

# SUSTAINABILITY STATEMENT

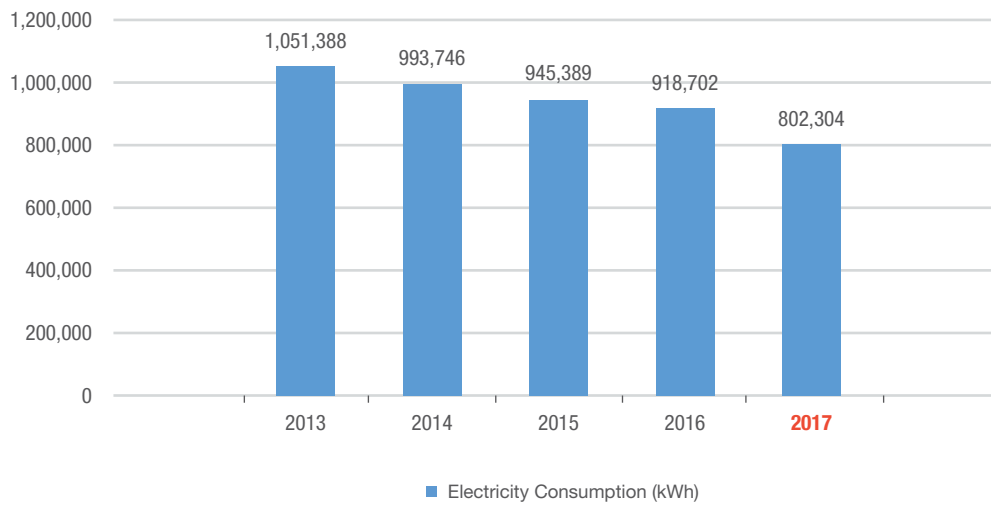
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## OUR SUSTAINABILITY PRACTICES *cont'd*

### 2. Environmental Sustainability Matters *cont'd*

#### 2.2 Electricity Management *cont'd*

**Electricity Consumption (kWh)**

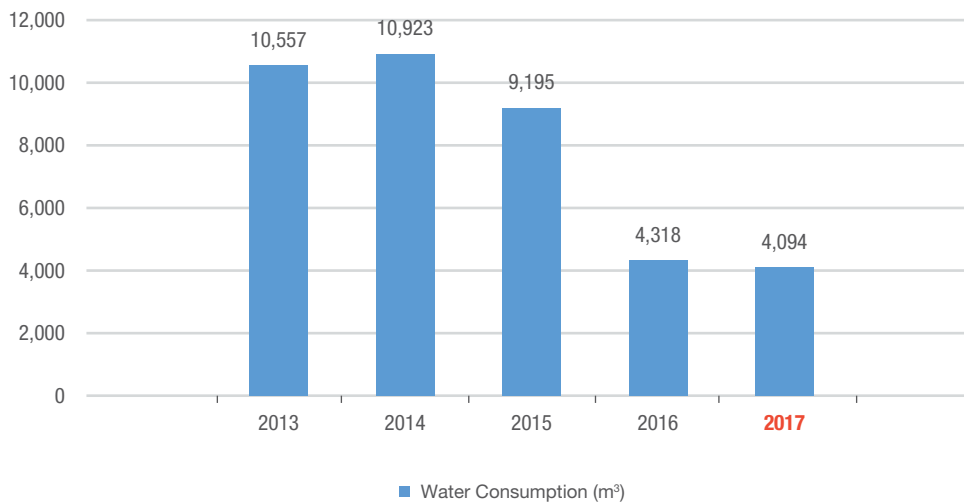


#### 2.3 Water Management

In 2017, we purchased a total water volume of 4,094m<sup>3</sup>, a significant 61.2% reduction as compared to 10,557m<sup>3</sup> of purchased water since we began tracking our water usage in 2013. The reduction in water consumption is mainly attributable to our water management initiatives, comprising;

- Regular maintenance of water taps and water pipes to prevent water leakage; and
- Replacement of rotary water taps to spring loaded water taps;

**Water Consumption (m<sup>3</sup>)**



# SUSTAINABILITY STATEMENT

cont'd

## OUR SUSTAINABILITY PRACTICES *cont'd*

### 3. Social Sustainability Matters

#### 3.1 Workplace

ECSB places the safety of our employees as an utmost priority to ensure that the workplace remains an incident-free and injury-free environment. One of our major sustainability elements is our Health and Safety Committee (“H&S Committee”).

Throughout the year, we have, together with our H&S Committee, carried out our annual activities such as scheduled quarterly office and compound walks to ensure workplace safety by minimising accidents and mitigating operation deficiency, bi-annual fire safety drills and risk awareness campaigns.

During our office and compound walks, we would review that all power extension cords are SIRIM approved, and also regularly inspect light switches and electrical power outlets to ensure workplace safety and to reduce risks of fire outbreak. We have organised Emergency Response Team (“ERT”) Training and First Aid Training for our H&S Committee. Subsequently, ECSB has 10 trained first aiders as at December 2017.

For the health and well-being of all our employees, the ECSB head office has a general-health checking facility, which allows employees to measure and monitor their weight, blood pressure and blood glucose readings anytime. In addition, The Group has brought in a team from a medical centre to provide a free basic health screening for all of our employees.

We conducted an optometric screening programme, which was offered to all ECSB staff to participate. We have also implemented a health reminder campaign to encourage more walking and less usage of the office lift, except for expectant mothers and the movement impaired. This is to encourage all members of ECSB to use the stairs and stay active throughout the workday.

#### 3.2 Community

To continuously emphasise the importance of education for our employees’ children, ECSB conducted its annual Employee Children Education Incentive Scheme for the fourth year running. The programme aims to motivate the young children to pursue good academic results in their education and assist the parents to encourage their children.

In response to the National Blood Bank’s need for blood donors, we continued our collaboration since 2012 for the annual blood donation drive held in our office. We are proud that this event was conducted successfully on 18 January 2017 with great support from 58 donors for this campaign in 2017.

Moving forward, we shall continue to develop our existing sustainability strategy and monitor closely each sustainability matter to ensure that we progressively deliver improvements.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors of ECS ICT Berhad (“ECSB”) is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2017, 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.

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

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

## JOINT VENTURE

ECSB has completed the acquisition in Enrich Platinum Sdn Bhd (“EP”) on 12 September 2017. EP is principally engaged in investment holding and the business of providing property management services. The Group’s risk management and internal control programme will be extended to this joint venture entity effective from 2018.



# 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 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.

The Group performed notification-tree exercises to test responses from employees on 31 August 2017 with regards to BCM and the results were satisfactory.

Further to that, The Group also performed an Enterprise Resource Planning (“ERP”) system failover test on 2 December 2017 to a pre-designated 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 audit plan.

Internal audit functions are executed by an outsourced independent professional firm and ECSB’s 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 control, including subsequent follow-up to determine the extent of their recommendations that have been implemented by the Management. Internal audit reports are submitted to the Audit Committee, who reviews the findings with Management at its quarterly meetings. The Management is responsible for ensuring that corrective actions to control weaknesses are implemented within a defined time frame. The status of implementation is monitored through follow-up audits which are also reported to the Audit Committee.

In addition, the deficiencies noted by the External Auditors’ and management’s responsiveness to the control recommendations on deficiencies noted during financial audits provide added assurance that control procedures on functions with financial impact are in place, and are being 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 defined terms of reference. These committees include the Audit Committee, Remuneration Committee and Nominating Committee which have been set up to assist the Board to perform its oversight functions. The committees have the authority to examine all matters within their scope and report to the Board their recommendations; and
- iii) Operational Committees have also been established with appropriate empowerment to ensure effective management and supervision of The Group’s core business operations. These committees include the Management Committee, Operation Committee, Credit Control Committee, Inventory Control Committee and Logistics Committee.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

## OTHER KEY ELEMENTS OF INTERNAL 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 are 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 continuous in-house training, job quality improvement, 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 ensures 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 the Audit and Assurance Practice Guide ("AAPG") 3, 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 financial year ended 31 December 2017, 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.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risk and controls, or to form an opinion on the adequacy and effectiveness of The Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

### CONCLUSION

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

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the Company's risk management and internal control systems is operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of The Group.

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

This Statement on Risk Management and Internal Control is made in accordance with the Resolution of the Board of Directors passed on 19 March 2018.

## 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 2017 ("FY2017").

### 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	Chairman	Independent Non-Executive Director	4 out of 4 meetings
Ho Chee Kit	Member	Senior Independent Non-Executive Director	4 out of 4 meetings
Ahmad Subri Bin Abdullah	Member	Independent Non-Executive Director	4 out of 4 meetings
Ong Wei Hiam	Member	Non-Independent Non-Executive Director	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 complied with the minimum requirement as set forth under Paragraph 15.09(1)(c) of the Main LR of Bursa Securities.

### 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 FY2017, the AC held four meetings as follows:-

No.	AC Meeting	Date of Meeting	Private session with External Auditors without Executive Board members and Management
(1)	30th AC Meeting	14 February 2017	√
(2)	31st AC Meeting	17 May 2017	
(3)	32nd AC Meeting	9 August 2017	
(4)	33rd AC Meeting	1 November 2017	√

For FY2017, 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 for "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 and the New Malaysian Code on Corporate Governance ("MCCG"), 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 on 19 March 2018.

The revised TOR of the AC is available under "Corporate Governance" section on the Company's website at [www.ecsm.com.my](http://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 FY2017:

### (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 statutory requirements.
- 2) Reviewed the significant assumptions made in preparing the financial statements, including accounting estimates that have been identified as having a high estimation of uncertainty. The following significant matters in relation to the preparation of unaudited quarterly financial results were identified by the AC for FY2017:-
  - a) Allowance for Doubtful Accounts;
  - b) Inventory Obsolescence;
  - c) Monitoring of Key Financial Liabilities; and
  - d) Fair Value Accounting Estimates.

### (b) Oversight of External Auditors

- 1) Reviewed with the External Auditors, KPMG PLT on the Audit Planning Memorandum covering their scope of works, audit methodology, audit plan as well as proposed fees for the statutory audit and thereafter recommended the same to the Board for approval;
- 2) Reviewed the External Auditors' Report for FY2017;
- 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 in which the minutes of those sessions were separately recorded;

## REPORT OF THE AUDIT COMMITTEE

cont'd

### ACTIVITIES OF THE AUDIT COMMITTEE *cont'd*

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

- 6) Reviewed the performance of the External Auditors for FY2017 before recommending to the Board their re-appointment at the forthcoming AGM in 2018; and
- 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 2018 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; and
  - Reviewed and was satisfied with the performance of the Internal Audit Manager for FY2017 using the adopted assessment form.
- 2) For the Outsourced Internal Auditors, the AC has carried out the following works:-
  - Reviewed the Internal Audit Annual Plan 2018 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; and
  - Reviewed and was satisfied with the performance of Baker Tilly for FY2017 using the adopted assessment form.
- 3) For the Internal Audit function:-
  - Reviewed the adequacy of scope, functions, competency, and resources of the internal audit function; and
  - Reviewed 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 was no conflict of situation that might arise within the Company or Group for the applicable period; and
- 2) Received additional assurance from the Outsourced Internal Auditors in the form of a 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 an 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 Heads 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 the ERM Framework.

The ERM Committee reviewed the overall risks assessment template with records of events and impact for year 2017 and proposed the change in risk ranking and risk assessment template due to the announcement from the Government in the establishment of a Digital Free Trade Zone in Malaysia and the possible impact on the local retail business.

## INTERNAL AUDIT FUNCTION AND ACTIVITIES

### Internal Audit Function

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

### Activities

- 1) During FY2017, the IAD and Outsourced Internal Auditors carried out audit assignments in accordance with the approved audit plan 2017 for The Group.
- 2) Both the IAD and Outsourced Internal Auditors have tabled their Audit Plan for 2018 to the AC for approval and the same has been recommended by the AC to the Board for notation.
- 3) 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:-
  - Reviewed the enterprise resources planning system management, sales order, claims approval procedures, stock take, cash collection and credit control presented by IAD; and
  - Baker Tilly presented their review report on fixed assets management, finance management and general accounting, information and communications technology infrastructure and support for first half year audit; and utilisation of marketing fund and marketing claim, procurement including promotional items and receiving controls and accounts payable management for second half year audit.

### Assessment on adequacy and performance

The AC has conducted an assessment to assess the adequacy and performance of the Outsourced Internal Auditors and IAD for FY2017 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.

## REPORT OF THE AUDIT COMMITTEE

cont'd

### INTERNAL AUDIT FUNCTION AND ACTIVITIES *cont'd*

#### Assessment on adequacy and performance *cont'd*

Upon evaluation, the AC concluded that the overall performance of the Outsourced Internal Auditors and IAD for FY2017 was "Satisfactory" and the AC was satisfied with the adequacy and performance of the Outsourced Internal Auditors and IAD during the financial year under review.

#### Resources

The IAD is headed by Mr. Ng Chee Mun, a Bachelor Degree holder in Accounting and an associate member of the Institute of Internal Auditors Malaysia and one (1) Assistant Manager.

Baker Tilly, the Outsourced Internal Auditors is headed by Mr. Kuan Yew Choong, a Chartered Accountant as the Engagement Director. He is assisted by 2 to 3 staff, depending on the auditable work scope, serving as the IA Engagement Team to the Company.

For FY2017, both the IAD personnel and the Baker Tilly Engagement Team personnel have affirmed to the AC that they were free from any relationships or conflicts of interest, which could impair their objectivity and independency.

#### Costs Incurred for FY2017

The total cost incurred for the internal audit function for FY2017 was RM229,097, segregated in the following manner:-

- 1) IAD - RM193,097 (FY2016: RM156,376)
- 2) Baker Tilly – RM36,000 (FY2016: RM37,200)

This Report of the Audit Committee is made in accordance with the Resolution of the Board of Directors passed on 19 March 2018.

## 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 2017, 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
<b>Audit services rendered</b>	230,000	96,000
<b>Non-audit services rendered</b>		
1) Report on Directors' Statement on Risk Management and Internal Control	10,000	10,000
2) Tax services provided by its local affiliates	31,650	6,300
<b>Total of Non-audit Fees</b>	<b>41,650</b>	<b>16,300</b>

### 4. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

Save as disclosed, 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 2017 or entered into since the end of the previous financial year:-

- (a) The Company had on 26 July 2017, entered into a Share Sale Agreement dated 26 July 2017 with Dato' Teo Chiang Quan, to acquire 1,000,000 ordinary shares in Enrich Platinum Sdn. Bhd. ("EPSB"), representing 50% of the total issued share capital of EPSB, for a total purchase consideration of RM12,170,000/- only ("Acquisition"). The Acquisition was completed on 12 September 2017. Therefore, EPSB becomes a 50%-owned joint venture company of the Company. The remaining 50% equity interest in EPSB is held by Mr. Foo Sen Chin.

### 5. DIRECTORS' TRAINING AND EDUCATION

The Directors attended numerous trainings during the financial year ended 31 December 2017 and the details of trainings are disclosed the Corporate Governance Overview Statement on Page 53 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 26 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 2017.

### 8. LIST OF PROPERTIES

The Group did not own any properties as at 31 December 2017.

## 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 2017:-

- 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 of the Company, which would enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016.

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 19 March 2018.

# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

for the year ended 31 December 2017

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 2017.

### 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.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

### RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	26,268	9,092

### 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 amount of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 31 December 2016 as reported in the Directors' Report of that year:
  - a single tier final dividend of 3.0 sen per ordinary share, totalling RM5,400,00 declared on 1 June 2017 and paid on 15 June 2017.
- ii) In respect of the financial year ended 31 December 2017:
  - a single tier interim dividend of 2.5 sen per ordinary share, totalling RM4,500,000 declared on 29 November 2017 and paid on 14 December 2017.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2017 is a single tier dividend of 2.5 sen per ordinary share, subject to the approval of the shareholders at the forthcoming annual general meeting.



# DIRECTORS' REPORT

for the year ended 31 December 2017  
cont'd

## DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Foo Sen Chin  
Soong Jan Hsung  
Tay Eng Hoe  
Wong Heng Chong  
Ahmad Subri bin Abdullah  
Ho Chee Kit  
Ong Wei Hiam  
Chow Ying Chi (appointed on 19 June 2017)

## DIRECTORS' INTERESTS IN SHARES

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			
	At 1.1.2017	Bought	Sold	At 31.12.2017
<b>Foo Sen Chin</b>				
<i>Own interest in the Company</i>				
- indirect	21,997,200	-	-	21,997,200
<b>Soong Jan Hsung</b>				
<i>Own interest in the Company</i>				
- direct	225,000	-	-	225,000
<b>Tay Eng Hoe</b>				
<i>Own interest in the Company</i>				
- direct	375,000	-	-	375,000
<b>Wong Heng Chong</b>				
<i>Own interest in the Company</i>				
- direct	225,000	-	-	225,000

None of the other Directors holding office at 31 December 2017 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 those fees and other benefits included in the aggregate amount of remuneration 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 substantial financial interests in companies which traded with certain companies in The Group in the ordinary course of business as disclosed in Note 8 and Note 26 to the financial statements.

## DIRECTORS' REPORT

for the year ended 31 December 2017  
cont'd

### **DIRECTORS' BENEFITS** *cont'd*

There were no arrangements during and at the end of the financial year which had the objective 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 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.

### **INDEMNITY AND INSURANCE COSTS**

During the financial year, the total amount of insurance effected for Directors and officers of the Company, together with its subsidiaries is RM2,000,000 with premium of RM8,702 a year. There was no indemnity given to the Directors, officers or auditors of the Company and its subsidiaries.

### **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.

## DIRECTORS' REPORT

for the year ended 31 December 2017  
cont'd

### **OTHER STATUTORY INFORMATION** *cont'd*

In the opinion of the Directors, the financial performance of The Group and of the Company for the financial year ended 31 December 2017 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.

### **SIGNIFICANT EVENT**

The significant event during the year is disclosed in Note 6 to the financial statements.

### **AUDITORS**

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

The auditors' remuneration is disclosed in Note 16 to the financial statements.

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

**Foo Sen Chin**  
Director

Petaling Jaya,

Date: 19 March 2018

**Soong Jan Hsung**  
Director

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
Plant and equipment	3	2,819	3,158	932	1,175
Intangible asset	4	571	571	-	-
Investments in subsidiaries	5	-	-	77,022	77,022
Investment in a joint venture	6	12,834	-	12,170	-
Investment in club membership		62	62	-	-
Deferred tax assets	14	808	1,385	-	-
Receivables and deposits	8	-	4,613	-	-
<b>Total non-current assets</b>		<b>17,094</b>	<b>9,789</b>	<b>90,124</b>	<b>78,197</b>
Inventories	7	122,980	113,447	-	-
Receivables and deposits	8	281,163	262,250	27,965	22,055
Prepayments		466	441	139	106
Derivative financial assets	9	-	2,339	-	-
Cash and cash equivalents	10	50,526	110,215	659	19,544
<b>Total current assets</b>		<b>455,135</b>	<b>488,692</b>	<b>28,763</b>	<b>41,705</b>
<b>Total assets</b>		<b>472,229</b>	<b>498,481</b>	<b>118,887</b>	<b>119,902</b>
<b>Equity</b>					
Share capital	11	90,000	90,000	90,000	90,000
Reserves	12	182,492	166,124	27,893	28,701
<b>Total equity attributable to owners of the Company</b>		<b>272,492</b>	<b>256,124</b>	<b>117,893</b>	<b>118,701</b>
<b>Liabilities</b>					
Deferred tax liabilities	14	-	-	95	90
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>95</b>	<b>90</b>
Payables and accruals	13	196,536	240,639	775	972
Derivative financial liabilities	9	2,098	-	-	-
Tax payable		1,103	1,718	124	139
<b>Total current liabilities</b>		<b>199,737</b>	<b>242,357</b>	<b>899</b>	<b>1,111</b>
<b>Total liabilities</b>		<b>199,737</b>	<b>242,357</b>	<b>994</b>	<b>1,201</b>
<b>Total equity and liabilities</b>		<b>472,229</b>	<b>498,481</b>	<b>118,887</b>	<b>119,902</b>

The notes on pages 95 to 135 are an integral part of these financial statements.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Revenue</b>	15	<b>1,855,030</b>	1,823,383	<b>11,119</b>	12,605
Cost of sales		<b>(1,767,560)</b>	(1,730,774)	-	-
<b>Gross profit</b>		<b>87,470</b>	92,609	<b>11,119</b>	12,605
Other income		<b>1,354</b>	2,671	-	-
Distribution expenses		<b>(34,276)</b>	(34,069)	-	-
Administrative expenses		<b>(21,705)</b>	(22,134)	<b>(3,207)</b>	(2,983)
<b>Results from operating activities</b>	16	<b>32,843</b>	39,077	<b>7,912</b>	9,622
Finance income	17	<b>2,136</b>	2,077	<b>1,646</b>	1,745
Finance costs	18	-	(783)	-	-
Net finance income		<b>2,136</b>	1,294	<b>1,646</b>	1,745
Share of profit of equity accounted joint venture, net of tax		<b>664</b>	-	-	-
<b>Profit before tax</b>		<b>35,643</b>	40,371	<b>9,558</b>	11,367
Tax expense	20	<b>(9,375)</b>	(10,229)	<b>(466)</b>	(569)
<b>Profit for the year/Total comprehensive income for the year attributable to owners of the Company</b>		<b>26,268</b>	30,142	<b>9,092</b>	10,798
<b>Earnings per share attributable to owners of the Company:</b>					
Basic (sen)	21	<b>14.6</b>	16.7		

The notes on pages 95 to 135 are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017

	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	
<b>Group</b>					
<b>At 1 January 2016</b>		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	22	-	-	(10,800)	(10,800)
<b>At 31 December 2016/1 January 2017</b>		90,000	-	166,124	256,124
Profit for the year/Total comprehensive income for the year		-	-	26,268	26,268
Dividends to owners of the Company	22	-	-	(9,900)	(9,900)
<b>At 31 December 2017</b>		<b>90,000</b>	<b>-</b>	<b>182,492</b>	<b>272,492</b>
		Note 11			
<b>Company</b>					
<b>At 1 January 2016</b>		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	22	-	-	(10,800)	(10,800)
<b>At 31 December 2016/1 January 2017</b>		90,000	22,961	5,740	118,701
Profit for the year/Total comprehensive income for the year		-	-	9,092	9,092
Dividends to owners of the Company	22	-	-	(9,900)	(9,900)
<b>At 31 December 2017</b>		<b>90,000</b>	<b>22,961</b>	<b>4,932</b>	<b>117,893</b>
		Note 11	Note 12.1		

The notes on pages 95 to 135 are an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	35,643	40,371	9,558	11,367
Adjustments for:				
Depreciation of plant and equipment	1,324	1,493	399	339
Gain on disposal of plant and equipment	(107)	(2)	-	-
(Gain)/Loss on foreign exchange				
- Unrealised	(5,027)	2,199	-	-
Finance costs	-	783	-	-
Finance income	(2,136)	(2,077)	(1,646)	(1,745)
Dividend income	-	-	(9,300)	(10,100)
Plant and equipment written off	1	6	-	-
Fair value changes on financial instruments	4,437	(2,370)	-	-
Share of profit of equity-accounted joint venture, net of tax	(664)	-	-	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>33,471</b>	<b>40,403</b>	<b>(989)</b>	<b>(139)</b>
Changes in working capital:				
Inventories	(9,533)	(2,612)	-	-
Receivables, deposits and prepayments	(13,857)	(70,803)	(73)	(30)
Payables and accruals	(39,076)	48,573	(38)	122
<b>Cash (used in)/generated from operations</b>	<b>(28,995)</b>	<b>15,561</b>	<b>(1,100)</b>	<b>(47)</b>
Tax paid	(9,413)	(11,518)	(476)	(522)
<b>Net cash (used in)/generated from operating activities</b>	<b>(38,408)</b>	<b>4,043</b>	<b>(1,576)</b>	<b>(569)</b>
<b>Cash flows from investing activities</b>				
Acquisition of joint venture company	(12,170)	-	(12,170)	-
Acquisition of plant and equipment	(1,016)	(1,248)	(156)	(294)
Proceeds from disposal of plant and equipment	137	6	-	-
Dividends received	-	-	9,300	10,100
<b>Net cash (used in)/generated from investing activities</b>	<b>(13,049)</b>	<b>(1,242)</b>	<b>(3,026)</b>	<b>9,806</b>

## STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

cont'd

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from financing activities</b>				
Advances to subsidiaries	-	-	(6,029)	(12,604)
Interest paid	-	(1)	-	-
Interest received	1,668	1,978	1,646	1,745
Dividends paid to owners of the Company	(9,900)	(10,800)	(9,900)	(10,800)
<b>Net cash used in financing activities</b>	<b>(8,232)</b>	<b>(8,823)</b>	<b>(14,283)</b>	<b>(21,659)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(59,689)</b>	<b>(6,022)</b>	<b>(18,885)</b>	<b>(12,422)</b>
Cash and cash equivalents at 1 January	110,215	116,237	19,544	31,966
<b>Cash and cash equivalents at 31 December</b>	<b>50,526</b>	<b>110,215</b>	<b>659</b>	<b>19,544</b>

### Cash and cash equivalents

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

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	10	21,681	38,815	445	105
Deposits with licensed banks	10	28,273	70,842	214	19,439
Liquid investments	10	572	558	-	-
		<b>50,526</b>	<b>110,215</b>	<b>659</b>	<b>19,544</b>

The notes on pages 95 to 135 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 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and The Group’s Interest in a joint venture. The financial statements of the Company as at and for the financial year ended 31 December 2017 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 19 March 2018.

## **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 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards 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 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\**

# 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 2019***

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*\*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*\*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts*

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

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- 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 those marked with “\*\*” which are not applicable to The Group and the Company.
- from the annual period beginning on 1 January 2019 for the accounting standard, amendments and interpretation that is effective for annual periods beginning on or after 1 January 2019, except for those marked with “\*\*” which are not applicable to The Group and the Company.

The accounting standard that is effective for annual periods beginning on or after 1 January 2021 is not applicable to The Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of The Group and of 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*.

The Group's revenue and cost of sales will not have significant impact upon the adoption of MFRS 15. There is no material impact to profit for the year for The Group and the Company.

# 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.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9 and do not expect to have material impact to The Group and the Company.

#### (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 and the Company are currently assessing the financial impact that may arise from the adoption of 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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

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

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) Joint arrangements

Joint arrangements are arrangements of which The Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when The Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when The Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture 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.



# NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

#### (iv) 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.

#### (v) 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.

#### (vi) 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

### (e) Leased assets *cont'd*

#### Operating leases *cont'd*

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

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

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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

### (j) Equity instruments *cont'd*

#### (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.

### (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.



## NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

#### (m) Revenue and other income *cont'd*

##### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

### (o) **Income tax** *cont'd*

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.

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

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 3. PLANT AND EQUIPMENT

	Office equipment RM'000	Office renovation RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Total RM'000
<b>Group</b>					
<b>Cost</b>					
At 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/ 1 January 2017	11,085	306	1,954	2,532	15,877
Additions	515	147	328	26	1,016
Disposals	(181)	-	(319)	-	(500)
Written off	(74)	-	-	-	(74)
At 31 December 2017	<b>11,345</b>	<b>453</b>	<b>1,963</b>	<b>2,558</b>	<b>16,319</b>
<b>Accumulated depreciation</b>					
At 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/ 1 January 2017	8,796	234	1,812	1,877	12,719
Depreciation for the year	897	30	184	213	1,323
Disposals	(151)	-	(319)	-	(469)
Written off	(73)	-	-	-	(73)
At 31 December 2017	<b>9,469</b>	<b>264</b>	<b>1,677</b>	<b>2,090</b>	<b>13,500</b>
<b>Carrying amounts</b>					
At 1 January 2016	2,733	66	378	236	3,413
At 31 December 2016/ 1 January 2017	2,289	72	142	655	3,158
At 31 December 2017	<b>1,876</b>	<b>189</b>	<b>286</b>	<b>468</b>	<b>2,819</b>

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 3. PLANT AND EQUIPMENT *cont'd*

	<b>Office equipment RM'000</b>
<b>Company</b>	
<b>Cost</b>	
At 1 January 2016	1,800
Additions	294
At 31 December 2016/1 January 2017	2,094
Additions	156
At 31 December 2017	<b>2,250</b>
<b>Accumulated depreciation</b>	
At 1 January 2016	580
Depreciation for the year	339
At 31 December 2016/1 January 2017	919
Depreciation for the year	399
At 31 December 2017	<b>1,318</b>
<b>Carrying amounts</b>	
At 1 January 2016	1,220
At 31 December 2016/1 January 2017	1,175
At 31 December 2017	<b>932</b>

### 4. INTANGIBLE ASSET

#### Goodwill

		<b>Group</b>	
	<b>Note</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
At 1 January/31 December	4.1	<b>571</b>	571

#### 4.1 Impairment testing for cash-generating units containing goodwill

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

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

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

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

Cash flows were projected based on past experience, actual operating results and one-year business plan in current year. Cash flows for the one-year period were projected using a constant growth rate of 6% (2016: 8%), 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% (2016: 5.5%).

### 5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
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	
			2017 %	2016 %
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. INVESTMENT IN A JOINT VENTURE

On 26 July 2017, the Company entered into a Share Sale Agreement with Dato' Teo Chiang Quan to acquire 1,000,000 ordinary shares in Enrich Platinum Sdn. Bhd. ("EP"), representing 50% of the total issued share capital of EP, for a total purchase consideration of RM12,170,000.

With the completion of the above Share Sale Agreement on 12 September 2017, EP became a 50% owned joint venture company. EP is not audited by member firms of KPMG International.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost				
Unquoted shares	12,170	-	12,170	-
Share of post-acquisition reserves	664	-	-	-
	<b>12,834</b>	-	<b>12,170</b>	-

EP, the only joint venture in which The Group participates, is principally engaged in investment holding and business of providing property management services.

The following table summarises the financial information of EP, as adjusted for any differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of The Group's interest in EP, which is accounted for using the equity method.

	Group	
	2017 RM'000	2016 RM'000
Percentage of ownership interest	50%	-
Percentage of voting interest	50%	-
<b>Summarised financial information</b>		
Non-current assets	29,000	-
Current assets	135	-
Non-current liabilities	(1,595)	-
Current liabilities	(1,872)	-
Net Assets	<b>25,668</b>	-
<b>From 12 September 2017 to 31 December 2017</b>		
Profit for the period and total comprehensive income	374	-
<b>Included in the total comprehensive income are:</b>		
Revenue	557	-
Interest expense	(22)	-
Income tax expense	(116)	-
<b>Reconciliation of net assets to carrying amount as at 31 December</b>		
Group's share of net assets	<b>12,834</b>	-
<b>Group's share of results for period ended 31 December</b>	<b>664</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 6. INVESTMENT IN A JOINT VENTURE *cont'd*

The measurement to fair value of The Group's interest in the joint venture resulted in a gain of RM477,000 (RM12,647,000 less cost of investment of joint venture at acquisition date of RM12,170,000) which has been recognised in share of profit of equity accounted joint venture, net of tax in the consolidated statement of profit and loss and other comprehensive income.

## 7. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Finished goods	121,246	110,514
Goods-in-transit	1,734	2,933
	<b>122,980</b>	113,447
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,792,018	1,752,622
Write-down to net realisable value	207	1,844
Reversal of write-down	(59)	-

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

## 8. RECEIVABLES AND DEPOSITS

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Trade</b>					
<b>Non-current</b>					
Receivable	8.1	-	4,613	-	-
<b>Current</b>					
Receivables		268,158	254,061	-	-
Less: Impairment loss	8.2	(598)	(915)	-	-
		<b>267,560</b>	253,146	-	-
Amount due from subsidiaries	8.3	-	-	604	405
		<b>267,560</b>	253,146	<b>604</b>	405
<b>Non-trade</b>					
Other receivables		11,767	7,612	18	-
Deposits	8.4	1,836	1,492	30	8
Amount due from subsidiaries	8.5	-	-	27,313	21,642
		<b>13,603</b>	9,104	<b>27,361</b>	21,650
		<b>281,163</b>	262,250	<b>27,965</b>	22,055



## NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

#### 8.1 Non-current trade receivable

During the year, the amount owing by non-current trade receivable which is unsecured and non-interest bearing has been classified under current trade receivables with repayment in 2018, which is less than 12 months.

#### 8.2 Impairment loss

During the year, trade receivables amounting to RM33,000 (2016: RM595,000) was written off against the impairment loss.

#### 8.3 Amount due from subsidiaries (Trade)

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

#### 8.4 Deposits

Included in deposits of The Group is an amount of RM960,000 (2016: RM960,000) paid as rental security deposits to a company in which a director has substantial interests.

#### 8.5 Amount due from subsidiaries (Non-trade)

Included in the amount due from subsidiaries is a non-trade short-term loan of RM27,300,000 (2016: RM21,600,000) which is unsecured, bears interest at 5.5% (2016: 5.5%) per annum and repayable on demand.

### 9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

	2017			2016		
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
Forward exchange contracts	88,480	-	2,098	116,416	2,339	-

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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	21,681	38,815	445	105
Deposits with licensed banks	28,273	70,842	214	19,439
Liquid investment*	572	558	-	-
	<b>50,526</b>	110,215	<b>659</b>	19,544

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

## 11. SHARE CAPITAL

	Group and Company			
	Amount	Number of shares	Amount	Number of shares
	2017 RM'000	2017 '000	2016 RM'000	2016 '000
Authorised:				
Ordinary shares	-	-	500,000	1,000,000
Issued and fully paid:				
Ordinary shares	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.

The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

## 12. RESERVES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Merger reserves	12.1	-	-	22,961	22,961
Retained earnings		182,492	166,124	4,932	5,740
		<b>182,492</b>	166,124	<b>27,893</b>	28,701

### 12.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 13. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Trade</b>					
Trade payables		152,547	195,297	-	-
Deferred revenue		153	112	-	-
Amount due to subsidiaries		-	-	10	17
		<b>152,700</b>	195,409	<b>10</b>	17
<b>Non-trade</b>					
Other payables and accrued expenses	13.1	43,836	45,230	764	802
Amount due to subsidiaries	13.2	-	-	1	153
		<b>43,836</b>	45,230	<b>765</b>	955
		<b>196,536</b>	240,639	<b>775</b>	972

#### 13.1 Other payables and accrued expenses

Included in other payables and accrued expenses of The Group is accrual for advertisement and promotion amounting to RM16,993,000 (2016: RM20,082,000).

#### 13.2 Amount due to subsidiaries (Non-trade)

The amount due to subsidiaries is unsecured, non-interest bearing and are repayable on demand.

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

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

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Group</b>						
Plant and equipment	40	86	(240)	(260)	(200)	(174)
Provisions	1,150	1,600	-	-	1,150	1,600
Other items	-	(41)	(142)	-	(142)	(41)
Tax assets/(liabilities)	1,190	1,645	(382)	(260)	808	1,385
Set off of tax	(382)	(260)	382	260	-	-
Net tax assets	<b>808</b>	1,385	-	-	<b>808</b>	1,385

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

#### Recognised deferred tax assets/(liabilities) *cont'd*

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Company</b>						
Plant and equipment	-	-	(118)	(122)	(118)	(122)
Provisions	23	32	-	-	23	32
Tax assets/(liabilities)	23	32	(118)	(122)	(95)	(90)
Set off of tax	(23)	(32)	23	32	-	-
Net taxliabilities	-	-	(95)	(90)	(95)	(90)

#### Movement in temporary differences during the year

	At	Recognised	At	Recognised	At
	1.1.2016	in profit	31.12.2016/ 1.1.2017	in profit	31.12.2017
	RM'000	or loss (Note 20)	RM'000	or loss (Note 20)	RM'000
<b>Group</b>					
Plant and equipment	(187)	13	(174)	(26)	(200)
Provisions	1,709	(109)	1,600	(450)	1,150
Other items	154	(195)	(41)	(101)	(142)
	1,676	(291)	1,385	(577)	808
<b>Company</b>					
Plant and equipment	(87)	(35)	(122)	4	(118)
Provisions	34	(2)	32	(9)	23
	(53)	(37)	(90)	(5)	(95)

### 15. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Sale of goods	1,853,735	1,821,937	-	-
Services	1,295	1,446	1,225	1,008
Rental income from subsidiaries	-	-	594	1,497
Dividend income from subsidiaries	-	-	9,300	10,100
	1,855,030	1,823,383	11,119	12,605

## NOTES TO THE FINANCIAL STATEMENTS

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### 16. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Results from operating activities are arrived at after charging:</b>				
Auditors' remuneration				
- Audit fees				
KPMG in Malaysia	230	193	96	63
- Non-audit fees				
KPMG in Malaysia	10	12	10	12
Local affiliates of KPMG in Malaysia	31	31	6	6
Depreciation of plant and equipment	1,324	1,493	399	339
Personnel expenses (including key management personnel):				
- Contributions to state plans	2,787	2,713	93	89
- Wages, salaries and others	33,309	34,361	933	923
Inventories written down	207	1,844	-	-
Plant and equipment written off	1	6	-	-
Rental expense:				
- Office rental	1,486	1,488	18	18
- Warehouse rental	640	640	-	-
Fair value loss on financial instruments	4,437	-	-	-
Loss on foreign exchange (net):				
- Realised	-	-	1	2
- Unrealised	-	2,199	-	-
<b>and after crediting:</b>				
Dividend income from subsidiaries (unquoted)	-	-	9,300	10,100
Rental income	-	-	594	1,497
Gain on foreign exchange (net):				
- Realised	641	1,798	-	-
- Unrealised	5,027	-	-	-
Gain on disposal of plant and equipment	107	2	-	-
Bad debts recovered	11	706	-	-
Fair value gain on financial instruments	-	2,370	-	-
Reversal of impairment loss on trade receivables	230	504	-	-
Reversal of write-down of inventories	59	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. FINANCE INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income of financial assets at fair value through profit or loss	468	99	-	-
Interest income of financial assets that are not at fair value through profit or loss:				
- Recognised before impairment	1,668	1,978	1,646	1,745
	<b>2,136</b>	<b>2,077</b>	<b>1,646</b>	<b>1,745</b>

## 18. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 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	-	-
	-	783	-	-

## 19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Directors</b>				
- Fees	414	392	402	380
- Remuneration	4,775	4,985	33	27
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	83	85	-	-
	<b>5,272</b>	<b>5,462</b>	<b>435</b>	<b>407</b>
<b>Other key management personnel</b>				
- Remuneration	1,360	1,056	247	235
- Contributions to state plans	235	195	37	35
- Other short-term employee benefits	687	641	70	68
	<b>2,282</b>	<b>1,892</b>	<b>354</b>	<b>338</b>
	<b>7,554</b>	<b>7,354</b>	<b>789</b>	<b>745</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 20. TAX EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current tax expense</b>				
- Current year	8,562	10,161	485	560
- Under/(Over) provision in prior year	236	(223)	(24)	(28)
	<b>8,798</b>	9,938	<b>461</b>	532
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	591	45	(34)	(29)
- (Over)/Under provision in prior year	(14)	246	39	66
	<b>577</b>	291	<b>5</b>	37
	<b>9,375</b>	10,229	<b>466</b>	569
<b>Reconciliation of tax expense</b>				
Profit for the year	26,268	30,142	9,092	10,798
Tax expense	9,375	10,229	466	569
Profit excluding tax	<b>35,643</b>	40,371	<b>9,558</b>	11,367
Tax at Malaysian tax rate of 24% (2016: 24%)	8,554	9,689	2,294	2,728
Non-deductible expenses	938	760	474	414
Non-taxable income	(294)	(301)	(2,317)	(2,607)
Tax effect on share of results of joint venture	(45)	-	-	-
Effect on changes in income tax rate	-	58	-	(4)
	<b>9,153</b>	10,206	<b>451</b>	531
Under/(Over) provision of tax expense in prior year	236	(223)	(24)	(28)
(Over)/Under provision of deferred tax expense in prior year	(14)	246	39	66
	<b>9,375</b>	10,229	<b>466</b>	569



## NOTES TO THE FINANCIAL STATEMENTS

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### 21. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share ("EPS") at 31 December 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2017 RM'000	2016 RM'000
Profit attributable to owners of the Company	26,268	30,142
	'000	'000
Weighted average number of ordinary shares at 31 December	180,000	180,000
Basic earnings per ordinary share (sen)	14.6	16.7

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

### 22. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2017</b>			
Final 2016 ordinary - single tier	3.0	5,400	15 June 2017
Interim 2017 ordinary - single tier	2.5	4,500	14 December 2017
Total		9,900	
<b>2016</b>			
Final 2016 ordinary - single tier	3.0	5,400	15 June 2016
Interim 2017 ordinary - single tier	3.0	5,400	14 December 2016
Total		10,800	

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 2017 ordinary - single tier	2.5	4,500

# NOTES TO THE FINANCIAL STATEMENTS

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## 23. OPERATING SEGMENTS

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

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

Other non-reportable segments comprise management services and investment holding. None of these segments met the quantitative thresholds for reporting segments in 2017 and 2016.

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

### Segment assets

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

### Segment liabilities

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

### Segment capital expenditure

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

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 23. OPERATING SEGMENTS *cont'd*

Segmental information for The Group is presented as follows:

	ICT distribution		Enterprise Systems		ICT services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit	<b>22,420</b>	20,864	<b>10,276</b>	15,598	<b>718</b>	1,422	<b>33,414</b>	37,884
Included in the measure of segment profit are:								
- Depreciation of plant and equipment	<b>(205)</b>	(175)	<b>(195)</b>	(351)	<b>(21)</b>	(45)	<b>(421)</b>	(571)
- Plant and equipment written off	<b>(1)</b>	(3)	<b>(5)</b>	(2)	-	(1)	<b>(6)</b>	(6)
- Finance costs	<b>(1,643)</b>	(1,715)	-	(664)	-	(82)	<b>(1,643)</b>	(2,461)
- Finance income	<b>232</b>	201	<b>1,664</b>	1,554	<b>179</b>	220	<b>2,075</b>	1,975
Segment assets	<b>349,270</b>	333,042	<b>122,943</b>	135,188	<b>7,096</b>	4,037	<b>479,309</b>	472,267
Revenue from external customers	<b>1,436,073</b>	1,408,045	<b>383,102</b>	377,889	<b>35,855</b>	37,449	<b>1,855,030</b>	1,823,383
Inter-segment revenue	<b>39,461</b>	9,508	<b>2,225</b>	4,211	<b>3,417</b>	3,728	<b>45,103</b>	17,447

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

	Group	
	2017 RM'000	2016 RM'000
Total profit for the reportable segments	<b>33,414</b>	37,884
Other non-reportable segments profit	<b>11,524</b>	12,563
Elimination of inter-segments profit	<b>(9,295)</b>	(10,076)
Consolidated profit before tax	<b>35,643</b>	40,371

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 23. 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
<b>Group</b>						
<b>2017</b>						
Total reportable segments	1,900,133	(421)	1,643	2,075	479,309	500
Other non-reportable segments	14,793	(909)	-	1,704	126,450	520
Elimination of inter-segment transactions or balances	(59,896)	7	(1,643)	(1,643)	(133,530)	(4)
Consolidated total	1,855,030	(1,323)	-	2,136	472,229	1,016
<b>2016</b>						
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

### Geographical segments

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

### Major customers

There are no major customers with revenue equal or more than 10% of The Group's total revenue.

## NOTES TO THE FINANCIAL STATEMENTS

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### 24. OPERATING LEASES

#### Leases as lessee

Operating lease rentals are payable as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Less than one year	2,137	2,019	18	18
Between one and three years	4,109	75	-	-
	<b>6,246</b>	2,094	<b>18</b>	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.

### 25. CAPITAL COMMITMENTS

	Group	
	2017 RM'000	2016 RM'000
<b>Capital expenditure commitments</b>		
Plant and equipment		
Contracted but not provided for	282	54

### 26. RELATED PARTIES

#### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to The Group if The Group or the Company has the ability, directly or indirectly, to control 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 19.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 26. RELATED PARTIES *cont'd*

### Other related party transactions

	Transaction value			
	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Affiliated companies				
Sales	-	520	-	-
Subsidiaries				
Dividend income	-	-	9,300	10,100
Interest income	-	-	1,192	953
Rental income	-	-	594	1,497
Support services income	-	-	1,225	1,008
Purchase of equipment	-	-	(170)	(145)
Support service expense	-	-	(192)	(192)
Transactions with a company in which a Director has interests:				
Rental expense	(1,922)	(1,920)	-	-
Sales	-	-	-	-
Professional charges/(fee)	6	(2)	-	-

The net balances outstanding arising from the above transactions have been disclosed in Note 8 and Note 13.

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.

## 27. FINANCIAL INSTRUMENTS

### 27.1 Categories of financial instruments

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

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

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 27. FINANCIAL INSTRUMENTS *cont'd*

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

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
<b>2017</b>				
<b>Financial assets</b>				
<b>Group</b>				
Receivables and deposits	281,163	281,163	-	-
Cash and cash equivalents	50,526	50,526	-	-
Club membership	62	-	-	62
	<b>331,751</b>	<b>331,689</b>	<b>-</b>	<b>62</b>
<b>Company</b>				
Receivables and deposits	27,965	27,965	-	-
Cash and cash equivalents	659	659	-	-
	<b>28,624</b>	<b>28,624</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
<b>Group</b>				
Payables and accruals	(196,536)	(196,536)	-	-
Derivative financial liabilities	(2,098)	-	(2,098)	-
	<b>(198,634)</b>	<b>(196,536)</b>	<b>(2,098)</b>	<b>-</b>
<b>Company</b>				
Payables and accruals	(775)	(775)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
<b>2016</b>				
<b>Financial assets</b>				
<b>Group</b>				
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
<b>Company</b>				
Receivables and deposits	22,055	22,055	-	-
Cash and cash equivalents	19,544	19,544	-	-
	41,599	41,599	-	-
<b>Financial liabilities</b>				
<b>Group</b>				
Payables and accruals	(240,527)	(240,527)	-	-
<b>Company</b>				
Payables and accruals	(972)	(972)	-	-

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) on:				
Loans and receivables	2,377	3,287	1,646	1,745
Financial liabilities measured at amortised cost	(5,668)	(1,184)	(1)	(2)
Fair value through profit and loss - Held for trading	(4,437)	2,370	-	-
	(7,728)	4,473	1,645	1,743



# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 27. FINANCIAL INSTRUMENTS *cont'd*

### 27.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

### 27.4 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 22.3% (2016: 26.6%) of the total trade receivables of The Group.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

#### 27.4 Credit risk *cont'd*

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

###### *Impairment losses*

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

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
<b>Group</b>				
<b>2017</b>				
Not past due	162,890	-	-	162,890
Past due 1 - 30 days	71,553	-	-	71,553
Past due 31 - 60 days	24,473	-	-	24,473
Past due 61 - 90 days	3,226	-	-	3,226
Past due 91 - 180 days	5,622	(14)	(192)	5,416
Past due more than 180 days	394	(371)	(21)	2
	<b>268,158</b>	<b>(385)</b>	<b>(213)</b>	<b>267,560</b>
<b>2016</b>				
Not past due	175,984	-	-	175,984
Past due 1 - 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 - 180 days	1,165	-	(442)	723
Past due more than 180 days	593	(105)	(368)	120
	<b>258,674</b>	<b>(105)</b>	<b>(810)</b>	<b>257,759</b>

Included in other payables and accruals is an amount of RM6,473,000 (2016: RM4,914,000) 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	
	2017 RM'000	2016 RM'000
At 1 January	915	2,782
Impairment loss reversed	(273)	(663)
Bad debts recovered	(11)	(609)
Impairment loss written off	(33)	(595)
At 31 December	<b>598</b>	915

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 27. FINANCIAL INSTRUMENTS *cont'd*

### 27.4 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 27. FINANCIAL INSTRUMENTS *cont'd*

### 27.5 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
<b>2017</b>				
<b>Group</b>				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	196,536	-	196,536	196,536
<i>Derivative financial liabilities</i>				
Forward exchange contracts (gross settled):				
Outflow	2,098	-	90,578	90,578
Inflow	-	-	(88,480)	(88,480)
	<b>198,634</b>	<b>-</b>	<b>198,634</b>	<b>198,634</b>
<b>Company</b>				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	775	-	775	775
<b>2016</b>				
<b>Group</b>				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	240,527	-	240,527	240,527
<b>Company</b>				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	972	-	972	972

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 27. FINANCIAL INSTRUMENTS *cont'd*

### 27.6 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.

#### 27.6.1 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 27.2% (2016: 32.4%) 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	
	2017	2016
	RM'000	RM'000
Cash and cash equivalents	1,673	2,563
Trade payables	(72,845)	(78,831)
Forward exchange contracts (Nominal amount)	88,480	116,416
Net exposure	17,308	40,148

*Currency risk sensitivity analysis*

A 10% (2016: 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	
	2017	2016
	RM'000	RM'000
USD	(1,315)	(3,051)

A 10% (2016: 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

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

#### 27.6 Market risk *cont'd*

##### 27.6.2 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Fixed rate instruments</b>				
Financial assets	28,273	70,842	214	19,439
<b>Floating rate instruments</b>				
Financial assets	572	558	-	-

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

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

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

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

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

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

	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000
<b>Company</b>			
<b>2017</b>			
<b>Financial assets</b>			
Amount due from subsidiaries	5.5	27,300	27,300
<b>2016</b>			
<b>Financial assets</b>			
Amount due from subsidiaries	5.5	21,600	21,600

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 27. FINANCIAL INSTRUMENTS *cont'd*

### 27.7 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
<b>Group</b>				
<b>2017</b>				
<b>Financial assets</b>				
Club membership	-	-	62	62
<b>Financial liabilities</b>				
Forward exchange contracts	-	2,098	-	2,098
<b>2016</b>				
<b>Financial assets</b>				
Club membership	-	-	62	62
Forward exchange contracts	-	2,339	-	2,339

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.

#### 27.7.1 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 (2016: no transfer in either directions).

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 27. FINANCIAL INSTRUMENTS *cont'd*

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

#### 27.7.1 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.

## 28. CAPITAL MANAGEMENT

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

During 2017, The Group's strategy, which was unchanged from 2016, was to maintain the debt-to-equity ratio at the lower end range. The debt-to-equity ratios were as follows:

	Note	Group	
		2017 RM'000	2016 RM'000
Total borrowings		-	-
Less: Cash and cash equivalents	10	(50,526)	(110,215)
Net cash		50,526	110,215
Total equity		272,492	256,124
Debt-to-equity ratio		N/A	N/A

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



## STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 90 to 135 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

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

**Foo Sen Chin**

Director

Petaling Jaya

Date: 19 March 2018

**Soong Jan Hsung**

Director

## STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

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 90 to 135 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), at Kuala Lumpur in the Federal Territory on 19 March 2018.

**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 2017 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 90 to 135.

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 2017, 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 2016 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 8- Receivables and deposits of the financial statements)

### The key audit matter

The Group has significant trade receivables balances which amount to 56.7% 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 90 days are monitored individually and as at 31 December 2017, RM5.4 million debts were past due more than 90 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.

## INDEPENDENT AUDITORS' REPORT

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

### **Key Audit Matters** *cont'd*

#### **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.

#### **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:

- Corporate Profile
- Group Financial Highlights
- Group Corporate Structure
- Statement on Risk Management and Internal Control
- Report of the Audit Committee
- Statement of Directors' Responsibility
- Other Information
- 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.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

# INDEPENDENT AUDITORS' REPORT

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

## 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 2016 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.

## 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.

# 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** *cont'd*

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.

## **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: 19 March 2018

### **Lee Yee Keng**

Approval Number: 2880/04/19 J

Chartered Accountant

# ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

Total number of issued shares	:	180,000,000 ordinary shares
Voting rights	:	1 vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shareholdings	%
1 – 99	39	1.62	1,385	0.00
100 – 1,000	274	11.38	187,114	0.10
1,001 – 10,000	1,418	58.86	7,417,401	4.12
10,001 – 100,000	594	24.66	17,229,500	9.57
100,001 – 8,999,999*	81	3.36	46,533,600	25.85
9,000,000 and above**	3	0.12	108,631,000	60.36
<b>Total</b>	<b>2,409</b>	<b>100.00</b>	<b>180,000,000</b>	<b>100.00</b>

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

## THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shareholdings	%
1. ECS Holdings Limited	72,000,000	40.00
2. Sengin Sdn Bhd	21,231,000	11.80
3. Dasar Technologies Sdn. Bhd.	15,400,000	8.56
4. Oasis Hope Sdn. Bhd.	8,962,800	4.98
5. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Deutsche Bank AG Singapore for Pangolin Asia Fund</i>	8,053,150	4.47
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>	2,996,450	1.66
8. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (ABERISLAMIC)</i>	2,424,000	1.35
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. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tee Kian Hong (E-TSA)</i>	804,000	0.45
12. Chong Lian	800,000	0.44
13. CIMB Islamic Nominees (Tempatan) Sdn Bhd <i>Tabung Warisan Negeri Selangor (ABERDEEN ISL)</i>	717,700	0.40
14. Chan Geok Eng	585,000	0.33
15. Tan Tiang Choon	520,000	0.29
16. Migan Sdn Bhd	510,750	0.28
17. Yoong Yon Wah	500,000	0.28

## ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

cont'd

Name of Shareholders	No. of Shareholdings	%
18. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Takaful Malaysia Berhad (IL-Flexi 2)</i>	480,000	0.27
19. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for Sengin Sdn Bhd (PB)</i>	459,000	0.25
20. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chong Khong Shoong (E-IMO/JSI)</i>	430,000	0.24
21. Maybank Nominees (Tempatan) Sdn Bhd <i>Jincan Sdn Bhd</i>	400,500	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. Chong Chiew Tshung	359,000	0.20
24. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kejutaan Holdings Sdn Bhd (E-IMO)</i>	350,000	0.19
25. Kong Chew Fa	347,100	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. Yap Choo Joo @ Yap Tse Loo	335,000	0.19
28. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for General Technology Sdn. Bhd. (PB)</i>	313,600	0.17
29. Foo Lek Choong	307,200	0.17
30. RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Geok Tze (08813M)</i>	306,000	0.17
	<b>145,130,950</b>	<b>80.63</b>

### SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2018

Name	No. of Shareholdings		Percentage of issued share capital
	Direct	Indirect	%
ECS Holdings Limited	74,671,450	-	41.48
VSTECS Holdings Limited	-	74,671,450 <sup>(1)</sup>	41.48
Sengin Sdn Bhd	21,690,000	-	12.05
Foo Sen Chin	-	21,997,200 <sup>(2)</sup>	12.22
Lee Marn Fong	-	21,997,200 <sup>(3)</sup>	12.22
Dasar Technologies Sdn Bhd	15,400,000	-	8.56

## ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018  
cont'd

### DIRECTORS' SHAREHOLDINGS AS AT 30 MARCH 2018

	Direct		Indirect	
	No. of Shareholdings	%	No. of Shareholdings	%
Foo Sen Chin	-	-	21,997,200 <sup>(2)</sup>	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. ECS Holdings Limited is a wholly-owned Subsidiary of VSTECS Holdings Limited.
2. 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.
3. 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.



# NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Second 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, 16 May 2018 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 2017 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 2.5 sen per share in respect of the financial year ended 31 December 2017. **(Resolution 1)**
3. To re-elect the following Directors who retire in accordance with Article 102 of the Articles of Association of the Company:-
  - (a) Mr. Foo Sen Chin; and **(Resolution 2)**
  - (b) Mr. Wong Heng Chong. **(Resolution 3)**
4. To re-elect Ms. Chow Ying Chi, the Director who retires in accordance with Article 109 of the Articles of Association of the Company. **(Resolution 4)**
5. To re-appoint KPMG PLT 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:-

6. **ORDINARY RESOLUTION NO. 1**  
**- PAYMENT OF DIRECTORS' FEES** **(Resolution 6)**


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“THAT the Directors’ Fees amounting to RM401,795.40 (Ringgit Malaysia: Four Hundred and One Thousand and Seven Hundred Ninety-Five and Forty Cents only) for the financial year ended 31 December 2017, be and is hereby approved for payment.”
7. **ORDINARY RESOLUTION NO. 2**  
**- PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UNDER SECTION 230 OF THE COMPANIES ACT 2016** **(Resolution 7)**


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“THAT the benefits payable to the Directors up to an amount of RM153,056.00 (Ringgit Malaysia One Hundred Fifty-Three Thousand and Fifty-Six) only for the period from 1 February 2017 to the next Annual General Meeting of the Company pursuant to Section 230(1)(b) of the Companies Act 2016 be and is hereby approved for payment.”
8. **ORDINARY RESOLUTION NO. 3**  
**- AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016** **(Resolution 8)**


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“THAT subject always to the Companies Act 2016 (“the Act”), the Articles of Association of the Company and the approvals from Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being;

# NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING

cont'd

AND THAT the Directors be and are so empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities;

AND FURTHER 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.”

9. To transact any other business of which due notice shall have been given.

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN** that a single-tier final dividend of 2.5 sen per ordinary share for the financial year ended 31 December 2017 will be payable on 13 June 2018 to depositors whose names appear in the Record of Depositors at the close of business on 30 May 2018 if approved by the members at the Twenty-Second 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 30 May 2018 in respect of ordinary transfers; and
- (b) Shares bought on 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: 24 April 2018

## Notes:-

### (A) Information for Shareholders/Proxies

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 8 May 2018 ("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 thereof.*

# NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING

cont'd

## **(B) Audited Financial Statements for the financial year ended 31 December 2017**

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.

## **(C) Re-election of Directors**

8. In determining the eligibility of the Directors to stand for re-election at the forthcoming Twenty-Second 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 LR of Bursa Securities and recommended Mr. Foo Sen Chin and Mr. Wong Heng Chong, for re-election as Directors pursuant to Article 102 of the Articles of Association of the Company and Ms. Chow Ying Chi for re-election as Director pursuant to Section 109 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-Second 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 2017 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 as External Auditors of the Company for the financial year ending 31 December 2018. 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-Second 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 2017 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 2017 was RM401,795.40 (2016: RM380,209/-).

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) Payment of Benefits Payable**

Under Resolution 7, the benefits payable to the Directors has been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the benefits payable is in the best interest of the Company. The benefits concern comprised the meeting allowance, insurance premium and other benefits payable in favour of the Directors. The breakdowns for the applicable periods were as follows:-

- (i) The payment of benefits payable to the Directors amounting to RM33,000/- comprised only the meeting allowance for the financial year ended 31 December 2017.
- (ii) The estimated payment of benefits payable to the Directors for the period from 1 January 2018 to the next Annual General Meeting of the Company is in the manner set out below:-

Meeting allowance	RM64,050
Other Benefits	RM53,006
Directors and Officers Insurance	RM3,000
	<hr/>
	RM120,056

## **(G) Authority to Issue Shares pursuant to the Companies Act 2016**

12. The Company wishes to renew the mandate on the authority to issue shares pursuant to the Companies Act 2016 at the Twenty-Second 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 Twenty-First AGM of the Company held on 17 May 2017 (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.

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-Second 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, 16 May 2018 at 10:30 a.m. and at any adjournment thereof.

The proportion of \*my/our holdings to be represented by \*my/our proxy(ies) are as follows:-

First Proxy	%
Second	%
	_____
	100%

In the case of a vote by a show of hands, my proxy \_\_\_\_\_ (one only) shall vote on \*my/our behalf.

Please indicate with an "X" in the spaces provided below how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Resolutions	For	Against
Resolution 1 Declaration of Final Dividend		
Resolution 2 Re-election of Mr. Foo Sen Chin as Director		
Resolution 3 Re-election of Mr. Wong Heng Chong as Director		
Resolution 4 Re-election of Ms. Chow Ying Chi as Director		
Resolution 5 Re-appointment of KPMG PLT as Auditors and to fix their remuneration		
Resolution 6 Ordinary Resolution No. 1 – Payment of Directors' Fees		
Resolution 7 Ordinary Resolution No. 2 – Payment of Benefits Payable to the Directors		
Resolution 8 Ordinary Resolution No. 3 – Authority to Issue Shares		

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2018.

Shareholder's Contact Number

Signature of Member/Common Seal

**(A) Information for Shareholders/Proxies**

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 8 May 2018 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies in respect of each securities account the member holds in the ordinary shares of the Company standing to the credit of the said securities account to attend and vote instead of him/her. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- A proxy may but does not need to be a member of the Company and notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his/her proxy to attend and vote instead of the member at the Meeting without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing and must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

**(B) Audited Financial Statements for the financial year ended 31 December 2017**

- 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.

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The Company Secretary

**ECS ICT BERHAD** (351038-H)

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

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**ECS ICT BERHAD**

(Company No. 351038-H)

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