# ECS ICT Berhad

(Formerly known as ECS ICT Sdn. Bhd.)
(Company No. 351038 H)
(Incorporated in Malaysia)

## and its subsidiaries

# Financial statements for the year ended 31 December 2009

# ECS ICT Berhad
(Formerly known as ECS ICT Sdn. Bhd.)
(Company No. 351038 H)
(Incorporated in Malaysia)
# and its subsidiaries

# Directors' report for the year ended 31 December 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

## Principal activities

The principal activities of the Company consist of investment holding, marketing of microcomputers, peripherals, software and provision of computer maintenance services. The principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## Results

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit attributable to: | | |
| Equity holders of the Company | 24,112 | 80 |
| Minority interest | 902 | - |
| | 25,014 | 80 |

## Reserves and provision

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

## Dividend

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

## Directors of the Company

Directors who served since the date of the last report are:

Dato' Teo Chiang Quan
Foo Sen Chin
Soong Jan Hsung
Tay Eng Hoe (appointed on 17.12.2009)
Eddie Foo Toon Ee (appointed on 17.12.2009)
Wong Heng Chong (appointed on 17.12.2009)

## Directors of the Company (continued)

Quah Chek Tin (appointed on 17.12.2009)
Ahmad Subri bin Abdullah (appointed on 17.12.2009)
Ho Chee Kit (appointed on 17.12.2009)

## Directors' interests

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

| | **Number of Ordinary Shares of RM0.50 each** | | | |
|---|---|---|---|---|
| | **At 1.1.2009** | **Subdivision#/ Bought** | **Sold** | **At 31.12.2009** |
| **Dato' Teo Chiang Quan** | | | | |
| *Own interest in the Company* | | | | |
| - direct | 1* | 1# | (2) | - |
| - indirect | 499,998* | 499,998# | (999,996) | - |
| | | 18,400,000@ | - | 18,400,000 |
| **Foo Sen Chin** | | | | |
| *Own interest in the Company* | | | | |
| - direct | 1* | 1# | (2) | - |
| - indirect | 499,998* | 499,998# | (999,996) | - |
| | | 18,400,000@ | - | 18,400,000 |

* *Refers to ordinary shares of RM1.00 each.*

\# *During the financial year, the existing authorised share capital of the Company comprising 1,000,000 ordinary shares of RM1.00 each was divided into 2,000,000 ordinary shares of RM0.50 each.*

@ *Pursuant to an internal rationalisation exercise as disclosed in Note 4 to the financial statements, 400,000 ordinary shares of RM0.50 each were acquired by companies in which the Directors have an interest and 36,400,000 ordinary shares of RM0.50 each were issued by the Company for the acquisition of subsidiaries.*

# Directors' interests (continued)

| | Number of Ordinary Shares of RM1 each | | | |
|---|---|---|---|---|
| | **At 1.1.2009** | **Bought** | **Sold** | **At 31.12.2009** |
| **Dato' Teo Chiang Quan** | | | | |
| *Own interest in ECS Pericomp Sdn. Bhd.* | | | | |
| - direct | 1 | - | (1) | - |
| - indirect | 319,998 | 2 | - | 320,000 |
| **Foo Sen Chin** | | | | |
| *Own interest in ECS Pericomp Sdn. Bhd.* | | | | |
| - direct | 1 | - | (1) | - |
| - indirect | 319,998 | 2 | - | 320,000 |

| | Number of Ordinary Shares of $1 each | | | |
|---|---|---|---|---|
| | **At date of appointment** | **Bought** | **Sold** | **At 31.12.2009** |
| **Wong Heng Chong** | | | | |
| *Own interest in ECS Holdings Limited* | | | | |
| - direct | 1,000 | - | - | 1,000 |

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

By virtue of their interests in the shares of the Company, Dato' Teo Chiang Quan**,** Foo Sen Chin are also deemed interested in the shares of the subsidiaries during the financial year to the extent that ECS ICT Berhad has an interest.

# Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business.

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

## Issue of shares and debentures

During the financial year:

a) the existing authorised share capital comprising of 1,000,000 ordinary shares of RM1.00 each was divided into 2,000,000 ordinary shares of RM0.50 each. Accordingly, 2 new shares of RM0.50 each were issued to the shareholders of the Company in exchange for each of the existing 500,000 ordinary shares of RM1.00 each.

b) the Company held an Extraordinary General Meeting ("EGM") on 9 October 2009 to approve the increase in authorised share capital from RM1,000,000 to RM500,000,000 by the creation of 998,000,000 ordinary shares of RM0.50 each.

c) The Company held an EGM on 25 November 2009 to approve the acquisition of the entire issued and paid-up share capital of ECS Kush Sdn Bhd comprising 1,000,002 ordinary shares of RM1.00 each for a total purchase consideration of RM68,462,121, wholly satisfied through the issuance of 91,000,000 new ordinary shares of RM0.50 each at approximately RM0.75 per share.

   Pursuant to the application of Section 60(4) of the Companies Act, 1965 in Malaysia on "Merger Relief", the shares issued were recorded at their par value of RM0.50 each.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

## Options granted over unissued shares

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

## Other statutory information

Before the balance sheets and income 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) all current assets have been stated at the lower of cost and net realisable value.

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 Group's and in the Company's financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2009 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 events

Pursuant to the proposed listing of the Company on the Main Market of Bursa Malaysia Securities Berhad, the Company undertook an internal rationalisation exercise which resulted in the Company becoming the holding company of the Group. The internal rationalisation exercise is disclosed in Note 4 to the financial statements.

## Auditors

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

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

..................................................................
**Foo Sen Chin**

..................................................................
**Soong Jan Hsung**

Kuala Lumpur,

Date: 23 February 2010

# ECS ICT Berhad
(Formerly known as ECS ICT Sdn. Bhd.)
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## Balance sheets at 31 December 2009

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2009 RM'000** | **2008 RM'000** | **2009 RM'000** | **2008 RM'000** |
| **Assets** | | | | | |
| Property, plant and equipment | 3 | 3,722 | 6,517 | 176 | 201 |
| Investments in subsidiaries | 4 | - | - | 70,122 | - |
| Deferred tax assets | 13 | 1,394 | 457 | - | - |
| Investment in club membership | | 62 | 62 | - | - |
| **Total non-current assets** | | 5,178 | 7,036 | 70,298 | 201 |
| Inventories | 5 | 91,296 | 67,214 | - | - |
| Receivables, deposits and prepayments | 6 | 177,074 | 132,353 | 16 | 24 |
| Cash and cash equivalents | 7 | 24,236 | 15,868 | 37 | 45 |
| Tax recoverable | | 54 | 88 | - | - |
| **Total current assets** | | 292,659 | 215,523 | 53 | 69 |
| **Total assets** | | 297,838 | 222,559 | 70,351 | 270 |
| **Equity** | | | | | |
| Share capital | 8 | 46,000 | 46,000 | 46,000 | 500 |
| Reserves | | 37,337 | 22,462 | 22,581 | (461) |
| **Total equity attributable to equity holders of the Company** | | 83,337 | 68,462 | 68,581 | 39 |
| **Minority interest** | | 6,226 | 5,324 | - | - |
| **Total equity** | | 89,563 | 73,786 | 68,581 | 39 |

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# Balance sheets at 31 December 2009 (continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2009** | **2008** | **2009** | **2008** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Liabilities** | | | | | |
| Deferred tax liabilities | 13 | 163 | 615 | - | - |
| Other payables | 11 | 29 | 29 | - | - |
| **Total non-current liabilities** | | 192 | 644 | - | - |
| Payables and accruals | 11 | 153,264 | 84,354 | 1,770 | 231 |
| Borrowings (unsecured) | 12 | 51,700 | 61,700 | - | - |
| Taxation | | 3,119 | 2,075 | - | - |
| **Total current liabilities** | | 208,083 | 148,129 | 1,770 | 231 |
| **Total liabilities** | | 208,275 | 148,773 | 1,770 | 231 |
| **Total equity and liabilities** | | 297,838 | 222,559 | 70,351 | 270 |

The notes on pages 15 to 47 are an integral part of these financial statements.

# ECS ICT Berhad
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## and its subsidiaries

# Income statements for the year ended 31 December 2009

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2009 RM'000** | **2008 RM'000** | **2009 RM'000** | **2008 RM'000** |
| **Revenue** | 14 | 1,345,613 | 1,159,534 | 285 | 125 |
| Cost of sales | | (1,274,112) | (1,100,911) | - | - |
| **Gross profit** | | 71,501 | 58,623 | 285 | 125 |
| Distribution expenses | | (15,892) | (14,774) | - | - |
| Administration expenses | | (21,052) | (16,246) | - | - |
| Other operating income | | 2,335 | 3,584 | - | - |
| Other operating expenses | | (770) | (174) | (196) | (171) |
| **Results from operating activities** | | 36,122 | 31,013 | 89 | (46) |
| Interest expense | | (2,646) | (3,934) | (10) | (7) |
| Interest income | | 41 | 27 | 1 | 1 |
| **Profit/(loss) before tax** | 15 | 33,517 | 27,106 | 80 | (52) |
| Tax expense | 17 | (8,503) | (7,306) | - | - |
| **Profit/(loss) for the year** | | 25,014 | 19,800 | 80 | (52) |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | 24,112 | 18,833 | 80 | (52) |
| Minority interest | | 902 | 967 | - | - |
| **Profit/(loss) for the year** | | 25,014 | 19,800 | 80 | (52) |

The notes on pages 15 to 47 are an integral part of these financial statements.

# ECS ICT Berhad
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## Statements of changes in equity for the year ended 31 December 2009

| | | *< ----Attributable to equity holders of the Company---- >* | | | | | |
|---|---|---|---|---|---|---|---|
| | | *< --------Non-distributable------- >* | | *Distributable* | | | |
| **Group** | **Note** | **Share capital RM'000** | **Property revaluation reserve RM'000** | **Retained profits RM'000** | **Total RM'000** | **Minority interest RM'000** | **Total equity RM'000** |
| **At 1 January 2008** | | 46,000 | 860 | 2,843 | 49,703 | 4,357 | 54,060 |
| Net gains and losses recognised directly in equity | | | | | | | |
| -Transfer from revaluation reserve | | - | (26) | 26 | - | - | - |
| Profit for the year | | - | - | 18,833 | 18,833 | 967 | 19,800 |
| Total recognised income and expense for the year | | - | (26) | 18,859 | 18,833 | 967 | 19,800 |
| Dividend - 2008 interim | 18 | - | - | (74) | (74) | - | (74) |
| **At 31 December 2008** | | 46,000 | 834 | 21,628 | 68,462 | 5,324 | 73,786 |

Company No. 351038 H

# Statements of changes in equity for the year ended 31 December 2009 (continued)

| | | < ----*Attributable to equity holders of the Company*---- > | | | | | |
|---|---|---|---|---|---|---|---|
| | | < --------*Non-distributable*------- > | | *Distributable* | | | |
| **Group** | **Note** | **Share capital RM'000** | **Property revaluation reserve RM'000** | **Retained profits RM'000** | **Total RM'000** | **Minority interest RM'000** | **Total equity RM'000** |
| **At 31 December 2008** | | 46,000 | 834 | 21,628 | 68,462 | 5,324 | 73,786 |
| Net gains and losses recognised directly in equity | | | | | | | |
| - Transfer from revaluation reserve | | - | (1,158) | 1,158 | - | - | - |
| - Reversal of deferred tax liability on realisation | 13 | - | 324 | - | 324 | - | 324 |
| Profit for the year | | - | - | 24,112 | 24,112 | 902 | 25,014 |
| Total recognised income and expense for the year | | - | (834) | 25,270 | 24,437 | 902 | 25,339 |
| Disposal of subsidiary – pursuant to internal rationalisation exercise | | - | - | 39 | 39 | - | 39 |
| Dividend - 2009 interim | 18 | - | - | (9,600) | (9,600) | - | (9,600) |
| **At 31 December 2009** | | 46,000 | - | 37,337 | 83,337 | 6,226 | 89,563 |
| | | ====== | ====== | ====== | ====== | ===== | ===== |
| | | | Note 8 | Note 9 | Note 10 | | |

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# Statement of changes in equity for the year ended 31 December 2009 (continued)

| **Company** | ---*Non-distributable*--- **Share capital RM'000** | **Merger reserve RM'000** | **Accumulated losses RM'000** | **Total RM'000** |
|---|---|---|---|---|
| **At 1 January 2008** | 500 | - | (409) | 91 |
| Loss for the year | - | - | (52) | (52) |
| **At 31 December 2008** | 500 | - | (461) | 39 |
| Profit for the year | - | - | 80 | 80 |
| Issue of ordinary shares | 45,500 | 22,962 | - | 68,462 |
| **At 31 December 2009** | 46,000 | 22,962 | (381) | 68,581 |
| | ====== | ====== | ===== | ====== |
| | Note 8 | Note 10 | | |

The notes on pages 15 to 47 are an integral part of these financial statements.

# ECS ICT Berhad
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## Cash flow statements for the year ended 31 December 2009

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Cash flows from operating activities** | | | | |
| Profit/(loss) before tax | 33,517 | 27,106 | 80 | (52) |
| Adjustments for: | | | | |
| Depreciation | 1,502 | 956 | 56 | 46 |
| Gain on disposal of property, plant and equipment | (461) | - | - | |
| Loss/(Gain) on foreign exchange - Unrealised | 1,044 | (478) | - | |
| Interest expense | 2,646 | 3,934 | 10 | 7 |
| Interest income | (41) | (27) | (1) | (1) |
| Write off of plant and equipment | 33 | - | - | - |
| Operating profit before changes in working capital | 38,240 | 31,491 | 145 | - |
| Changes in working capital: | | | | |
| Inventories | (24,082) | (5,109) | - | - |
| Receivables, deposits and prepayments | (44,682) | (8,852) | 8 | 22 |
| Payables and accruals | 58,364 | 263 | (4) | 143 |
| Cash generated from operations | 27,840 | 17,793 | 149 | 165 |
| Tax paid | (8,490) | (7,102) | - | - |
| **Net cash generated from/(used in) Operating activities** | 19,350 | 10,691 | 149 | 165 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | (1,670) | (2,130) | (31) | (130) |
| Proceeds from disposal of property, plant and equipment | 3,391 | 2 | - | - |
| Part payment for investment in club membership | - | (5) | - | - |
| **Net cash generated from/(used in) investing activities** | 1,721 | (2,133) | (31) | (130) |

Company No. 351038 H

# Cash flow statements for the year ended 31 December 2009 (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cash flows from financing activities** | | | | |
| Repayment of bank borrowings | (10,000) | (8,550) | - | - |
| Advances from subsidiaries | - | - | (117) | - |
| Advances from immediate holding company | (24) | 24 | - | - |
| Deposits uplifted from/(pledged to) a licensed bank | 4 | (4) | - | - |
| Interest paid | (2,646) | (3,934) | (10) | (7) |
| Interest received | 41 | 27 | 1 | 1 |
| Dividend paid to shareholders of the Group | (74) | (73) | - | - |
| **Net cash (used in)/generated from financing activities** | (12,699) | (12,510) | (126) | (6) |
| Net increase/(decrease) in cash and cash equivalents | 8,372 | (3,952) | (8) | 29 |
| Cash and cash equivalents at beginning of year | 15,864 | 19,816 | 45 | 16 |
| **Cash and cash equivalents at end of year** | 24,236 | 15,864 | 37 | 45 |

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amount:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and bank balances | 24,236 | 15,864 | 37 | 45 |
| Deposits pledged to a licensed bank | - | 4 | | - |
| | 24,236 | 15,868 | 37 | 45 |
| Less: Deposits pledged to a licensed bank | - | (4) | | - |
| | 24,236 | 15,864 | 37 | 45 |

The notes on pages 15 to 47 are an integral part of these financial statements.

# ECS ICT Berhad
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## Notes to the financial statements

ECS ICT Berhad is a public limited company, incorporated and domiciled in Malaysia. 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 8, Uptown 1
1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries.

The principal activities of the Company consist of investment holding, marketing of microcomputers, peripherals, software and provision of computer maintenance services. The principal activities of the subsidiaries are as stated in Note 4.

The immediate holding company is ECS Holdings Limited, a company incorporated in the Republic of Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited. The ultimate holding company is VST Holdings Limited, a limited liability company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The financial statements were approved by the Board of Directors on 23 February 2010.

# 1. Basis of preparation

## (a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the the Group and the Company:

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009***

- FRS 8, *Operating Segments*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010***

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements*
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards* and FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 132, *Financial Instruments: Presentation* and FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*, FRS 7, *Financial Instruments: Disclosures and* IC Interpretation 9, *Reassessment of Embedded Derivatives*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, FRS 2 – *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010***

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendment to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

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

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, Amendments to FRS 2, and IC Interpretation 11, 13, and 14 which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010, except for FRS 1, Amendments to FRS 2, and IC Interpretation 12, 15, 16 and 17 which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

Impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

**FRS 8, *Operating Segments***

FRS 8 will become effective for financial statements of the Group for the year ending 31 December 2010. FRS 8 replaces FRS $114_{2004}$, *Segment Reporting* and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Under FRS 8, the Group will present segment information in respect of its operating segments as follows:

- Enterprise systems - Provider of enterprise system tools for IT infrastructure.
- IT services - IT infrastructure design and implementation, training, maintenance and support services.
- Distribution - Distribution of IT products for the commercial and consumer markets.

The initial application of the other standards, amendments and interpretation are not expected to have any material financial impact on the financial statements.

## (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

## (c) Functional and presentation currency

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

## (d) Use of estimates and judgements

The preparation of financial statements 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 estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

# 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 Group entities, unless otherwise stated.

## (a) Basis of consolidation

### *(i) Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting except for business combinations involving entities or businesses under common control which are accounted for using the pooling-of-interests method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired is taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within Group equity.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

### *(ii) Minority interest*

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity holders of the Company.

# 2. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

### *(ii) Minority interest (continued)*

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

### *(iii) 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

***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 balance sheet date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which 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 the income statements.

## (c) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures.

Forward foreign exchange contracts are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

# 2. Significant accounting policies (continued)

## (d) Property, plant and equipment

### *(i) Recognition and measurement*

Items of property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

***Revalued property, plant and equipment where no revaluation policy is adopted***

The Group has availed itself to the transitional provision when the MASB first adopted IAS 16, *Property, Plant and Equipment* in 1998. Freehold office blocks were revalued in October 1996 and no later valuation has been recorded for these property, plant and equipment (except in the case of impairment adjustments based on a valuation).

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to the working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

# 2. Significant accounting policies (continued)

## (d) Property, plant and equipment (continued)

### *(ii) Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

### *(iii) Depreciation*

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated annual depreciation rates for the current and comparative periods are as follows:

| | |
|---|---|
| • Freehold office blocks | 2% |
| • Office equipment | 20% |
| • Office renovation | 20% |
| • Motor Vehicles | 20% |
| • Furniture and fittings | 25% |

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

## (e) Leased assets

### *Operating lease*

Leases, where the Group and the Company do not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised on the Group's and the Company's balance sheets.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

## 2. Significant accounting policies (continued)

### (f) Investments

Long term investments (other than investments in subsidiaries) are stated at cost less impairment losses, where applicable.

### (g) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost and includes expenditure incurred in acquiring the inventories and 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.

### (i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

### (j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

# 2. Significant accounting policies (continued)

## (k) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date 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. 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 the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

## (l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

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# 2. Significant accounting policies (continued)

## (m) Employee benefits

***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 provision 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.

The Group's contributions to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

## (n) 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.

## (o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

## (p) Revenue recognition

***(i) Goods sold***

Revenue from the sale of goods 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 the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

# 2. Significant accounting policies (continued)

## (p) Revenue recognition (continued)

### *(ii) Services*

Fees from service maintenance contracts are recognised in the income statements over the period of the contract.

### *(iii) Dividend income*

Dividend income is recognised when the right to receive payment is established.

## (q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred.

## (r) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. 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 (tax 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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# 3. Property, plant and equipment

| Group | Freehold office blocks RM'000 | Office equipment RM'000 | Office renovation RM'000 | Motor vehicles RM'000 | Furniture and fittings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | |
| At 1 January 2008 | 4,100 | 6,564 | 256 | 1,467 | 202 | 12,589 |
| Additions | - | 1,400 | - | - | 730 | 2,130 |
| Disposals | - | (3) | - | - | - | (3) |
| At 31 December 2008/1 January 2009 | 4,100 | 7,961 | 256 | 1,467 | 932 | 14,716 |
| Additions | - | 951 | - | 2 | 717 | 1,670 |
| Disposals | (4,100) | (88) | (97) | (55) | (42) | (4,382) |
| Written off | - | (1,955) | (44) | - | (139) | (2,138) |
| At 31 December 2009 | - | 6,869 | 115 | 1,414 | 1,468 | 9,866 |

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## 3. Property, plant and equipment (continued)

| Group | Freehold office blocks RM'000 | Office equipment RM'000 | Office renovation RM'000 | Motor vehicles RM'000 | Furniture and fittings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| ***Accumulated depreciation*** | | | | | | |
| At 1 January 2008 | 1,083 | 4,892 | 154 | 963 | 152 | 7,244 |
| Charge for the year | 82 | 644 | 28 | 168 | 34 | 956 |
| Disposals | - | (1) | - | - | - | (1) |
| At 31 December 2008/1 January 2009 | 1,165 | 5,535 | 182 | 1,131 | 186 | 8,199 |
| Charge for the year | 55 | 931 | 25 | 144 | 347 | 1,502 |
| Disposals | (1,220) | (67) | (94) | (55) | (16) | (1,452) |
| Written off | - | (1,928) | (42) | - | (135) | (2,105) |
| At 31 December 2009 | - | 4,471 | 71 | 1,220 | 382 | 6,144 |
| ***Carrying amounts*** | | | | | | |
| At 1 January 2008 | 3,017 | 1,672 | 102 | 504 | 50 | 5,345 |
| At 31 December 2008/1 January 2009 | 2,935 | 2,426 | 74 | 336 | 746 | 6,517 |
| At 31 December 2009 | - | 2,398 | 44 | 194 | 1,086 | 3,722 |

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# 3. Property, plant and equipment (continued)

| Company | Office equipment RM'000 | Office renovations RM'000 | Furniture and fittings RM'000 | Total RM'000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At 1 January 2008 | 145 | 8 | 9 | 162 |
| Additions | 130 | - | - | 130 |
| At 31 December 2008/ 1 January 2009 | 275 | 8 | 9 | 292 |
| Additions | 31 | - | - | 31 |
| Written off | (13) | (8) | (9) | (30) |
| At 31 December 2009 | 293 | - | - | 293 |
| ***Accumulated depreciation*** | | | | |
| At 1 January 2008 | 29 | 7 | 9 | 45 |
| Charge for the year | 45 | 1 | - | 46 |
| At 31 December 2008/ 1 January 2009 | 74 | 8 | 9 | 91 |
| Charge for the year | 56 | - | - | 56 |
| Written off | (13) | (8) | (9) | (30) |
| At 31 December 2009 | 117 | - | - | 117 |
| ***Carrying amounts*** | | | | |
| At 1 January 2008 | 116 | 1 | - | 117 |
| At 31 December 2008/ 1 January 2009 | 201 | - | - | 201 |
| At 31 December 2009 | 176 | - | - | 176 |

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# 4. Investments in subsidiaries

| | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|
| Unquoted shares - at cost | 70,122 | - |
| | ===== | ===== |

Details of the subsidiaries are as follows:

| Name of subsidiary | Principal activities | Country of incorporation | Effective ownership interest 2009 % | Effective ownership interest 2008 % |
|---|---|---|---|---|
| ECS KU Sdn. Bhd. | All these companies are engaged in the marketing of micro computers, peripherals, software and the provision of computer maintenance services. | Malaysia | 100 | 100 |
| ECS Pericomp Sdn. Bhd. | | Malaysia | 80 | 80 |
| ECS Astar Sdn. Bhd. | | Malaysia | 100 | 100 |
| ECS KUSH Sdn. Bhd. | Provision of management services and letting of properties | Malaysia | 100 | 100 |

Pursuant to the proposed listing of the Company on the Main Market of Bursa Malaysia Securities Berhad, the Company undertook an internal rationalisation exercise which resulted in the Company becoming the holding company of the Group. The internal rationalisation exercise involved the following:

(i) On 9 November 2009, ECS KUSH Sdn Bhd ("KUSH") disposed its entire shareholding in the issued and paid-up share capital of the Company to ECS Holdings Limited, Sengin Sdn Bhd and Teo Soo Pin Sdn Bhd. This resulted in a change of the Company's immediate holding company from KUSH to ECS Holdings Limited;

(ii) On 25 November 2009, the Company held an Extraordinary General Meeting ("EGM") to approve the acquisition of the entire issued and paid-up share capital of KUSH comprising 1,000,002 ordinary shares of RM1.00 each for a total purchase consideration of RM68,462,121, wholly satisfied through the issuance of 91,000,000 new ordinary shares of RM0.50 each at approximately RM0.75 per share; and

## 4. Investments in subsidiaries (continued)

(iii)On 30 November 2009, the Company held an EGM to approve the following:

(a) The acquisition of the entire issued and paid-up share capital of ECS Astar Sdn Bhd ("Astar"), comprising 500,000 ordinary shares of RM1.00 each from KUSH for a consideration of RM100,000 to be satisfied by way of indebtedness owing by the Company to KUSH to be settled through the utilisation of proceeds from the public issue;

(b) The acquisition of the entire issued and paid-up share capital of ECS KU Sdn Bhd ("KU"), comprising 400,000 ordinary shares of RM1.00 each from KUSH for a consideration of RM1,000,000 to be satisfied by way of indebtedness owing by the Company to KUSH to be settled through the utilisation of proceeds from the public issue;

(c) The acquisition of 320,000 ordinary shares of RM1.00 each in ECS Pericomp Sdn Bhd ("Pericomp") from KUSH, representing 80% of the issued and paid-up share capital of Pericomp for a consideration of RM560,000 to be satisfied by way of indebtedness owing by the Company to KUSH to be settled through the utilisation of proceeds from the public issue; and

(d) The proposed acquisition of 80,000 ordinary shares of RM1.00 each in Pericomp from SIS Investment Holdings Ltd ("SIS"), representing the remaining 20% of the issued and paid-up share capital of Pericomp for a consideration of RM6,900,000 to be satisfied through the issuance of 1,000,000 new ordinary shares of RM0.50 each at an indicative offer price of RM1.46 per share and the remaining consideration of RM5,440,000 to be satisfied by way of indebtedness owing by the Company to SIS to be settled through the utilisation of proceeds from the public issue. As at the date of the balance sheet the proposed acquisition have not been completed.

The acquisition of interests in the above companies qualifies as an acquisition under common control and is accounted for and presented under the pooling-of-interests method of consolidation. Accordingly, the Group recognised in equity a merger deficit of RM44,561,000 (Note 10).

# 5. Inventories

| | Group 2009 RM'000 | Group 2008 RM'000 |
|---|---|---|
| At cost: | | |
| Finished goods | 83,858 | 63,995 |
| Goods-in-transit | 1,419 | 1,732 |
| At net realisable value: | | |
| Finished goods | 6,019 | 1,487 |
| | 91,296 | 67,214 |

The write-down of inventories to net realisable value amounted to RM3,007,000 (2008 - RM1,161,000).

# 6. Receivables, deposits and prepayments

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade receivables | | 162,711 | 123,513 | - | - |
| Less: Allowance for doubtful debts | | (457) | (1,079) | - | - |
| | | 162,254 | 122,434 | - | - |
| Amount due from a related company | 6.1 | 72 | 140 | - | - |
| Amount due from subsidiary | 6.2 | - | - | 13 | 21 |
| | | 162,326 | 122,574 | 13 | 21 |
| **Non-trade** | | | | | |
| Other receivables | | 13,218 | 7,848 | - | - |
| Deposits | 6.3 | 976 | 972 | 3 | 3 |
| Prepayments | | 516 | 959 | - | - |
| Amount due from immediate holding company | 6.4 | 23 | - | - | - |
| Amounts due from related companies | 6.4 | 16 | - | - | - |
| | | 14,749 | 9,779 | 3 | 3 |
| | | 177,075 | 132,353 | 16 | 24 |

# 6. Receivables, deposits and prepayments (continued)

### 6.1 Amount due from a related company

The trade receivables from a related company are subject to normal trade terms.

### 6.2 Amount due from subsidiary

The amount due from subsidiary is unsecured, bears interest at 5% (2008 - 5%) per annum and is subject to the normal trade terms.

### 6.3 Deposits

Included in deposits is an amount of RM773,000 (2008 - RM773,000) paid as rental security deposits to a company in which certain directors have substantial interests.

### 6.4 Amounts due from immediate holding company and related companies

The amounts due from immediate holding company and related companies are unsecured, interest free and are repayable on demand.

# 7. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Cash and bank balances | 24,236 | 15,864 | 37 | 45 |
| Deposits placed with a licensed bank | - | 4 | - | - |
| | 24,236 | 15,868 | 37 | 45 |

Deposits placed with a licensed bank are pledged to a bank as security for credit facilities granted to a subsidiary.

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## 8. Share capital

| Company | Note | Amount 2009 RM'000 | Number of shares 2009 '000 | Amount 2008 RM'000 | Number of shares 2008 '000 |
|---|---|---|---|---|---|
| *Authorised:* | | | | | |
| Ordinary shares of RM0.50 each/ RM1.00 each | | | | | |
| At 1 January | | 1,000 | 1,000 | 1,000 | 1,000 |
| Subdivision of shares | (a) | - | 1,000 | - | - |
| Creation of shares | (b) | 499,000 | 998,000 | | |
| At 31 December | | 500,000 | 1,000,000 | 1,000 | 1,000 |
| *Issued and fully paid:* | | | | | |
| Ordinary shares of RM0.50/ RM1.00 each | | | | | |
| On issue at 1 January | | 500 | 500 | 500 | 500 |
| Subdivision of shares | (a) | - | 500 | - | - |
| Ordinary shares of RM0.50/ RM1.00 each | | 500 | 1,000 | 500 | 500 |
| Issue of shares as purchase consideration for the acquisition of subsidiaries | (c) | 45,500 | 91,000 | - | - |
| On issue at 31 December | | 46,000 | 92,000 | 500 | 500 |
| **Group** | | | | | |
| *Issued and fully paid:* | | | | | |
| Ordinary shares of RM0.50/ RM1.00 each | | 46,000 | 92,000 | 500 | 500 |
| Subdivision of shares | (a) | - | - | - | 500 |
| Ordinary shares of RM0.50 each | | 46,000 | 92,000 | 500 | 1,000 |
| Issue of shares as purchase consideration for the acquisition of subsidiaries | (c) | - | - | 45,500 | 91,000 |
| On issue at 31 December | | 46,000 | 92,000 | 46,000# | 92,000# |

# 8. Share capital (continued)

During the year, there were the following movements in share capital:

(a) the subdivision of the existing authorised share capital comprising of 1,000,000 ordinary shares of RM1.00 each into 2,000,000 ordinary shares of RM0.50 each;

(b) the increase in authorised share capital from RM1,000,000 to RM500,000,000 by the creation of 998,000,000 ordinary shares of RM0.50 each; and

(c) the issue of 91,000,000 ordinary shares at approximately RM0.75 per share for the acquisition of subsidiaries under common control pursuant to the Group's internal rationalisation exercise (Note 4).

# The share capital of the Group as at 31 December 2008 has been restated from RM500,000 to RM46,000,000 to reflect the effects of acquisition of subsidiaries under common control using the pooling-of-interests basis of consolidation. The restated share capital represents the amount of paid-up capital of the Company subsequent to the issuance of shares to acquire the subsidiaries under common control.

# 9. Property revaluation reserve

The revaluation reserve relates to the net reserves arising from revaluation of freehold office blocks. During the year, the revaluation reserve was crystallised and transferred to retained earnings upon the disposal of the freehold office blocks.

# 10. Merger reserve/deficit

## 10.1 Company - Merger reserve

Share premium arising from the issue of shares for the acquisition of subsidiaries were not recorded pursuant to the application of Section 60(4) of the Companies Act, 1965 in Malaysia. The difference in the purchase consideration and the nominal value of share capital issued is treated as capital reserve.

## 10.2 Group - Merger deficit/Retained earnings

The merger deficit arose from the Group's internal rationalisation exercise as set out in Note 4 which involved related parties under common control. The amount represents the excess of the consideration given over the accumulated value of the share capitals of the combining entities. The merger deficit is set-off against the reserves of the Group as follows:

| | **Retained profits RM'000** |
|---|---|
| At 1 January 2008 | 47,443 |
| Set-off of merger deficit | (44,600) |
| | 2,843 |
| | ===== |

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# 11. Payables and accruals

| | Note | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|---|
| *Current*: | | | | | |
| **Trade** | | | | | |
| Trade payables | 11.1 | 100,643 | 50,077 | | - |
| Deferred revenue | | 363 | 456 | - | - |
| | | 101,006 | 50,533 | | - |
| **Non-trade** | | | | | |
| Other payables and accrued expenses | | 42,658 | 33,723 | 30 | 34 |
| Amount due to immediate holding company | 11.2 | - | 24 | - | - |
| Amounts due to subsidiaries | 11.3 | | - | 1,740 | 197 |
| Dividend payable | | 9,600 | 74 | - | - |
| | | 52,258 | 33,821 | 1,770 | 231 |
| | | 153,264 | 84,354 | 1,770 | 231 |
| *Non-current*: | | | | | |
| Other payables | | 29 | 29 | - | - |

### 11.1 Analysis of foreign currency exposure for significant payables

Significant payables that are not in the functional currency of the Group entities are as follows:

| Functional currency | Foreign currency | Group 2009 RM'000 | Group 2008 RM'000 |
|---|---|---|---|
| RM | USD | 44,129 | 26,164 |
| RM | EUR | - | 12 |

### 11.2 Amount due to immediate holding company

The amount due to immediate holding company was unsecured, interest free and was repayable on demand.

### 11.3 Amount due to subsidiary

The amount due to subsidiary is unsecured, bears interest at 5% (2008 - 5%) per annum and is repayable on demand.

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## 12. Borrowings (unsecured)

| | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Bankers' acceptances | 47,900 | 45,200 | - | - |
| Revolving credits | 3,800 | 16,500 | - | - |
| | 51,700 | 61,700 | - | - |

The bankers' acceptances and revolving credits bear interest at rates ranging from 2.72% to 3.58% (2008 - 4.10% to 4.77%) per annum and 3.28% to 3.78% (2008 - 5.05% to 6.32%) per annum, respectively.

The bankers' acceptances and revolving credits are governed by the following items:

i) corporate guarantees by the Company for certain subsidiaries,

ii) corporate guarantees by the immediate holding company for the Company and for certain subsidiaries, and

iii) a negative pledge over the entire assets of a subsidiary.

## 13. Deferred tax assets and liabilities

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| Group | Assets 2009 RM'000 | Assets 2008 RM'000 | Liabilities 2009 RM'000 | Liabilities 2008 RM'000 | Net 2009 RM'000 | Net 2008 RM'000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | | | | | | |
| - capital allowances | - | - | (418) | (480) | (418) | (480) |
| - revaluation | - | - | - | (324) | - | (324) |
| - unabsorbed capital allowances | 125 | 51 | - | - | 125 | 51 |
| Provisions | 1,263 | 714 | - | - | 1,263 | 714 |
| Other items | 262 | 1 | (1) | (120) | 261 | (119) |
| Tax assets/(liabilities) | 1,650 | 766 | (419) | (924) | 1,231 | (158) |
| Set off of tax | (256) | (309) | 256 | 309 | - | - |
| Net tax assets/ (liabilities) | 1,394 | 457 | (163) | (615) | 1,231 | (158) |

# 13. Deferred tax assets and liabilities (continued)

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| | **RM'000** | **RM'000** |
| Capital allowance carry-forwards | 44 | 192 |
| Taxable temporary differences | (148) | (34) |
| Tax loss carry-forwards | 127 | 127 |
| | 23 | 285 |

The unutilised capital allowance carry-forwards and unutilised tax loss carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

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# 13. Deferred tax assets and liabilities (continued)

**Movement in temporary differences during the year**

| Group | At 1.1.2008 RM'000 | Recognised in income statement (Note 17) RM000 | At 31.12.2008 RM'000 | Recognised in income statement (Note 17) RM'000 | Recognised in equity RM'000 | At 31.12.2009 RM'000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | | | | | | |
| - capital allowances | (309) | (171) | (480) | 62 | - | (418) |
| - revaluation | (334) | 10 | (324) | - | 324 | - |
| - unabsorbed capital allowances | 145 | (94) | 51 | 74 | - | 125 |
| Provisions | 372 | 342 | 714 | 549 | - | 1,263 |
| Other items | (100) | (19) | (119) | 380 | - | 261 |
| | (226) | 68 | (158) | 1,065 | 324 | 1,231 |
| | ===== | ===== | ===== | ===== | ==== | ===== |

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## 14. Revenue

| | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|
| Sales | 1,343,258 | 1,155,597 | | - |
| Services | 2,355 | 3,937 | 120 | - |
| Rental income from subsidiaries | - | - | 165 | 125 |
| | 1,345,613 | 1,159,534 | 285 | 125 |

## 15. Profit/(loss) before tax

| | Group 2009 RM'000 | Group 2008 RM'000 | Company 2009 RM'000 | Company 2008 RM'000 |
|---|---|---|---|---|
| **Profit/(loss) before tax is arrived at after charging:** | | | | |
| Allowance for doubtful debts | 55 | 964 | - | |
| Auditors' remuneration | | | | |
| - Statutory audit | 79 | 79 | 25 | 3 |
| - Other services | 91 | - | 4 | - |
| Bad debts written off | 939 | 349 | - | - |
| Depreciation 1,502 | 956 | 56 | 46 | |
| Personnel expenses (including key management personnel): | | | | |
| - Contributions to Employees Provident Fund | 1,440 | 1,337 | 9 | 8 |
| - Wages, salaries and others | 17,384 | 14,709 | 104 | 85 |
| Loss on foreign exchange: | | | | |
| - Unrealised | 1,044 | - | - | - |
| Inventories written down | 1,846 | 397 | - | - |
| Inventories written off | 710 | 1,380 | - | - |
| Plant and equipment written off | 33 | - | - | - |
| Rental expense: | | | | |
| - Office rental | 1,129 | 199 | 10 | 10 |
| - Warehouse rental | 515 | 249 | - | - |
| **and after crediting:** | | | | |
| Gain on foreign exchange (net): | | | | |
| - Realised | 1,020 | 2,331 | - | - |
| - Unrealised | - | 478 | - | - |
| Gain on disposal of property, plant and equipment | 461 | - | - | - |
| Bad debts recovered | 276 | 24 | - | - |
| Reversal of allowance for doubtful debts | - | 2 | - | 2 |

Company No. 351038 H

## 16. Key management personnel compensation

The key management personnel compensations are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Directors | | | | |
| - Fees | 12 | 17 | - | - |
| - Remuneration | 3,738 | 2,939 | - | - |
| - Other short term employee benefits (including estimated monetary value of benefits-in-kind) | 24 | 28 | - | - |
| | 3,774 | 2,984 | - | |
| Other key management personnel | | | | |
| - Remuneration | 1,196 | 1,014 | - | - |
| - Contributions to Employees Provident Fund | 173 | 188 | - | - |
| - Other short-term employee benefits | 311 | 615 | - | - |
| | 1,680 | 1,817 | - | - |
| | 5,454 | 4,802 | - | - |

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.

## 17. Tax expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Current tax expense** | | | | |
| - Current year | 9,213 | 7,246 | - | - |
| - Prior years | 355 | 129 | - | - |
| **Deferred tax expense** | | | | |
| - Origination and reversal of temporary differences | (900) | (101) | - | - |
| - (Over)/Under provision in prior year | (165) | 42 | - | - |
| - Reversal of deferred tax liabilities on crystallization of revaluation surplus of property, plant and equipment | - | (10) | - | - |
| | 8,503 | 7,306 | - | - |

## 17. Tax expense (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| **Reconciliation of tax expense** | | | | |
| Profit for the year | 25,014 | 19,800 | - | - |
| Tax expense | 8,503 | 7,306 | - | - |
| Profit excluding tax | 33,517 | 27,106 | - | - |
| Tax at Malaysian tax rate of 25% (2008 – 26%) | 8,379 | 7,047 | - | - |
| Effect of changes in tax rates* | - | 6 | - | - |
| Effect of 5% (2008 – 6%) tax rate for chargeable income up to RM500,000** | - | (30) | - | - |
| Non-deductible expenses | 114 | 141 | - | - |
| Non-taxable income | (143) | | | |
| Changes in unrecognised temporary differences | (37) | 6 | - | - |
| Other items | - | (25) | - | - |
| Reversal of deferred tax liabilities on crystallisation of revaluation surplus of property, plant and equipment | - | (10) | - | - |
| | 8,313 | 7,135 | - | - |
| Under provision of tax expense in prior year | 355 | 129 | - | - |
| (Over)/Under provision of deferred tax expense in prior year | (165) | 42 | - | - |
| | 8,503 | 7,306 | - | - |

* The corporate tax rates are 26% for year of assessment 2009 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

** With effect from year of assessment 2009, the Company is indirectly controlled by another company which has a paid up ordinary share capital of more than RM2.5 million. Therefore, the Company would no longer qualify as an Small and Medium Enterprise and thus would not qualify to be taxed at the preferential income tax rate of 20% on the first RM500,000 of its chargeable income.

## 18. Dividend

The 2009 interim dividend represents dividend payable by a subsidiary to shareholders of the Company prior to the Group's internal rationalisation exercise.

## 19. Operating leases

Operating lease rentals are payable as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Less than one year | 1,642 | 1,623 | - | 10 |
| Between one and three years | 1,547 | 3,029 | - | - |
| | 3,189 | 4,652 | - | 10 |
| | ===== | ===== | ===== | ===== |

The Group leases its office and warehouse operating leases. The leases run for an initial period of 1 to 3 years (2008: 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.

## 20. Contingent liabilities (unsecured)

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| | **RM'000** | **RM'000** |
| Guarantees to supplier and banks for trade credit facilities granted to Group entities | 79,523 | 66,140 |
| | ===== | ===== |

Guarantees to licensed banks and supplier for credit facilities granted to Group entities were supported by corporate guarantees from holding company.

## 21. Related parties

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group or to the Company if the Group or the Company has the ability, directly or indirectly, to 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 or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

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# 21. Related parties (continued)

**Transactions with key management personnel**

There are no other transactions with key management personnel other than key management personnel compensation as disclosed in Note 16.

**Other related party transactions**

| | Group Transaction value 2009 RM'000 | Group Transaction value 2008 RM'000 | Company Transaction value 2009 RM'000 | Company Transaction value 2008 RM'000 |
|---|---|---|---|---|
| Related companies | | | | |
| Purchases | 8 | 30 | - | - |
| Sales | (813) | (651) | - | - |
| ===== | ===== | ===== | ===== | |
| Subsidiaries | | | | |
| Interest expense | - | - | - | 8 |
| Support services income | - | - | 120 | - |
| Rental income | - | - | (13) | (133) |
| Interest income | - | - | - | (1) |
| | ===== | ===== | ===== | ===== |
| Transaction with a company in which certain Directors have interests: | | | | |
| Enrich Platinum Sdn. Bhd. | | | | |
| Rental security paid | - | 773 | - | - |
| Rental expense | 1,546 | 64 | - | - |
| KDU College Sdn Bhd | | | | |
| Sales | (767) | (843) | - | - |
| KDU Smart School Sdn Bhd | | | | |
| Sales | (240) | (119) | - | - |
| KDU Management Development Centre Sdn Bhd | | | | |
| Sales | (9) | - | - | - |
| Paramount Corporation Berhad | | | | |
| Sales | (24) | (50) | - | - |
| Paramount Engineering & Construction Sdn Bhd | | | | |
| Sales | (3) | (123) | - | - |
| Paramount Property Development Sdn Bhd | | | | |
| Sales | (1) | (32) | - | - |
| Paramount Property (Utara) Sdn Bhd | | | | |
| Sales | - | (8) | - | - |
| | ===== | ===== | ===== | ===== |

The net balances outstanding arising from the above transactions have been disclosed in Note 6 and Note 11.

The terms and conditions for the above transactions are based on normal trade terms.

# 22. Financial instruments

**Financial risk management objectives and policies**

Exposure to credit, interest rate, foreign currency and liquidity risks arises in the normal course of the Group's and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

**Credit risk**

Management has credit procedures in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and the Group and the Company regularly follow up on balances by debtors outstanding beyond their stimulated time threshold for payments. The Group and the Company do not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk except for 5 individual debtors which forms 14.1% (2008 - 12.8%) of the total trade receivables of the Group as at year end.

The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amount of each financial asset.

**Foreign currency risk**

Approximately 19% (2008 - 20.7%) of the Group's purchases are priced in US dollars. The Group and the Company hedge a portion of these exposures by purchasing forward currency contracts.

**Liquidity risk**

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

**Interest rate risk**

In the current low interest rate scenario, the Group and the Company borrow for operations at variable rates using its trade financing and revolving credit in order to finance capital expenditure.

## 22. Financial instruments (continued)

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

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

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which in which they mature, or if earlier, reprice.

| | 2009 | | | | | 2008 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | **Effective interest rate per annum %** | **Total RM'000** | **Within 1 year RM'000** | **1-5 years RM'000** | **After 5 years RM'000** | **Effective interest rate per annum %** | **Total RM'000** | **Within 1 year RM'000** | **1-5 years RM'000** | **After 5 years RM'000** |
| ***Financial liabilities*** | | | | | | | | | | |
| Revolving credits | 3.53 | 3,800 | 3,800 | - | - | 5.67 | 16,500 | 16,500 | - | - |
| Bankers' acceptances | 3.15 | 47,900 | 47,900 | - | - | 4.41 | 45,200 | 45,200 | | |
| **Company** | | | | | | | | | | |
| ***Financial assets*** | | | | | | | | | | |
| Amounts due from subsidiaries | 5.00 | 12 | 12 | - | - | 5.00 | 21 | 21 | - | - |
| ***Financial liabilities*** | | | | | | | | | | |
| Amounts due to subsidiaries | 5.00 | 1,740 | 1,740 | - | - | 5.00 | 197 | 197 | - | - |

## 22. Financial instruments (continued)

**Fair values**

***Recognised financial instruments***

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

***Unrecognised financial instruments***

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at balance sheet date.

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 December are:

| | **2009** | | **2008** | |
|---|---|---|---|---|
| | **Contracted amount RM'000** | **Fair value RM'000** | **Contracted amount RM'000** | **Fair value RM'000** |
| **Group** | | | | |
| Forward foreign exchange purchase contracts | 47,374 | - * | 18,854 | (671) |
| | ====== | ====== | ====== | ====== |

* *The contracted foreign exchange rate approximates the fair value at the balance sheet date.*

## 23. Comparative figures

The comparative figures for the Group were derived from the financial statements of the the subsidiaries based on the pooling-of-interests method of consolidation.

# ECS ICT Berhad

(Formerly known as ECS ICT Sdn. Bhd.)
(Company No. 351038 H)
(Incorporated in Malaysia)

**and its subsidiaries**

## Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 7 to 47 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

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

..................................................................
**Foo Sen Chin**

..................................................................
**Soong Jan Hsung**

Kuala Lumpur

Date: 23 February 2010

# ECS ICT Berhad

(Formerly known as ECS ICT Sdn. Bhd.)
(Company No. 351038 H)
(Incorporated in Malaysia)

**and its subsidiaries**

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

I, **Foo Sen Chin**, the Director primarily responsible for the financial management of ECS ICT Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 47 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 23 February 2010.

....................................
**Foo Sen Chin**

Before me:

PESURUHJAYA SUMPAH
W 438
P. THURIRAJOO
AMM. PJK.
MALAYSIA

NO. 656, TINGKAT 2,
BATU 4, JALAN IPOH,
51200 KUALA LUMPUR.

KPMG (Firm No. AF 0758)
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# Independent auditors' report to the members of ECS ICT Berhad

(Formerly known as ECS ICT Sdn. Bhd.)
(Company No. 351038 H)
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of ECS ICT Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 47.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 351038 H

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

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

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Matters**

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

KPMG

**KPMG**
Firm Number: AF 0758
Chartered Accountants

**Siew Chin Kiang @ Seow Chin Kiang**
Approval Number: 2012/11/10(J)
Chartered Accountant

Petaling Jaya,

Date: 23 February 2010