



**ECS ICT BERHAD**  
(351038-H)  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018**

	Note	As At 30/09/2018 RM'000	As At 31/12/2017 RM'000
<b>ASSETS</b>			
Plant and equipment		2,573	2,819
Intangible asset		571	571
Investment in a joint venture		13,236	12,834
Investment in club membership		62	62
Deferred tax assets		1,292	808
<b>Total non-current assets</b>		<b>17,734</b>	<b>17,094</b>
Inventories		122,502	122,980
Receivables, deposits and prepayments		246,550	281,629
Cash and cash equivalents		67,059	50,526
		<b>436,111</b>	<b>455,135</b>
Assets classified as held for sale	18a	9,440	-
<b>Total current assets</b>		<b>445,551</b>	<b>455,135</b>
<b>TOTAL ASSETS</b>		<b>463,285</b>	<b>472,229</b>
<b>EQUITY</b>			
Share capital		90,000	90,000
Reserves		194,313	182,492
<b>Total equity attributable to owners of the Company</b>		<b>284,313</b>	<b>272,492</b>
<b>LIABILITIES</b>			
Payables and accruals		177,752	198,634
Tax payable		1,220	1,103
<b>Total current liabilities</b>		<b>178,972</b>	<b>199,737</b>
<b>Total liabilities</b>		<b>178,972</b>	<b>199,737</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>463,285</b>	<b>472,229</b>
Net assets per share attributable to owners of the Company (RM)		1.58	1.51

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

	Note	Individual Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
		30/09/2018 RM'000	30/09/2017 RM'000 Restated	30/09/2018 RM'000	30/09/2017 RM'000 Restated
<b>Revenue</b>	28	436,211	440,805	1,186,219	1,341,064
Cost of sales	28	(412,100)	(419,730)	(1,123,960)	(1,279,996)
<b>Gross profit</b>		<u>24,111</u>	<u>21,075</u>	<u>62,259</u>	<u>61,068</u>
Distribution expenses		(9,465)	(8,873)	(26,652)	(27,070)
Administrative expenses		(5,133)	(5,560)	(15,414)	(15,537)
Other income/(expenses)	17	14	(42)	(286)	362
<b>Results from operating activities</b>	17	<u>9,527</u>	<u>6,600</u>	<u>19,907</u>	<u>18,823</u>
Finance income		522	586	1,366	1,619
Finance costs		1	-	1	-
Net finance income		523	586	1,367	1,619
Share of profit of equity-accounted joint venture, net of tax		168	26	502	26
<b>Profit before tax</b>		<u>10,218</u>	<u>7,212</u>	<u>21,776</u>	<u>20,468</u>
Tax expense	21	(2,552)	(2,325)	(5,455)	(5,750)
<b>Profit for the period / Total comprehensive income for the period</b>		<u>7,666</u>	<u>4,887</u>	<u>16,321</u>	<u>14,718</u>
<b>Profit for the period / Total comprehensive income for the period attributable to:</b>					
Owners of the Company		7,666	4,887	16,321	14,718
Non-controlling interest		-	-	-	-
		<u>7,666</u>	<u>4,887</u>	<u>16,321</u>	<u>14,718</u>
<b>Earnings per share attributable to owners of the Company:</b>					
Basic (sen)	26	4.3	2.7	9.1	8.2
Diluted (sen)		N/A	N/A	N/A	N/A

Notes:

N/A Not applicable

*The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR NINE MONTHS ENDED 30 SEPTEMBER 2018**

	<b>&lt;- Attributable to owners of the Company - &gt;</b>				
	<b>Share Capital RM'000</b>	<b>Distributable Retained Earnings RM'000</b>	<b>Total RM'000</b>	<b>Non- Controlling Interest RM'000</b>	<b>Total Equity RM'000</b>
<b>Note</b>					
At 1 January 2017	90,000	166,124	256,124	-	256,124
Profit for the period / Total comprehensive income for the period	-	14,718	14,718	-	14,718
Dividend	-	(5,400)	(5,400)	-	(5,400)
At 30 September 2017	<u>90,000</u>	<u>175,442</u>	<u>265,442</u>	<u>-</u>	<u>265,442</u>
At 1 January 2018	90,000	182,492	272,492	-	272,492
Profit for the period / Total comprehensive income for the period	-	16,321	16,321	-	16,321
Dividend	7	(4,500)	(4,500)	-	(4,500)
At 30 September 2018	<u>90,000</u>	<u>194,313</u>	<u>284,313</u>	<u>-</u>	<u>284,313</u>

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*

**ECS ICT BERHAD**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR NINE MONTHS ENDED 30 SEPTEMBER 2018**

	<b>Nine Months Ended</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	21,776	20,468
<i>Adjustments for:</i>		
Non-cash items	1,725	1,048
Non-operating items	<u>(1,869)</u>	<u>(1,645)</u>
Operating profit before changes in working capital	21,632	19,871
Change in inventories	478	(4,483)
Change in receivables, deposits and prepayment	31,643	36,489
Change in payables and accruals	<u>(22,234)</u>	<u>(80,166)</u>
Cash generated from/(used in) operations	31,519	(28,289)
Tax paid	<u>(5,822)</u>	<u>(7,248)</u>
Net cash generated from/(used in) operating activities	<u>25,697</u>	<u>(35,537)</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of joint venture company	-	(12,170)
Purchase of plant and equipment	(5,984)	(895)
Proceeds from disposal of plant and equipment	48	134
Net cash used in investing activities	<u>(5,936)</u>	<u>(12,931)</u>
<b>Cash Flows from Financing Activities</b>		
Interest received	1,173	1,243
Interest paid	(1)	-
Dividend received from a Joint Venture	100	-
Dividend paid	<u>(4,500)</u>	<u>(5,400)</u>
Net cash used in financing activities	<u>(3,228)</u>	<u>(4,157)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	16,533	(52,625)
Cash and cash equivalents at beginning of period	50,526	110,215
<b>Cash and cash equivalents at end of period</b>	<u>67,059</u>	<u>57,590</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	<u>67,059</u>	<u>57,590</u>

*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**1. Basis of preparation**

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2017.

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2017 are available upon request from the Company's registered office at: Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan.

**2. Significant accounting policies**

The accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with the audited financial statements for the financial year ended 31 December 2017, except with the adoption of the following Malaysian Financial Reporting Standards ("MFRS"), Clarification on MFRS, Issues Committee ("IC") Interpretations and Amendments to MFRS for financial period 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\**

The accounting standards marked with [\*] are not applicable to the Group.

With the adoption of MFRS 15, *Revenue from Contracts with Customers*, the Group's revenue and cost of sales are adjusted accordingly with no material impact to profit for the year.

The adoption of the other standards and amendments are not expected to have material financial impacts to the financial statements of the Group.

**3. Seasonal or cyclical factors**

The Group's operations were not significantly affected by seasonal or cyclical factors.

**4. Unusual items**

There were no significant unusual items affecting assets, liabilities, equity, net income, or cash flows during the current financial quarter.



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**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**5. Material changes in estimates**

There was no estimation made for the current financial quarter results.

**6. Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and the financial year-to-date.

**7. Dividends paid**

A single tier final dividend of 2.5 sen per share, totalling RM4,500,000 in respect of the financial year ended 31 December 2017 was paid on 13 June 2018.

**8. Segmental reporting**

Segment information is presented in respect of the Group's business segments.

The Group business segments comprise the following:

- (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.

**(a) Information about reportable segments**

	<b>ICT Distribution RM'000</b>	<b>Enterprise Systems RM'000</b>	<b>ICT Services RM'000</b>	<b>Total RM'000</b>
<b><u>9 months financial period ended 30 September 2018</u></b>				
External revenue	840,664	317,174	28,381	1,186,219
Inter-segment revenue	13,781	880	3,603	18,264
Total revenue	<u>854,445</u>	<u>318,054</u>	<u>31,984</u>	<u>1,204,483</u>
Reportable segment profit before tax	<u>10,949</u>	<u>8,875</u>	<u>505</u>	<u>20,329</u>
<b><u>9 months financial period ended 30 September 2017</u></b>				
External revenue	1,060,473	255,955	24,636	1,341,064
Inter-segment revenue	30,655	1,665	2,468	34,788
Total revenue	<u>1,091,128</u>	<u>257,620</u>	<u>27,104</u>	<u>1,375,852</u>
Reportable segment profit before tax	<u>12,900</u>	<u>5,767</u>	<u>420</u>	<u>19,087</u>



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**8. Segmental reporting (continued)**

**(b) Reconciliation of reportable segment profit and loss:**

	<b>Current Year To- date 30/09/2018 RM'000</b>	<b>Preceding Year Corresponding Period 30/09/2017 RM'000</b>
Total profit for reportable segments before tax	20,329	19,087
Other non-reportable segments profit	7,845	10,680
Eliminate of inter-segments profit and loss	(6,398)	(9,299)
Consolidated profit before tax	<u>21,776</u>	<u>20,468</u>

**(c) Disaggregation of the Group's revenue**

	<b>Current Year to date 30/09/2018 RM'000</b>	<b>Preceding Year to date 30/09/2017 RM'000</b>
<b>ICT Distribution</b>		
Desktop PC, notebooks, mobility devices and peripherals	840,664	1,060,473
<b>Enterprise Systems</b>		
Server, storage, software and networking products	317,174	255,955
<b>ICT Services</b>		
Services and maintenance	28,381	24,636
Consolidated total	<u>1,186,219</u>	<u>1,341,064</u>

**(d) Segment assets**

	<b>As at 30/09/2018 RM'000</b>	<b>As at 31/12/2017 RM'000</b>
ICT Distribution	313,219	349,270
Enterprise Systems	130,842	122,943
ICT Services	4,111	7,096
Total reportable segment assets	<u>448,172</u>	<u>479,309</u>
<u>Reconciliation of reportable segment:</u>		
Total reportable segment assets	448,172	479,309
Other non-reportable segments assets	128,547	126,450
Elimination of inter-segment balances	(113,434)	(133,530)
Consolidated total	<u>463,285</u>	<u>472,229</u>

There were no major changes in segment assets during the period.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**8. Segmental reporting (continued)**

**(e) Segment liabilities**

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Office. Hence, no disclosure is made on segment liabilities.

**9. Material events subsequent to the end of the financial period**

There were no material events subsequent to the end of the financial period under review that have not been reflected in the quarterly financial statements.

**10. Changes in the composition of the Group**

There were no changes in the composition of the Group.

**11. Contingent liabilities and contingent assets**

**(a) Contingent liabilities**

	<b>As At 30/09/2018 RM'000</b>	<b>As At 31/12/2017 RM'000</b>
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	<u>144,940</u>	<u>146,850</u>

**(b) Contingent assets**

There were no contingent assets as at the end of the current financial period.

**12. Capital commitments**

The capital expenditure contracted but not provided for as at the end of the current financial period amounted to RM150,000.





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**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**13. Capital expenditure**

The major additions and disposals to plant and equipment during the current quarter and financial year-to-date were as follows:

	<b>Current Year Quarter 30/09/2018 RM'000</b>	<b>Current Year To-date 30/09/2018 RM'000</b>
Plant and equipment: Additions	<u>88</u>	<u>5,984</u>

**14. Related party transactions**

Related parties are those defined under MFRS 124 *Related Party Disclosures*. The Directors are of the opinion that the related party transactions and balances described below were carried out in the ordinary course of business and had been established on negotiated terms.

	<b>Current Year To- date 30/09/2018 RM'000</b>	<b>Balance Due From/(To) As at 30/09/2018 RM'000</b>
Transactions with affiliated companies: Purchases	(3,456)	(3,456)
Transactions with a company in which a Director has interests: Rental expenses	(1,481)	-
Administrative and accounting charges	7	1
Transactions with a company in which a Director has common directorship : Sales	<u>84</u>	<u>82</u>



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**15. Review of performance**

	Individual Quarter			Cumulative Quarter		
	Current Year 30/09/2018 RM'000	Preceding Year Corresponding Quarter 30/09/2017 RM'000	Changes %	Current Year To-date 30/09/2018 RM'000	Preceding Year Corresponding Period 30/09/2017 RM'000	Changes %
Revenue	436,211	440,805	(1.0)	1,186,219	1,341,064	(11.5)
Gross profit	24,111	21,075	14.4	62,259	61,068	2.0
<i>GP margin %</i>	5.5%	4.8%		5.2%	4.6%	
Profit before tax	10,218	7,212	41.7	21,776	20,468	6.4
Profit for the period	7,666	4,887	56.9	16,321	14,718	10.9

**Q3 2018 compared with Q3 2017**

Revenue in Q3 2018 was lower by 1.0% due to slower market conditions and uncertainties during the change of new government and transitional period of replacing Goods & Services Tax (GST) with Sales & Service Tax (SST). The Group recorded lower revenue of RM436.2 million compared with RM440.8 million last year due to lower revenue from ICT Distribution segment. However, with higher gross profit margin of 5.5% from the product mix compared with 4.8% last year, the gross profit (GP) increased by 14.4% to RM24.1 million from RM21.1 million last year.

With higher GP, the profit before tax (PBT) increased by 41.7% to RM10.2 million compared with RM7.2 million last year.

**Quarterly Segmental Result**

The performance of the three business segments for Q3 FY2018 compared with Q3 FY2017 were as follows:

a) ICT Distribution

Revenue decreased by 9.5% with lower sales mainly from Notebook and mobility products namely tablets and smartphones. However, with higher GP margin, the PBT increased by 33.0% to RM6.7 million compared with RM5.1 million last year.

b) Enterprise Systems

Revenue increased by 27.7% with higher sales mainly from servers, storage and software. With higher sales and better GP margin, the PBT increased by 40.7% to RM2.9 million compared with RM2.1 million last year.

c) ICT Services

Revenue increased by RM1.2 million. However, with lower GP margin, the PBT decreased to RM125,000 compared with RM168,000 last year.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**15. Review of performance (continue)**

**9 months ended 30 September 2018 compared with 30 September 2017**

The Group's revenue for 9 months ended 30 September 2018 was affected by slower market sentiments due to 14th General Election, change of government and uncertainty of replacement of GST with SST. The Group recorded revenue of RM1,186.2 million, a decrease of 11.5% compared with RM1,341.1 million last year due to lower revenue from ICT Distribution segment.

However, with higher GP margin of 5.2% compared with 4.6% last year due to higher contribution from Enterprise Systems segment and share of profit of joint venture of RM502,000 compared with RM26,000 last year, the PBT increased by 6.4% to RM21.8 million compared with RM20.5 million last year.

**Year-to-date Segmental Result**

The performance of the three business segments for 9 months period ended 30 September 2018 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue decreased by 20.7% with lower sales across major products in ICT Distribution Segment. With lower sales and GP, the PBT decreased by 15.1% to RM10.9 million compared with RM12.9 million last year.

b) Enterprise Systems

Revenue increased by 23.9% with higher sales across all products in Enterprise Systems. With higher sales and GP, PBT increased by 53.9% to RM8.9 million compared with RM5.8 million last year.

c) ICT Services

Revenue increased by RM3.7 million mainly due to higher revenue of Enterprise Systems. With higher sales and GP, the PBT increased to RM505,000 compared with RM420,000 last year.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**16. Financial review of current quarter compared with immediate preceding quarter**

	<b>Current Quarter 30/09/2018 RM'000</b>	<b>Immediate Preceding Quarter 30/06/2018 RM'000</b>	<b>Changes %</b>
Revenue	436,211	358,213	21.8
Gross Profit	24,111	18,182	32.6
<i>GP margin %</i>	5.5%	5.1%	
Profit before tax	10,218	5,709	79.0
Profit for the period	7,666	4,274	79.4

The Group's revenue in current quarter increased by 21.8% to RM436.2 million compared with RM358.2 million in preceding quarter with some recovery from uncertainty in change of government in Q2 2018 and "tax free" period prior to implementation of SST on 1 September 2018.

Sales of ICT Distribution and Enterprise Systems increased by 20.8% and 28.2% respectively. With higher sales and higher GP margin, PBT for ICT Distribution increased by 280.7%. However PBT for Enterprise Systems decreased by 12.1% to RM2.9 million from RM3.3 million in preceding quarter due to lower GP margin.

There was no significant changes in revenue and PBT for ICT services compared with preceding quarter.

**17. Results from operating activities are arrived at after (charging)/crediting:**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter 30/09/2018 RM'000</b>	<b>Preceding Year Corresponding Quarter 30/09/2017 RM'000</b>	<b>Current Year To-date 30/09/2018 RM'000</b>	<b>Preceding Year Corresponding Period 30/09/2017 RM'000</b>
Depreciation	(317)	(334)	(962)	(992)
(Impairment)/Reversal of impairment on trade receivables	(288)	302	(732)	100
Reversal of/(Inventories written down)	592	23	340	(489)
<b>Other Income/(Expenses):</b>				
Bad debts recovered	1	4	8	10
Foreign exchange gain - Realised	132	151	460	407
Foreign exchange gain/(loss) - Unrealised	483	162	(3,450)	3,283
Fair value (loss)/gain on financial instruments	(606)	(359)	2,645	(3,442)
Gain/(Loss) on fixed assets disposal	-	(1)	42	103
Others	4	1	9	1
	<b>14</b>	<b>(42)</b>	<b>(286)</b>	<b>362</b>

The Group is exposed to foreign currency risk on purchases that are mainly denominated in US Dollar ("USD"). However, the Group hedges most of these exposures by purchasing forward currency contracts in USD for payments on due dates.

There was no gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets and exceptional items.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**18. Commentaries and disclosure of other information**

**(a) Assets classified as held for sale**

The Group has acquired two units of industrial buildings from a debtor to settle an outstanding accounts of RM4.9 million. The acquisition was completed on 27 February 2018 for full settlement of the outstanding debt. This acquisition with debt settlement was made in the best interest of the Group to mitigate the potential risk of default by the debtor. The Group will dispose off the assets in due course at prevailing market value which is currently above the purchase price.

**(b) Other major changes in financial position and cash flow**

There are no major changes in the financial position and cash flow compared with financial year ended 31 December 2017.

**(c) Trade receivable**

Trade receivables have a credit term ranging from 14 to 60 days. Aging analysis of trade receivables as at 30 September 2018 were as follows:

	<b>Gross RM'000</b>	<b>Impairment RM'000</b>	<b>Net RM'000</b>
Not past due	97,887	-	97,887
Past due 1 - 30 days	111,782	-	111,782
Past due 31 - 60 days	12,905	-	12,905
Past due 61 - 90 days	7,975	-	7,975
Past due 91 - 180 days	2,198	(464)	1,734
Past due more than 181 days	1,232	(806)	426
	<b>233,979</b>	<b>(1,270)</b>	<b>232,709</b>

Impairment is not carried out on the past due trade receivables less than 90 days based on the historical collection trends as these balances are believed to be recoverable. Impairment on the trade receivables above 90 days is assessed based on the likelihood of default.

**19. Prospects**

The economic uncertainties across the region as well as Malaysia have dampened the overall market sentiment. The reintroduction of the Sales and Services Tax in September 2018 has also impacted many ICT products and services.

The consumer spending remains weak and we foresee a drop in demand on consumer products for this Q4 2018. There are not many public sector and Government Linked Companies projects. We are putting in extra effort in building up our commercial enterprise business to cover the shortfall of the above business segments.

The business outlook for Q4 2018 remains challenging but we strive to maintain the momentum from our Q3 2018 performance.



**ECS ICT BERHAD**

(351038-H)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**20. Profit forecast or profit guarantee**

Not applicable as the Group did not publish any profit forecast or profit guarantee.

**21. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2018 RM'000	Preceding Year Corresponding Quarter 30/09/2017 RM'000	Current Year To-date 30/09/2018 RM'000	Preceding Year Corresponding Period 30/09/2017 RM'000
Current income tax:				
Current year	2,938	2,217	6,102	5,642
(Over)/Under provision prior year	(163)	236	(163)	236
	<u>2,775</u>	<u>2,453</u>	<u>5,939</u>	<u>5,878</u>
Deferred tax	(223)	(128)	(484)	(128)
	<u>2,552</u>	<u>2,325</u>	<u>5,455</u>	<u>5,750</u>
Effective tax rate	25.0%	32.2%	25.1%	28.1%

The effective tax rate for current year was higher than the Malaysian tax rate of 24% due to certain expenses which were not deductible for tax purposes.

**22. Corporate proposals**

On 27 September 2018, the Company announced the following proposals:

- (a) Proposed change of Company's name from ECS ICT Berhad to VSTECS Berhad;
- (b) Proposed Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations; and
- (c) Proposed share buy-back on its own ordinary shares of up to 10% of the total number of issued shares.

The above proposals are subjected to shareholders' approval at the forthcoming Extraordinary General Meeting to be held on 8 November 2018.

**23. Borrowings and debt securities**

There were no borrowings as at the end of the current financial period.

**24. Changes in material litigation**

There was no material litigation as at the end of the current financial period.

**25. Dividend**

The Board of Directors has declared a single tier interim dividend of 2.5 sen per ordinary share each for the financial year ending 31 December 2018.

The dividend will be paid on 19 December 2018 in respective of deposited securities as at 5 December 2018.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**26. Earnings per share**

The basic and diluted earnings per share ("EPS") for the current quarter and current year-to-date were computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2018	Preceding Year Corresponding Quarter 30/09/2017	Current Year To-date 30/09/2018	Preceding Year Corresponding Period 30/09/2017
Profit attributable to equity holders of the Company (RM'000)	7,666	4,887	16,321	14,718
Weighted average number of ordinary shares in issue ('000)	180,000	180,000	180,000	180,000
Basic earnings per share (sen)	4.3	2.7	9.1	8.2
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

Diluted EPS is not applicable as there were no potential ordinary shares in issue for the current quarter and cumulative quarter.

**27. Auditor's report on preceding annual financial statements**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2017.

**28. Comparative figures**

With the adoption of MFRS15, *Revenue from Contracts with Customers*, the Group had recognised revenue net of credit note given to customers arising from the marketing and promotional activities. The cost of sales was adjusted accordingly with no impact on the profit.

	Individual Quarter 30/09/2017		Cumulative Quarter 30/09/2017	
	RM'000 (As restated)	RM'000 (As previously stated)	RM'000 (As (restated)	RM'000 (As previously stated)
Revenue	440,805	446,160	1,341,064	1,353,807
Cost of sales	(419,730)	(425,085)	(1,279,996)	(1,292,739)

**By order of the Board**

**Chua Siew Chuan**  
**Cheng Chia Ping**  
Company Secretaries

8 November 2018  
Selangor