

REPLY TO THE QUERY FROM BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) DATED 28 JULY 2017

Reference No.: IQL-28072017-00001

ECS ICT BERHAD (“ECSB” OR THE “COMPANY”)

SHARE SALE AGREEMENT IN RESPECT OF PROPOSED ACQUISITION OF SHARES IN ENRICH PLATINUM SDN. BHD. (“PROPOSED ACQUISITION”)

We refer to the announcement dated 26 July 2017 (“Announcement”) and the query letter dated 28 July 2017 from Bursa Securities in relation to the Proposed Acquisition.

Unless otherwise stated, definitions used in this reply shall carry the same meaning as defined in the Announcement.

The Board wishes to provide the additional information as below:-

1. The total amount transacted with Mr. Foo Sen Chin for the preceding 12 months.

There was a rental transaction between ECSB and Enrich Platinum Sdn. Bhd. (“EP”) for the sum of RM1,920,000 in the preceding 12 months.

There is no other transaction with Mr. Foo Sen Chin in the preceding 12 months.

2. The additional specific information as per Part C, Appendix 10A.

(1) A description of each real estate including –

- (a) the postal address or identification (lot, title number, relevant mukim, district and state) of the real estate;

No. 3, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor held under HSD 241022, PT 9911, Pekan Baru Sungai Buloh, District of Petaling, Selangor

- (b) a brief description (e.g. whether land or building, approximate area, etc.);

Industrial building with a 3-storey office building annexed with a single storey warehouse built on a total land area of 10,859 square metre.

- (c) the existing and proposed use (e.g. shops, offices, factories, residential, etc.). If currently let out or is proposed to be let out, the details of the rentals and the rental income or expected rental income per month or per annum. If the real estate to be disposed is currently used as a factory, the effect of a disposal on the operations;

Currently, the building is tenanted to ECS KUSH Sdn Bhd, the wholly-owned subsidiary of ECSB by EP with a monthly rental of RM160,000.

There will be no change on the usage of building after the completion of the Proposed Acquisition.

- (d) the approximate age of the buildings;

The building is about 11 years old.

- (e) the terms of the tenure; if leasehold, the expiry date of the lease;

The leasehold tenure is 99 years expiring on 18 October 2106.

The Lease Terms as per Endorsement in Title and Lease Agreement dated 30 May 2006 is 60 years expiring on 30 March 2066.

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- (f) whether any valuation was carried out on the real estate; if so, the name of the independent registered valuer, date and method of valuation and quantification of the market value;

There was a valuation performed by an independent registered valuer, C H Williams Talhar & Wong Sdn. Bhd. on 13 January 2017 under the terms of reference to assess the market value of the property for sale purpose. The market valuation method is based on an estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

- (g) the net book value based on latest audited financial statements; and

The fair value of the property based on valuation performed by an independent valuer, C H Williams Talhar & Wong Sdn. Bhd. is RM 29 million.

- (h) the encumbrances, if any.

EP is having an outstanding term loan amount of RM1,869,249 as per audited accounts for the financial year ended 31 December 2016 and there is no other encumbrances.

- (3) Where the real estate consist of buildings, the following:

- (a) the amount of lettable space;

7,799.45 square metres

- (b) the amount of lettable space available for letting and the occupancy; and

NIL

- (c) the percentage of occupancy.

100%

3. The net profits and net asset of EP based on its audited financial statements for financial year ended 31 December 2016.

The Net Profit After Tax and Net Assets of EP as per audited financial statement for FYE 31 December is RM1,297,528 and RM25,193,774 respectively.

4. The particulars of all liabilities, including contingent liabilities and guarantees to be assumed by ECSB, arising from the Proposed Acquisition.

ECSB does not assume any liabilities or provide any guarantee, arising from the Proposed Acquisition.

5. The sources of funding for the purchase consideration, and the breakdown.

The source of funding for the entire purchase consideration will be from the internally generated funds.

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6. The original cost of investment of the Vendor in the Sale Shares, and the date of such investment.

EP was incorporated on 26 August 2002 with a paid-up share capital of RM2.00. On 1 November 2006, the paid-up share capital was increased to RM2,000,000 to fund the construction of the office and warehouse building.

7. A statement setting out whether the audit committee of ECSB is of the view that the transaction is:-
- (a) in the best interest of ECSB;
 - (b) fair, reasonable and on normal commercial terms; and
 - (c) not detrimental to the interest of the minority shareholders, together with the basis for its views;

The Proposed Acquisition was evaluated and approved by the Audit Committee and Board of Directors after ECSB has completed the due diligence exercise. There was a valuation performed by an independent valuer, C H Williams Talhar & Wong Sdn. Bhd. and EP's audited accounts for FYE 31 December 2016 has adopted MPERS with fair value on the property. The Due Diligence was conducted by SJ Grant Thornton to establish the Net Tangible Assets of EP.

The office and warehouse building which is presently occupied by the Company and its subsidiaries have been purpose-built to the requirements of ECS Companies. Therefore, the Proposed Acquisition shall enable the Company to secure a long term tenancy of the abovementioned building and thereby reducing the risk of relocation of the Company and subsidiaries.

Premised on the above, the Audit Committee of ECSB is of the view that the transaction is in the best interest of ECSB, being fair, reasonable and on normal commercial terms, and will not be detrimental to the interest of the minority shareholders of the Company.

This announcement is dated 31 July 2017.