ECS ICT Berhad

(Company No. 351038 H)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2010

ECS ICT Berhad
(Company No. 351038 H)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2010

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 2010.

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:		
Owners of the Company	28,927	10,043
Non-controlling interest	103	-
	29,030	10,043
	=====	=====

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

Since the end of the previous financial year, the Company paid a single tier interim dividend of 4 sen per ordinary share, totaling RM4,800,000 in respect of the financial year ended 31 December 2010 on 15 June 2010.

During the year, a subsidiary company paid a single tier interim dividend of 959.998 sen per ordinary share, totalling RM9,600,000 in respect of the financial year ended 31 December 2009 to the previous shareholders on 22 February 2010. The said dividend was declared and approved prior to the restructuring of the Group in conjunction with its listing exercise.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2010 is a single tier dividend of 4 sen per ordinary share, subject to the approval of the shareholders at the forthcoming annual general meeting.

Directors of the Company

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

Dato' Teo Chiang Quan
Foo Sen Chin
Soong Jan Hsung
Tay Eng Hoe
Eddie Foo Toon Ee
Wong Heng Chong
Quah Chek Tin
Ahmad Subri bin Abdullah
Ho Chee Kit
Narong Intanate (appointed on 26.08.2010)

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 1.1.2010	**Bought**	**Sold**	**At 31.12.2010**
Dato' Teo Chiang Quan				
Own interest in the Company				
- indirect	18,400,000	-	(4,246,000)	14,154,000
Foo Sen Chin				
Own interest in the Company				
- indirect	18,400,000	306,000	(4,246,000)	14,460,000
Soong Jan Hsung				
Own interest in the Company				
- direct	-	150,000	-	150,000
Eddie Foo Toon Ee				
Own interest in the Company				
- direct	-	150,000	-	150,000
Tay Eng Hoe				
Own interest in the Company				
- direct	-	150,000	-	150,000
Wong Heng Chong				
Own interest in the Company				
- direct	-	150,000	-	150,000

Directors' interests (continued)

None of the other Directors holding office at 31 December 2010 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 24 to the financial statements.

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

Issue of shares and debentures

During the financial year, the Company issued:

a) 27,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.46 per share in its Initial Public Offering in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad; and

b) 1,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.46 per share as part of the purchase consideration for the acquisition of 20% shares in ECS Pericomp Sdn. Bhd.

All the ordinary shares issued rank parri passu in all respect with the existing ordinary shares of the Company.

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 statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the 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 2010 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

Details of such events are as disclosed in Note 27 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

Petaling Jaya

18 March 2011

ECS ICT Berhad
(Company No. 351038 H)
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and its subsidiaries

Statements of financial position as at 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Assets					
Property, plant and equipment	3	3,133	3,722	129	176
Investments in subsidiaries	4	-	-	77,022	70,122
Goodwill on consolidation	5	571	-	-	-
Investment in club membership		62	62	-	-
Deferred tax assets	14	1,454	1,394	-	-
Total non-current assets		5,220	5,178	77,151	70,298
Inventories	6	81,500	91,296	-	-
Receivables, deposits and prepayments	7	149,360	177,074	36,048	16
Cash and cash equivalents	8	30,742	24,236	1,705	37
Tax recoverable		-	54	48	-
Total current assets		261,602	292,660	37,801	53
Total assets		266,822	297,838	114,952	70,351
Equity					
Share capital	9	60,000	46,000	60,000	46,000
Reserves		87,367	37,337	53,727	22,581
Total equity attributable to owners of the Company		147,367	83,337	113,727	68,581
Non-controlling interest		-	6,226	-	-
Total equity		147,367	89,563	113,727	68,581

Company No. 351038 H

Statements of financial position as at 31 December 2010

(continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Liabilities					
Deferred tax liabilities	14	383	163	18	-
Other payables	12	29	29	-	-
Total non-current liabilities		412	192	18	-
Payables and accruals, including derivatives	12	104,281	153,264	1,207	1,770
Borrowings (unsecured)	13	12,700	51,700	-	-
Tax payable		2,062	3,119	-	-
Total current liabilities		119,043	208,083	1,207	1,770
Total liabilities		119,455	208,275	1,225	1,770
Total equity and liabilities		266,822	297,838	114,952	70,351

The notes on pages 16 to 71 are an integral part of these financial statements.

ECS ICT Berhad
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Statements of comprehensive income for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000 restated	Company 2010 RM'000	Company 2009 RM'000
Revenue	15	1,271,512	1,345,613	14,336	285
Cost of sales		(1,194,378)	(1,276,723)	-	-
Gross profit		77,134	68,890	14,336	285
Distribution expenses		(28,006)	(25,071)	-	-
Administrative expenses		(8,834)	(9,262)	(1,551)	-
Other operating income		822	2,335	-	-
Other operating expenses		-	(770)	-	(196)
Results from operating activities		41,116	36,122	12,785	89
Finance costs		(1,868)	(2,646)	(23)	(10)
Interest income		119	41	903	1
Profit before tax	16	39,367	33,517	13,665	80
Tax expense	18	(10,337)	(8,503)	(3,622)	-
Profit for the year		29,030	25,014	10,043	80
Other comprehensive income for the year					
Reversal of deferred tax liability on realisation of revaluation surplus		-	324	-	-
Total comprehensive income for the year		29,030	25,338	10,043	80
Profit for the year attributable to:					
Owners of the Company		28,927	24,112	10,043	80
Non-controlling interest		103	902	-	-
Profit for the year		29,030	25,014	10,043	80

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Statements of comprehensive income for the year ended 31 December 2010

(continued)

	Note	Group 2010 RM'000	Group 2009 RM'000 restated	Company 2010 RM'000	Company 2009 RM'000
Total comprehensive income attributable to:					
Owners of the Company		28,927	24,436	10,043	80
Non-controlling interest		103	902	-	-
Total comprehensive income for the year		29,030	25,338	10,043	80
Earnings per share attributable to owners of the Company:					
Basic (sen)	19	25.7	26.2		

The notes on pages 16 to 71 are an integral part of these financial statements.

ECS ICT Berhad
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Statement of changes in equity for the year ended 31 December 2010

Group	Note	Share capital RM'000	Property revaluation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		<----*Attributable to owners of the Company*--->					
		<- *Non-distributable* ->		*Distributable*			
At 1 January 2009		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	-	-	-
Total comprehensive income for the year		-	324	24,112	24,436	902	25,338
Disposal of subsidiary – pursuant to internal rationalisation exercise		-	-	39	39	-	39
Dividend - 2009 interim	12	-	-	(9,600)	(9,600)	-	(9,600)
At 31 December 2009 restated		46,000	-	37,337	83,337	6,226	89,563

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Statement of changes in equity for the year ended 31 December 2010
(continued)

Group	Note	< ---*Attributable to owners of the Company*--- > <- *Non-distributable* -> Share capital RM'000	Share premium RM'000	*Distributable* Retained profits RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2010		46,000	-	37,337	83,337	6,226	89,563
Total comprehensive income for the year		-	-	28,927	28,927	103	29,030
Issue of ordinary shares:							
- Issued for cash		13,500	25,920	-	39,420	-	39,420
- Additional investment in a subsidiary		500	960	-	1,460	(6,329)	(4,869)
Share issue expenses		-	(977)	-	(977)	-	(977)
Dividends	20	-	-	(4,800)	(4,800)	-	(4,800)
At 31 December 2010		60,000	25,903	61,464	147,367	-	147,367
		======	======	======	======	=====	======
		Note 9	Note 9.1	Note 10			

Company No. 351038 H

Statement of changes in equity for the year ended 31 December 2010

(continued)

Company	**Note**	<------*Non-distributable*-----> **Share capital RM'000**	**Share premium RM'000**	**Merger reserve RM'000**	**Accumulated profit/(loss) RM'000**	**Total RM'000**
At 1 January 2009		500	-	-	(460)	40
Total comprehensive income for the year		-	-	-	80	80
Issue of ordinary shares		45,500	-	22,961	-	68,461
At 31 December 2009/ 1 January 2010		46,000	-	22,961	(380)	68,581
Total comprehensive income for the year		-	-	-	10,043	10,043
Issue of ordinary shares:						
- Issued for cash		13,500	25,920	-	-	39,420
- Additional investment in a subsidiary		500	960	-	-	1,460
Share issue expenses		-	(977)	-	-	(977)
Dividend	20	-	-	-	(4,800)	(4,800)
At 31 December 2010		60,000	25,903	22,961	4,863	113,727
		======	======	======	======	======
		Note 9	Note 9.1	Note 11		

The notes on pages 16 to 71 are an integral part of these financial statements.

ECS ICT Berhad
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Statements of cash flow for the year ended 31 December 2010

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash flows from operating activities				
Profit before tax	39,367	33,517	13,665	80
Adjustments for:				
Depreciation	1,403	1,502	58	56
Gain on disposal of property, plant and equipment	(103)	(461)	-	-
Loss/(Gain) on foreign exchange - Unrealised	(580)	1,044	-	-
Interest expense	1,868	2,646	23	10
Interest income	(119)	(41)	(903)	(1)
Dividend income	-	-	(14,000)	-
Write off of plant and equipment	-	33	-	-
Fair value changes on financial instrument	690	-	-	-
Allowance for doubtful debt	1,688	55	-	-
Bad debts written off	1,111	939	-	-
Inventories written off	521	710	-	-
Inventories written down	-	1,846	-	-
Reversal of inventories written down	(1,755)	-	-	-
Operating profit/(loss) before changes in working capital	44,091	41,790	(1,157)	145
Changes in working capital:				
Inventories	11,030	(26,638)	-	-
Receivables, deposits and prepayments	24,893	(45,676)	(9)	8
Payables and accruals	(39,493)	58,364	482	(4)
Cash generated from/(used in) operations	40,521	27,840	(684)	149
Tax paid	(11,181)	(8,490)	(152)	-
Net cash generated from/(used in) operating activities	29,340	19,350	(836)	149

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Statements of cash flow for the year ended 31 December 2010

(continued)

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(826)	(1,670)	(11)	(31)
Proceeds from disposal of property, plant and equipment	115	3,391	-	-
Dividend received	-	-	10,500	-
Purchase of non-controlling interest	(5,440)	-	(5,440)	-
Net cash (used in)/generated from investing activities	(6,151)	1,721	5,049	(31)
Cash flows from financing activities				
Repayment of bank borrowings	(39,000)	(10,000)	-	-
Advances to subsidiaries	-	-	(37,068)	(117)
Advances from/(to) previous holding company	23	(24)	-	-
Deposits uplifted from a licensed bank	-	4	-	-
Interest paid	(1,868)	(2,646)	(23)	(10)
Interest received	119	41	903	1
Dividend paid to owners of the company	(4,800)	(74)	(4,800)	-
Prior year dividend	(9,600)	-	-	-
Issuance of shares	39,420	-	39,420	-
Share issue expenses	(977)	-	(977)	-
Net cash used in financing activities	(16,683)	(12,699)	(2,545)	(126)
Net increase/(decrease) in cash and cash equivalents	6,506	8,372	1,668	(8)
Cash and cash equivalents at beginning of year	24,236	15,864	37	45
Cash and cash equivalents at end of year	30,742	24,236	1,705	37

Statements of cash flow for the year ended 31 December 2010

(continued)

Cash and cash equivalents included in the statements of cash flow comprise the following statements of financial position amount:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	30,742	24,236	1,705	37
	=====	=====	=====	=====

ECS ICT Berhad
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Notes to the financial statements

ECS ICT Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business 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 Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements of the Company as at and for the year ended 31 December 2010 do not include any other entities.

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.

These financial statements were authorised for issue by the Board of Directors on 18 March 2011.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS"), generally accepted accounting principles 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:

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

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

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*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- 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 March 2010, 1 July 2010 and 1 January 2011, except for FRS 1 (revised), amendments to FRS 2, IC Interpretation 12, 16 and 18 which are not applicable to the Group and the Company.

- From the annual period beginning 1 January 2012 for these standards, amendments and interpretations that will be effective for annual periods beginning on or after 1 January 2011 and 1 January 2012, except for amendments to IC Interpretation 14, IC Interpretation 19 and IC Intepretation 15 which are not applicable to the Group and the Company.

The initial application of the aforesaid applicable standards (and its consequential amendments) and interpretations are not expected to have any material impact on the financial statements of the Group and the Company upon their initial adoption.

Following the announcement made by the MASB on 1 August 2008, the Group's and the Company's financial statements for the year ended 31 December 2012 will be prepared in accordance with the International Financial Reporting Standards ("IFRS") Framework.

The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

1. Basis of preparation (continued)

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 5 - Measurement of recoverable amounts of cash-generating units
- Note 6 - Measurement of net realisable value of inventories

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, other than those disclosed in the following note:

• Note 2(c) – Financial instruments

(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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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 statement of financial position at cost less any impairment losses.

(ii) Changes in Group composition

When the Group purchases a subsidiary's equity shares from non-controlling interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Non-controlling interest

Non-controlling interest at the end of the reporting period, 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 statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interest in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between non-controlling interest and the owners of the Company.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Non-controlling interest (continued)

Where losses applicable to the non-controlling interest exceed the non-controlling interests' 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 non-controlling interest's share of losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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 reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

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

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

2. Significant accounting policies (continued)

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 28.

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market (including fixed deposits with financial institutions) and loans and receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in income statement. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into income statement. Interest calculated for a debt instrument using the effective interest method is recognised in income statement.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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

(iii) Financial guarantee contracts

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statement.

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. 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 knowledgeable willing parties 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 available and replacement cost when appropriate.

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" and "other expenses" respectively in income statement.

(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 to income statement. The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

• Freehold office blocks	50 years
• Office equipment	5 years
• Office renovation	5 years
• Motor vehicles	5 years
• Furniture and fittings	4 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at end of the reporting period.

(e) Leased assets

Operating lease

Payments made under operating leases are recognised in income statement on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in income statement as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

2. Significant accounting policies (continued)

(f) Intangible assets

Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

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.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(h) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

2. Significant accounting policies (continued)

(i) Cash and cash equivalents

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

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in income statement and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to the income statement.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in income statement for an investment in an equity instrument is not reversed through the income statement.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets, assets arising from employee benefits and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in income statement. 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.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

2. Significant accounting policies (continued)

(l) 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 liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant accounting policies (continued)

(n) 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.

(ii) Services

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

(iii) Dividend income

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

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in income statement except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in income statement using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in the income statement using the effective interest method in the period in which they are incurred.

Following the adoption of FRS 123, *Borrowing Costs*, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

2. Significant accounting policies (continued)

(o) Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in income statement except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in income statement as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(q) Operating segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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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 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 2009/1 January 2010	-	6,869	115	1,414	1,468	9,866
Additions	-	541	4	250	31	826
Disposals	-	(22)	-	(213)	-	(235)
At 31 December 2010	-	7,388	119	1,451	1,499	10,457

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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 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 2009/1 January 2010	-	4,471	71	1,220	382	6,144
Charge for the year	-	861	23	155	364	1,403
Disposals	-	(11)	-	(212)	-	(223)
At 31 December 2010	-	5,321	94	1,163	746	7,324
Carrying amounts						
At 1 January 2009	2,935	2,426	74	336	746	6,517
At 31 December 2009/1 January 2010	-	2,398	44	194	1,086	3,722
At 31 December 2010	-	2,067	25	288	753	3,133

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3. Property, plant and equipment (continued)

Company	Office equipment RM'000	Office renovation RM'000	Furniture and fittings RM'000	Total RM'000
Cost				
At 1 January 2009	275	8	9	292
Additions	31	-	-	31
Written off	(13)	(8)	(9)	(30)
At 31 December 2009/ 1 January 2010	293	-	-	293
Additions	11	-	-	11
At 31 December 2010	304	-	-	304
Accumulated depreciation				
At 1 January 2009	74	8	9	91
Charge for the year	56	-	-	56
Written off	(13)	(8)	(9)	(30)
At 31 December 2009/ 1 January 2010	117	-	-	117
Charge for the year	58	-	-	58
At 31 December 2010	175	-	-	175
Carrying amounts				
At 1 January 2009	201	-	-	201
At 31 December 2009/ 1 January 2010	176	-	-	176
At 31 December 2010	129	-	-	129

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4. Investments in subsidiaries

	Company 2010 RM'000	Company 2009 RM'000
Unquoted shares - at cost	77,022	70,122
	=====	=====

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2010 %	Effective ownership interest 2009 %
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	100	80
ECS Astar Sdn. Bhd.		Malaysia	100	100
ECS KUSH Sdn. Bhd.	Provision of management services and letting of properties	Malaysia	100	100

In the prior year, 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 shareholdings 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 and the following was approved and subsequently implemented:

(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, satisfied by way of indebtedness owing by the Company to KUSH and was subsequently 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, satisfied by way of indebtedness owing by the Company to KUSH was subsequently settled through the utilisation of proceeds from the public issue; and

(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, satisfied by way of indebtedness owing by the Company to KUSH was subsequently settled through the utilisation of proceeds from the public issue.

The acquisition of interests in the above companies qualifies as an acquisition under common control and was accounted for and presented under the pooling-of-interests method of consolidation. Accordingly, the Group recognized a merger deficit of RM44,561,000 in equity, as disclosed in Note 11.

During the year, the remaining 20% of the issued and paid-up share capital of 80,000 ordinary shares of RM1.00 each in Pericomp, were purchased from SIS Investment Holdings Ltd (“SIS”), for a consideration of RM6,900,000 satisfied through the issuance of 1,000,000 new ordinary shares of RM0.50 each at an offer price of RM1.46 per share and the remaining consideration of RM5,440,000 was satisfied by way of indebtedness owing by the Company to SIS and settled through the utilisation of proceeds from the public issue.

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5. Goodwill on consolidation

	Group	
	2010 RM'000	2009 RM'000
At 1 January	-	-
Acquisition through business combination	571	-
At 31 December	571	-

Impairment testing for cash-generating unit containing goodwill

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

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

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

Cash flows were projected based on past experience, actual operating results and one-year business plan in current year. Cash flows for the one-year period were projected using a constant growth rate of 8.7 percent, which does not exceed the long-term average growth rate of the industry.

The values assigned to the key assumptions represent management's assessment of future trends in the IT industry and are based on both external sources and internal sources (historical data).

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6. Inventories

	Group	
	2010	2009
	RM'000	RM'000
At cost:		
Finished goods	79,386	83,858
Goods-in-transit	887	1,419
At net realisable value:		
Finished goods	1,227	6,019
	81,500	91,296

Included in inventories of the Group are goods in transit amounting to RM886,704 (2009: RM1,418,589).

The write-down of inventories to net realisable value amounted to RM1,181,000 (2009: RM3,007,000).

Inventories amounted to RM71,000 (2009: RM nil) had been written off against the provision for stock obsolescence during the year.

7. Receivables, deposits and prepayments

		Group		Company	
	Note	2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade receivables		137,260	162,711	-	-
Less: Allowance for doubtful debts	7.1	(2,083)	(457)	-	-
		135,177	162,254	-	-
Amount due from related parties	7.2	51	72	-	-
Amount due from subsidiaries	7.3	-	-	116	14
		135,228	162,326	116	14

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7. Receivables, deposits and prepayments (continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Non-trade					
Other receivables		12,894	13,218	-	-
Deposits	7.4	1,064	975	7	2
Prepayments		174	516	5	-
Amount due from immediate holding company	7.5	-	23	-	-
Amounts due from related companies	7.5	-	16	-	-
Amount due from subsidiaries	7.3	-	-	35,920	-
		14,132	14,748	35,932	2
		149,360	177,074	36,048	16

7.1 Allowance for doubtful debt

During the year, trade receivables amounting to RM62,000 (2009: RM677,000) was written off against the allowance for doubtful debt.

7.2 Amount due from related parties

The trade receivables due from related parties are subject to normal trade terms.

7.3 Amount due from subsidiaries

The amount due from subsidiaries are unsecured, bear interest at 4% (2009: 5%) per annum and subject to the normal trade terms.

7.4 Deposits

Included in deposits is an amount of RM773,000 (2009: RM773,000) paid as rental security deposits to a company in which certain directors have substantial interests.

7.5 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.

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8. Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	30,742	24,236	1,705	37
	=====	=====	====	====

9. Share capital

Company	Note	Amount 2010 RM'000	Number of shares 2010 '000	Amount 2009 RM'000	Number of shares 2009 '000
Authorised:					
Ordinary shares of RM0.50 each/ RM1.00 each					
At 1 January		500,000	1,000,000	1,000	1,000
Subdivision of shares	(a)	-	-	-	1,000
Ordinary shares of RM0.50 each		500,000	1,000,000	1,000	2,000
Creation of shares	(b)	-	-	499,000	998,000
At 31 December		500,000	1,000,000	500,000	1,000,000
		======	=======	======	=======
Issued and fully paid:					
Ordinary shares of RM0.50 each/ RM1.00 each					
At 1 January		46,000	92,000	500	500
Subdivision of shares	(a)	-	-	-	500
Ordinary shares of RM0.50 each		46,000	92,000	500	1,000
Initial Public Offer	(d)	13,500	27,000	-	-
Acquisition of subsidiary	(c),(e)	500	1,000	45,500	91,000
At 31 December		60,000	120,000	46,000	92,000
		======	=======	======	======

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9. Share capital (continued)

Group	Note	Amount 2010 RM'000	Number of shares 2010 '000	Amount 2009 RM'000	Number of shares 2009 '000
Issued and fully paid:					
Ordinary shares of RM0.50 each		46,000	92,000	46,000	92,000
Subdivision of shares	(a)	-	-	-	-
Ordinary shares of RM0.50 each		46,000	92,000	46,000	92,000
Initial Public Offer	(d)	13,500	27,000	-	-
Acquisition of subsidiary	(c),(e)	500	1,000	-	-
At 31 December		60,000	120,000	46,000#	92,000#

In previous financial 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 2009 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.

During the financial year, the Company issued:

d) 27,000,000 new ordinary shares of RM0.50 each at an issued price of RM1.46 per share in its Initial Public Offering in conjunction with its listing on the Main Market of Bursa Malaysia Securities Berhad; and

e) 1,000,000 new ordinary shares of RM0.50 each as part of purchase consideration for the acquisition of 20% shares in ECS Pericomp Sdn. Bhd. (Note 4).

9. Share capital (continued)

9.1 Share Premium

Share premium reserve relates to the excess of amount received by an entity over the par value of its shares derived as follows:

	Issue price RM	Par Value RM	Total Number of shares '000	Share premium RM'000
At 1 January 2009/31 December 2009/ 1 January 2010				-
Initial Public Offer	1.46	0.50	27,000	25,920
Acquisition of subsidiary	1.46	0.50	1,000	960
			28,000	26,880
Less: Share issue expenses				(977)
At 31 December 2010				25,903

10. Reserves

Revaluation reserve

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

Retained earnings

Pursuant to Section 50 of the Savings and Transitional Provisions Income Tax Act, 1967, the Company has elected the irrevocable option to disregard the Section 108 balance and exercised an irrevocable option not to deduct tax under Section 40 of the said Act. As such, the Company may distribute single tier dividend to its shareholders out of its entire retained earnings.

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11. Merger reserve/deficit

11.1 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.

11.2 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 was set-off against the reserves of the Group.

12. Payables and accruals, including derivatives

		Group		**Company**	
	Note	**2010**	**2009**	**2010**	**2009**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Current:					
Trade					
Trade payables	12.1	53,049	100,643	-	-
Deferred revenue		285	363	-	-
		53,334	101,006	-	-
Non-trade					
Other payables and accrued expenses		50,257	42,658	512	30
Amounts due to subsidiaries	12.2	-	-	695	1,740
Dividend payable	12.3	-	9,600	-	-
Derivative liabilities		690	-	-	-
		50,947	52,258	1,207	1,770
		104,281	153,264	1,207	1,770
Non-current:					
Other payables		29	29	-	-

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12. Payables and accruals, including derivatives (continued)

12.1 Analysis of foreign currency exposure for significant payables

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

		Group	
		2010	2009
		RM'000	RM'000
Functional currency	**Foreign currency**		
RM	USD	32,508	44,129
		=====	=====

12.2 Amount due to subsidiaries

The amount due to subsidiaries are unsecured, bear interest at 4% (2009: 5%) per annum and are repayable on demand.

12.3 Dividend payable

During the year, a subsidiary company paid a single tier interim dividend of 959.998 sen per ordinary share, totalling RM9,600,000 in respect of the financial year ended 31 December 2009 to the previous shareholders on 22 February 2010. The said dividend was declared and approved prior to the restructuring of the Group in conjunction with its listing exercise.

13. Borrowings (unsecured)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current				
Bankers' acceptances	12,700	47,900	-	-
Revolving credits	-	3,800	-	-
	12,700	51,700	-	-
	=====	=====	=====	=====

The bankers' acceptances and revolving credits bear interest at rates ranging from 2.72% to 4.35% (2009: 2.72% to 3.58%) per annum and 3.28% to 5.50% (2009: 3.28% to 3.78%) per annum, respectively.

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

i) corporate guarantees by the Company (2009: previous holding company) for certain subsidiaries; and

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

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14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2010 RM'000	Assets 2009 RM'000	Liabilities 2010 RM'000	Liabilities 2009 RM'000	Net 2010 RM'000	Net 2009 RM'000
Property, plant and equipment						
- capital allowances	-	-	(383)	(418)	(383)	(418)
- unabsorbed capital allowances	321	125	-	-	321	125
Provisions	1,017	1,263	-	-	1,017	1,263
Other items	116	262	-	(1)	116	261
Tax assets/(liabilities)	1,454	1,650	(383)	(419)	1,071	1,231
Set off of tax	-	(256)	-	256	-	-
Net tax assets/ (liabilities)	1,454	1,394	(383)	(163)	1,071	1,231

Unrecognised deferred tax assets

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

	Group 2010 RM'000	Group 2009 RM'000
Capital allowances	-	44
Taxable temporary differences	-	(148)
Tax losses	-	127
	-	23

The unutilised capital allowance and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it was not probable that future taxable profits would be available against which the Group could utilise the benefits from.

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14. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

Group	**At 1.1.2009 RM'000**	**Recognised in income statement (Note 18) RM'000**	**Recognised in other comprehensive income RM'000**	**At 31.12.2009 RM'000**	**Recognised in income statement (Note 18) RM'000**	**At 31.12.2010 RM'000**
Property, plant and equipment						
- capital allowances	(480)	62	-	(418)	35	(383)
- revaluation	(324)	-	324	-	-	-
- unabsorbed capital allowances	51	74	-	125	196	321
Provisions	714	549	-	1,263	(246)	1,017
Other items	(119)	380	-	261	(145)	116
	(158)	1,065	324	1,231	(160)	1,071

15. Revenue

	Group		**Company**	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Sales	1,270,946	1,343,258	-	-
Services	566	2,355	180	120
Rental income from subsidiaries	-	-	156	165
Dividend income from subsidiaries	-	-	14,000	-
	1,271,512	1,345,613	14,336	285

16. Profit before tax

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before tax is arrived at after charging:				
Allowance for doubtful debts	1,688	55	-	-
Auditors' remuneration				
- Statutory audit	88	79	30	25
- Other services	-	91	-	4
Bad debts written off	1,111	939	-	-
Depreciation	1,403	1,502	58	56
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,596	1,440	12	9
- Wages, salaries and others	25,052	23,931	139	104
Loss on foreign exchange:				
- Realised	1	-	1	-
- Unrealised	-	1,044	-	-
Inventories written down	-	1,846	-	-
Inventories written off	521	710	-	-
Plant and equipment written off	-	33	-	-
Rental expense:				
- Office rental	1,138	1,129	4	10
- Warehouse rental	515	515	-	-
	======	======	======	======
and after crediting:				
Gain on foreign exchange (net):				
- Realised	1,678	1,020	-	-
- Unrealised	580	-	-	-
Gain on disposal of property, plant and equipment	103	461	-	-
Bad debts recovered	709	276	-	-
Reversal of inventories written down	1,755	-	-	-
Reversal of allowance for doubtful debts	-	-	-	2
	======	======	======	======

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17. Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors				
- Fees	353	12	340	-
- Remuneration	4,190	3,738	15	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	38	24	-	-
	4,581	3,774	355	-
Other key management personnel				
- Remuneration	868	814	-	-
- Contributions to Employees Provident Fund	190	173	-	-
- Other short-term employee benefits	785	693	-	-
	1,843	1,680	-	-
	6,424	5,454	355	-

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.

18. Tax expense

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense				
- Current year	9,944	9,213	3,604	-
- Prior years	233	355	-	-
Deferred tax expense				
- Origination and reversal of temporary differences	256	(900)	18	-
- Over provision in prior year	(96)	(165)	-	-
	10,337	8,503	3,622	-

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18. Tax expense (continued)

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Reconciliation of tax expense				
Profit for the year	29,030	25,014	10,043	80
Tax expense	10,337	8,503	3,622	-
Profit excluding tax	39,367	33,517	13,665	80
Tax at Malaysian tax rate of 25%	9,842	8,379	3,416	20
Non-deductible expenses	639	114	210	-
Non-taxable income	-	(143)	-	(20)
Changes in unrecognised temporary differences	-	(37)	-	-
Utilisation of previously unrecognised deferred tax assets	(5)	-	(4)	-
Utilisation of current year business loss	(276)	-	-	-
	10,200	8,313	3,622	-
Under provision of tax expense in prior year	233	355	-	-
Over provision of deferred tax expense in prior year	(96)	(165)	-	-
	10,337	8,503	3,622	-

19. Earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2010 RM'000	Group 2009 RM'000
Profit attributable to owners of the Company	28,927	24,112
	'000	**'000**
Issued ordinary shares at 1 January	92,000	92,000
Effect of ordinary shares issued during the year	20,482	-
Weighted average number of ordinary shares in issue	112,482	92,000
Basic earnings per share (sen)	25.72	26.21

20. Dividend

Dividends recognised in the current year by the Company are:

2010	**Sen per share (net of tax)**	**Total amount RM'000**	**Date of payment**
Interim 2010 ordinary – single tier	4	4,800	16 Jun 2010
		====	

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share (net of tax)	**Total amount RM'000**	**Proposed date of payment**
Final ordinary dividend	4	4,800	14 June 2011
		====	

21. Operating segments

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

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

Other non-reportable segments comprise management services and investment holding.

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

Segment assets

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

Segment liabilities

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

Segmental information for the Group is presented as follows:

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21. Operating segment (continued)

2010	ICT distribution RM'000	Enterprise systems RM'000	ICT services RM'000	Other non-reportable segments RM'000	Total RM'000	Elimination RM'000	Total RM'000
Sales to external customer	855,316	404,765	11,431	-	1,271,512	-	1,271,512
Inter-segment sales	1,619	10,313	2,655	16,426	31,013	(31,013)	-
Total sales	856,935	415,078	14,086	16,426	1,302,525	(31,013)	1,271,512
Profit before tax	24,307	14,261	526	7,687	46,781	(7,414)	39,367
Included in segment profit are:							
- Depreciation	165	184	10	1,057	1,416	(13)	1,403
- Gain/(loss) on disposal of property, plant and equipment	81	22	1	(1)	103	-	103
- Finance cost	1,257	595	16	-	1,868	-	1,868
- Interest income	58	32	1	28	119	-	119
Segment assets	194,303	73,222	4,396	119,612	391,533	(124,711)	266,822

21. Operating segment (continued)

2009	ICT distribution RM'000	Enterprise systems RM'000	ICT services RM'000	Other non-reportable segment RM'000	Total RM'000	Elimination RM'000	Total RM'000
Sales to external customer	937,950	388,388	19,275	-	1,345,613	-	1,345,613
Inter-segment sales	6,180	2,205	4,249	10,020	22,654	(22,654)	-
Total sales	944,130	390,593	23,524	10,020	1,368,267	(22,654)	1,345,613
Profit before tax	21,407	11,825	491	12,124	45,847	(12,330)	33,517
Included in segment profit are:							
- Depreciation	193	123	28	1,167	1,511	(9)	1,502
- Gain/(loss) on disposal of property, plant and equipment	(5)	(2)	(7)	475	461	-	461
- Finance cost	1,844	764	38	-	2,646	-	2,646
- Interest income	41	-	-	-	41	-	41
Segment assets	227,234	71,202	4,462	86,659	389,557	(91,719)	297,838

22. Operating leases

Operating lease rentals are payable as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Less than one year	1,569	1,642	14	-
Between one and three years	2	1,547	-	-
	1,571	3,189	14	-

The Group leases its office and warehouse on operating leases. The leases run for an initial period of 1 to 3 years (2009: 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.

23. Contingent liabilities (unsecured)

	Company	
	2010	**2009**
	RM'000	**RM'000**
Guarantees to suppliers and banks for trade credit facilities granted to Group entities	185,431	79,523

Guarantees to licensed banks and suppliers for credit facilities granted to Group entities were supported by corporate guarantees from the Company.

24. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control 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 include all the Directors of the Group, and certain members of senior management of the Group.

24. 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 17.

Other related party transactions

	Group Transaction value		Company Transaction value	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Related companies				
Purchases	64	8	-	-
Sales	(16)	(813)	-	-
	=====	=====	=====	=====
Subsidiaries				
Dividend received	-	-	(14,000)	-
Interest income	-	-	(874)	-
Rental income	-	-	(156)	(165)
Support services income	-	-	(180)	(180)
Purchase of equipment	-	-	3	-
Interest expense	-	-	23	-
	=====	=====	=====	=====
Transaction with a company in which certain Directors have interests:				
Rental expense	1,546	1,546	-	-
Sales	(1,065)	(1,044)	-	-
Professional fee	61	72	-	-
	=====	=====	=====	=====

The net balances outstanding arising from the above transactions have been disclosed in Note 7 and Note 12.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are not more favourable to the related parties than those arranged with independent third parties.

25. Financial instruments

Categories of financial instruments

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

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL);
(c) Available-for-sale financial assets (AFS);
(d) Held-to-maturity investments (HTM); and
(e) Other financial liabilities measured at amortised cost (OL).

2010	Carrying amount RM'000	L&R OL RM'000	FVTPL RM'000
Financial assets			
Group			
Receivables, deposits and prepayments	149,360	149,360	-
Cash and cash equivalents	30,742	30,742	-
	180,102	180,102	-
Company			
Receivables, deposits and prepayments	36,048	36,048	-
Cash and cash equivalents	1,705	1,705	-
	37,753	37,753	-
2010			
Financial liabilities			
Group			
Borrowings (unsecured)	12,700	12,700	-
Payables and accruals	103,620	103,620	-
Derivative liabilities	690	-	690
	117,010	116,320	690
Company			
Payables and accruals	1,207	1,207	-

25. Financial instruments (continued)

Net gains and losses arising from financial instruments

	Group	
	2010	**2009**
	RM'000	**RM'000**
Fair value through profit and loss - held for trading	690	-
	====	====

Financial risk management objectives and policies

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

- Credit risk
- Foreign currency risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans, advances and financial guarantees given to subsidiaries.

(i) Receivables

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees of banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

25. Financial instruments (continued)

Credit risk (continued)

(i) Receivables (continued)

At the balance sheet date there were no significant concentrations of credit risk except for 5 individual debtors which forms 13.1% (2009: 14.1%) 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.

The ageing of trade receivables as at the end of the reporting period was:

Group	**Gross RM'000**	**Individual impairment RM'000**	**Collective impairment RM'000**	**Net RM'000**
2010				
Not past due	86,793	-	-	86,793
Past due 0 - 30 days	34,438	-	-	34,438
Past due 31 - 60 days	12,390	-	-	12,390
Past due 61 - 90 days	1,452	-	-	1,452
Past due 91 - 120 days	623	(38)	(481)	104
Past due more than 120 days	1,564	(809)	(755)	-
	137,260	(847)	(1,236)	135,177

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group 2010 RM'000	**Group 2009 RM'000**
At 1 January 2010	457	1,079
Impairment loss recognized	1,688	55
Impairment loss written off	(62)	(677)
At 31 December 2010	2,083	457

25. Financial instruments (continued)

Credit risk (continued)

(ii) Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

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

(iii) Financial guarantees

Risk management objectives, policies and processes for managing the risk.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The maximum exposure to credit risk amounts to RM12,700,000 (2009: RM51,700,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

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

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

(iv) Loan and advances to subsidiaries

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances have not been overdue for more than a year.

25. Financial instruments (continued)

Foreign currency risk

Approximately 25.3% (2009: 19.0%) 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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

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

Exposure to 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.

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	-	-	36,036	14
Financial liabilities	-	-	(695)	(1,740)
	-	-	35,341	(1,726)
Floating rate instruments				
Financial liabilities	(12,700)	(51,700)	-	-

Fair value sensitivity analysis for fixed rate instruments

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

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

25. 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.

	2010					2009				
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	-	-	-	-	3.53	3,800	3,800	-	-
Bankers' acceptances	3.15	12,700	12,700	-	-	3.15	47,900	47,900	-	-
Company										
Financial assets										
Amounts due from subsidiaries	4.00	36,036	36,036	-	-	5.00	14	14	-	-
Financial liabilities										
Amounts due to subsidiaries	4.00	695	695	-	-	5.00	1,740	1,740	-	-

25. Financial instruments (continued)

Fair value of financial instruments

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

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	**2010 Principal amount RM'000**	**2010 Carrying amount/ Fair value RM'000**	**2009 Principal amount RM'000**	**2009 Carrying amount/ Fair value RM'000**
Forward exchange contracts*:				
Liabilities	39,579	690	44,745	-
	=====	=====	=====	=====

* The Group has entered into forward exchange contracts with principal amount of RM39,579,000 (2009: RM44,745,000). As at the reporting date, the fair value of these contracts has been recognised in the financial statements.

Company	**2010 Carrying amount RM'000**	**2010 Fair value RM'000**	**2009 Carrying amount RM'000**	**2009 Fair value RM'000**
Advances to/(from) subsidiaries	35,225	35,225	(1,740)	(1,740)
	=====	=====	=====	=====

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

Investments in equity and debt securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

25. Financial instruments (continued)

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption provided in the standard.

26. Capital management

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

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the debt-to-equity ratio at the lower end range. The debt-to-equity ratios at 31 December 2010 and at 31 December 2009 were as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
Total borrowings (Note 13)	12,700	51,700
Less: Cash and cash equivalents (Note 8)	(30,742)	(24,236)
Net debt	(18,042)	27,464
Total equity	147,367	89,563
Debt-to-equity ratios	(0.12)	0.31

There were no changes in the Group's approach to capital management during the financial year.

27. Significant events

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Market of Bursa Securities on 15 April 2010, the Company has completed the listing scheme as below:

(a) Initial Public Offering:

(i) Public issue of 27,000,000 new ordinary shares of RM0.50 each ("ECSB Shares") at an issue price of RM1.46 per share; and

(ii) Offer for sale of up to 20,000,000 ECSB Shares at an offer price of RM1.46 per share.

(b) The Company had on 18 June 2009, entered into a Share Sales Agreement with SIS to acquire the remaining 80,000 ordinary shares of RM1.00 each, representing 20% of the total issued and paid up share capital of ECS Pericomp Sdn. Bhd., a 80% owned subsidiary of the Company, for a purchase consideration of RM6,900,000 ("20% Pericomp Acquisition").

The purchase consideration of RM6,900,000 was satisfied through the issuance of 1,000,000 new ordinary shares of RM0.50 each at RM1.46 per share and cash of RM5,440,000.

28. Significant changes in accounting policies

28.1 FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in the income statement.

Intercompany loans

Prior to the adoption of FRS 139, intercompany loans were recorded at cost. With the adoption of FRS 139, intercompany loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in income statement using the effective interest method.

28. Significant changes in accounting policies (continued)

28.1 FRS 139, *Financial Instruments: Recognition and Measurement* (continued)

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debt was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The adoption of FRS 139 does not result in a material effect to the results of the Group and of the Company.

28.2 FRS 123, *Borrowing Costs*

Before 1 January 2010, borrowing costs were all expensed to income statement as and when they were incurred. With the adoption of FRS 123, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of the asset for which the commencement date of capitalisation is on or after 1 January 2010.

The change in accounting policy has no material effect on the results of the Group and of the Company.

28.3 FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer, who is the Group's Chief Operating Decision Maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were not disclosed.

28.4 FRS 101 (revised), *Presentation of Financial Statements*

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

29. Comparative figures

29.1 The comparative figures for the Group were derived from the financial statement of the subsidiaries based on the pooling-of-interest method of consolidation.

29.2 The following comparative figures have been reclassified to conform to the current year presentation:

	As previously stated RM'000	**As restated RM'000**
Cost of sales	1,274,112	1,276,723
Distribution expenses	15,892	25,071
Administrative expenses	21,052	9,262
	=======	=======

30. Realised and unrealised profits/losses disclosure

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group 2010 RM'000	**Company 2010 RM'000**
Total retained profits of the Company and its subsidiaries		
- Realised profits	111,762	4,881
- Unrealised profits/(loss)	1,074	(18)
	112,836	4,863
Less: Consolidation adjustments	(51,372)	-
Total retained earnings	61,464	4,863
	======	======

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by Malaysian Institute of Accountants on 20 December 2010.

ECS ICT Berhad
(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 6 to 70 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 2010 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 30 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

…………………………………………………………
Foo Sen Chin

…………………………………………………………
Soong Jan Hsung

Petaling Jaya

18 March 2011

ECS ICT Berhad
(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 6 to 71 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 18 March 2011.

……………………………….
Foo Sen Chin

Before me:

Charanjit Kaur
Commissioner for Oaths
No. W606
Kuala Lumpur

Independent auditors' report to the members of ECS ICT Berhad

(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 statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 70.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 entity's preparation of financial statements that give a true and fair view 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 entity'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.

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 2010 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 Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 351038 H

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	**Loh Kam Hian**
Firm Number: AF 0758	Approval Number: 2941/09/12(J)
Chartered Accountants	Chartered Accountant

Petaling Jaya

18 March 2011