

ECS HOLDINGS LIMITED

Third Quarter Financial Statement and Dividend Announcement

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS.

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) Income Statement for the third quarter and nine months ended 30 September 2014.

	Three Months Ended 30 September		Nine Months Ended 30 September	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue	1,121,816	999,299	3,074,471	3,107,135
Cost of sales	(1,079,902)	(961,083)	(2,953,221)	(2,992,235)
Gross profit	41,914	38,216	121,250	114,900
Other income including interest income	1,798	2,767	5,085	7,052
Selling & distribution expenses	(19,005)	(17,834)	(53,123)	(51,547)
General & administrative expenses	(9,896)	(11,226)	(33,085)	(33,865)
Operating profit (note 1)	14,811	11,923	40,127	36,540
Finance costs	(3,614)	(2,211)	(9,772)	(6,997)
Share of profit of associates	1,819	1,507	4,586	4,301
Profit from operations before tax	13,016	11,219	34,941	33,844
Income tax expense	(3,354)	(2,597)	(8,697)	(7,869)
Profit for the period	9,662	8,622	26,244	25,975
Attributable to:				
Owners of the Company	9,662	8,685	26,244	25,933
Non-controlling interests	-	(63)	-	42
	<u>9,662</u>	<u>8,622</u>	<u>26,244</u>	<u>25,975</u>

1(a)(ii) Statement of Comprehensive Income for the third quarter and nine months ended 30 September 2014.

	Group		Group	
	Three Months Ended 30 September		Nine Months Ended 30 September	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Profit for the period	9,662	8,622	26,244	25,975
Other comprehensive income				
Exchange gain/ (loss) on translation of net assets of foreign subsidiaries	5,193	199	(503)	6,465
Share of foreign currency translation differences of associates	203	(1,066)	119	(1,162)
Total comprehensive income for the period	<u>15,058</u>	<u>7,755</u>	<u>25,860</u>	<u>31,278</u>
Attributable to:				
Owners of the Company	15,058	7,812	25,860	31,189
Non-controlling interests	-	(57)	-	89
Profit for the period	<u>15,058</u>	<u>7,755</u>	<u>25,860</u>	<u>31,278</u>

Breakdown and explanatory Notes to Income Statement

Note 1. The following items have been included in arriving at profit for the period:-

Group	Three Months Ended 30 September		Nine Months Ended 30 September	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Depreciation and amortisation	(713)	(676)	(1,997)	(2,109)
Allowance made for doubtful debts and bad debts written off net of bad debts recovered	(1,572)	(1,744)	(3,724)	(2,757)
Allowance (made)/ reversed for inventory obsolescence and inventories written off	(256)	2,194	(2,308)	565
Foreign exchange gain	1,514	923	1,269	2,851
(Loss)/ gain on sale of property, plant and equipment	(4)	21	(11)	(4)
Fair value changes on financial instruments	15	(1,342)	(761)	(1,423)

1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30 September 2014 \$'000	31 December 2013 \$'000	30 September 2014 \$'000	31 December 2013 \$'000
Non-Current Assets				
Property, plant and equipment	8,957	8,399	123	70
Investment in subsidiaries	-	-	105,901	219,301
Investment in associates	54,649	51,379	3,320	3,320
Deferred expenses	1,294	1,871	-	-
Intangible assets	33,522	33,522	-	-
Deferred tax assets	9,139	8,889	-	-
	107,561	104,060	109,344	222,691
Current Assets				
Inventories	292,590	281,264	-	-
Trade and other receivables	897,683	727,804	176,531	51,144
Deferred expenses	2,059	1,732	-	-
Cash and bank balances	127,943	120,864	2,976	4,119
	1,320,275	1,131,664	179,507	55,263
Current Liabilities				
Trade and other payables	663,505	590,237	41,159	26,428
Deferred income	2,278	2,514	-	-
Bank borrowings	358,021	145,769	127,690	10,080
Finance lease liabilities	8	26	-	-
Current tax payable	6,183	5,033	370	412
	1,029,995	743,579	169,219	36,920
Net Current Assets	290,280	388,085	10,288	18,343
Non-Current Liabilities				
Bank borrowings	-	113,400	-	113,400
Deferred tax liabilities	4,694	4,581	27	27
Deferred income	1,657	2,387	-	-
Finance lease liabilities	68	36	-	-
	6,419	120,404	27	113,427
	391,422	371,741	119,605	127,607
Equity attributable to owners of the Company				
Share capital	115,059	113,117	115,059	113,117
Other reserves	(4,340)	4,094	-	8,050
Retained earnings	280,703	254,530	4,546	6,440
	391,422	371,741	119,605	127,607

Notes to Statement of Financial Position

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30/09/2014		As at 31/12/2013	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	358,021	-	145,769

Amount repayable after one year

As at 30/09/2014		As at 31/12/2013	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	113,400

Details of any collateral

Nil.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Three Months Ended 30 September		Nine Months Ended 30 September	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities				
Profit from operations before taxation	13,016	11,219	34,941	33,844
Adjustments for :				
Share of profit of associates	(1,819)	(1,507)	(4,586)	(4,301)
Fair value changes on financial instruments	(15)	1,342	761	1,423
Depreciation of property, plant and equipment	713	676	1,997	2,109
Loss/ (gain) on disposal of property, plant and equipment	4	(21)	11	4
Interest expense	3,614	2,211	9,772	6,997
Interest income	(166)	(370)	(676)	(711)
Operating profit before working capital changes	15,347	13,550	42,220	39,365
Changes in working capital :				
Inventories	(27,992)	(17,848)	(10,846)	31,437
Trade and other receivables	(14,854)	(46,918)	(166,004)	(145,487)
Trade and other payables	64,200	31,267	70,614	75,159
Cash generated from/ (utilized in) operations	36,701	(19,949)	(64,016)	474
Income taxes paid	(2,728)	(2,928)	(7,686)	(7,096)
Net cash from/ (used in) operating activities	33,973	(22,877)	(71,702)	(6,622)
Cash Flows from Investing Activities				
Interest received	166	370	676	711
Loan to associate	-	-	(2,886)	(2,897)
Dividend received from associate	-	-	705	730
Purchase of property, plant and equipment	(1,113)	(956)	(2,520)	(1,382)
Proceeds from disposal of property, plant and equipment	-	83	7	186
Net cash used in investing activities	(947)	(503)	(4,018)	(2,652)
Cash Flows from Financing Activities				
Interest paid	(3,427)	(2,211)	(9,046)	(7,044)
Dividend paid	-	-	(8,121)	(8,050)
Proceed from issue of shares	165	-	1,942	-
Proceeds from bank loans	266,253	283,151	725,533	833,045
Repayment of bank loans	(241,155)	(268,068)	(628,268)	(837,221)
Payment of finance lease instalments	(8)	(47)	(26)	(88)
Acquisition of non-controlling interests, net of cash acquired	-	(304)	-	(304)
Net cash from/ (used in) financing activities	21,828	12,521	82,014	(19,662)
Net increase/ (decrease) in cash and cash equivalents	54,854	(10,859)	6,294	(28,936)
Cash and cash equivalents at beginning of the period	72,252	92,377	120,864	108,210
Effects of exchange rate changes on balances held in foreign currencies	837	-	785	2,244
Cash and cash equivalents at end of the period	127,943	81,518	127,943	81,518

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

(i) Consolidated statement of changes in equity for the nine months ended 30 September 2014

	Share Capital \$'000	Dividend Reserve \$'000	General Reserve \$'000	Accumulated Profits \$'000	Currency Translation Reserve \$'000	Total Equity \$'000
Bal as at 1 Jan 2014	113,117	8,050	8,315	254,530	(12,271)	371,741
Total comprehensive income/(loss) for the period	-	-	-	7,201	(5,178)	2,023
Share options exercised	1,265	-	-	-	-	1,265
Bal as at 31 Mar 2014	114,382	8,050	8,315	261,731	(17,449)	375,029
Total comprehensive income/(loss) for the period	-	-	-	9,381	(602)	8,779
Transfer of reserve	-	71	-	(71)	-	-
Final tax exempt one-tier dividend paid at 2.2 cents per share	-	(8,121)	-	-	-	(8,121)
Share options exercised	512	-	-	-	-	512
Bal as at 30 Jun 2014	114,894	-	8,315	271,041	(18,051)	376,199
Total comprehensive income for the period	-	-	-	9,662	5,396	15,058
Share options exercised	165	-	-	-	-	165
Bal as at 30 Sep 2014	<u>115,059</u>	<u>-</u>	<u>8,315</u>	<u>280,703</u>	<u>(12,655)</u>	<u>391,422</u>

(ii) Consolidated statement of changes in equity for the nine months ended 30 September 2013

	Share Capital \$'000	Dividend Reserve \$'000	General Reserve \$'000	Accumulated Profits \$'000	Currency Translation Reserve \$'000	Total \$'000	Non-Controlling Interests \$'000	Total Equity \$'000
Bal as at 1 Jan 2013	113,117	8,050	6,927	228,950	(17,365)	339,679	1,339	341,018
Total comprehensive income for the period	-	-	-	8,274	5,287	13,561	48	13,609
Bal as at 31 Mar 2013	113,117	8,050	6,927	237,224	(12,078)	353,240	1,387	354,627
Total comprehensive income for the period	-	-	-	8,974	842	9,816	98	9,914
Final tax exempt one-tier dividend paid at 2.2 cents per share	-	(8,050)	-	-	-	(8,050)	-	(8,050)
Bal as at 30 Jun 2013	113,117	-	6,927	246,198	(11,236)	355,006	1,485	356,491
Total comprehensive income/(loss) for the period	-	-	-	8,685	(873)	7,812	(57)	7,755
Acquisition of non- controlling interests without a change in control	-	-	602	-	-	602	(1,428)	(826)
Bal as at 30 Sep 2013	<u>113,117</u>	<u>-</u>	<u>7,529</u>	<u>254,883</u>	<u>(12,109)</u>	<u>363,420</u>	<u>-</u>	<u>363,420</u>

(iii) Statement of changes in equity of the company for the nine months ended 30 September 2014

	Share Capital \$'000	Dividend Reserve \$'000	Accumulated Profits / (Losses) \$'000	Total \$'000
Bal as at 1 Jan 2014	113,117	8,050	6,440	127,607
Total comprehensive loss for the period	-	-	(1,087)	(1,087)
Share options exercised	1,265	-	-	1,265
Bal as at 31 Mar 2014	114,382	8,050	5,353	127,785
Total comprehensive income for the period	-	-	742	742
Transfer of reserve	-	71	(71)	-
Final tax exempt one-tier dividend paid at 2.2 cents per share	-	(8,121)	-	(8,121)
Share options exercised	512	-	-	512
Bal as at 30 Jun 2014	114,894	-	6,024	120,918
Total comprehensive loss for the period	-	-	(1,478)	(1,478)
Share options exercised	165	-	-	165
Bal as at 30 Sep 2014	<u>115,059</u>	<u>-</u>	<u>4,546</u>	<u>119,605</u>

(iv) Statement of changes in equity of the company for the nine months ended 30 September 2013

	Share Capital \$'000	Dividend Reserve \$'000	Accumulated Profits / (Losses) \$'000	Total \$'000
Bal as at 1 Jan 2013	113,117	8,050	7,794	128,961
Total comprehensive loss for the period	-	-	(2,246)	(2,246)
Bal as at 31 Mar 2013	113,117	8,050	5,548	126,715
Total comprehensive loss for the period	-	-	(631)	(631)
Final tax exempt one-tier dividend paid at 2.2 cents per share	-	(8,050)	-	(8,050)
Bal as at 30 Jun 2013	113,117	-	4,917	118,034
Total comprehensive income for the period	-	-	52	52
Bal as at 30 Sep 2013	<u>113,117</u>	<u>-</u>	<u>4,969</u>	<u>118,086</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the quarter ended 30 September 2014, the Company issued 300,000 ordinary shares arising from the exercise of stock options under ECS Employee Stock Option Scheme II. As at 30 September 2014, the Company has outstanding share options of 7,020,000 unissued ordinary shares. As at 30 September 2013, the Company has outstanding share options of 10,550,000 unissued ordinary shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Issued and fully paid ordinary share capital

	Number of shares ('000)
2014	
At 30 September 2014	369,440
2013	
At 31 December 2013	365,910

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

N.A.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed. However, our auditors have performed certain procedures and enquiries. These procedures are substantially less in scope than an audit or a review in accordance with Singapore Standard on Review Engagements (SSRE) 2410.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

N.A.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2013 except as described in paragraph 5.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Amendments and Interpretations to the Singapore Financial Reporting Standards ("FRSs") for periods effective from 1 January 2014 are currently being assessed to have no material impact on the Group results.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Three Months Ended 30 September		Nine Months Ended 30 September	
	2014	2013	2014	2013
Earnings per ordinary share for the year based on net profit attributable to shareholders:-				
(i) Based on weighted average number of ordinary shares in issue	2.62 cents	2.37 cents	7.12 cents	7.09 cents
Weighted average number of shares ('000)	369,240	365,910	368,452	365,910
(ii) On a fully diluted basis	2.61 cents	2.37 cents	7.11 cents	7.09 cents
Weighted average number of shares ('000)	369,839	365,910	369,364	365,910

In arriving at the fully diluted earnings per share, only those potential ordinary shares arising from the exercise of options which would dilute the basic earnings per share of the Group are included in the computation.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	GROUP	
	30 September 2014	31 December 2013
Net asset value per ordinary share based on issued share capital as at the end of the financial period	105.95 cents	101.59 cents

	COMPANY	
	30 September 2014	31 December 2013
Net asset value per ordinary share based on issued share capital as at the end of the financial period	32.37 cents	34.87 cents

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

Review of Group Performance

(a) Revenue

The Group's revenue for the three months ended 30 September 2014 was \$1.12b (three months ended 30 September 2013: \$999.3m). Geographically, revenue in North Asia increased 16.8% to \$682.6m (three months ended 30 September 2013: \$584.6m), driven by strong sales of servers, networking hardware, and software products. Revenue in South East Asia increased 5.9% to \$439.2m (three months ended 30 September 2013: \$414.7m) due to higher sales of phone devices, notebooks, and software products.

Revenue for the Distribution segment in the three months ended 30 September 2014 decreased 6.9% to \$622.3m (three months ended 30 September 2013: \$668.4m) due to lower sales of media tablets, phone devices, consumer storage products, and supplies. This was mitigated by the increase in revenue from the Enterprise Systems and IT Services segments of 52.0% and 8.5% to \$490.8m and \$8.7m, respectively (three months ended 30 September 2013: \$322.8m and \$8.1m, respectively) mainly due to higher sales of servers, software products, enterprise storage products, and networking hardware.

(b) Profitability

The Group's gross profit for the three months ended 30 September 2014 increased 9.7% to \$41.9m (three months ended 30 September 2013: \$38.2m), as the Group continues its focus to grow the higher margin Enterprise Systems segment which accounted for 43.7% (three months ended 30 September 2013: 32.3%) of total revenue for the current period. Gross profit margin for the three months ended 30 September 2014 declined marginally to 3.7% (three months ended 30 September 2013: 3.8%). This was mainly due to competition in the Enterprise Systems segment mainly for servers and enterprise software products in North Asia.

Total operating expenses for the three months ended 30 September 2014 was \$28.9m (three months ended 30 September 2013: \$29.1m), representing a marginal decrease of approximately 0.5% compared to the same period last year due to lower provisions made for doubtful debts and favorable non-trade exchange differences. Finance costs for the three months ended 30 September 2014 amounted to \$3.6m (three months ended 30 September 2013: \$2.2m) due to higher utilization of bank borrowings to support the growth in the Enterprise business, which has longer credit terms.

The Group's net profit after tax and non-controlling interests ("NPATMI") for the three months ended 30 September 2014 was \$9.7m (three months ended 30 September 2013: \$8.7m), with NPATMI of 0.9% of revenue, consistent with the comparative period.

(c) Statement of Financial Position

The Group's total shareholders' funds as at 30 September 2014 stood at \$391.4m (as at 31 December 2013: \$371.7m).

The Group's gross bank borrowings as at 30 September 2014 stood at \$358.0m (as at 31 December 2013: \$259.2m) with higher utilization of bank facilities to support the growth in the Enterprise Systems segment, which is mainly project based and generally has longer credit terms. Cash and bank balances was \$127.9m (as at 31 December 2013: \$120.9m). Net gearing ratio was 0.59 times as at 30 September 2014 (as at 31 December 2013 and 30 June 2014: 0.37 times and 0.68 times, respectively).

Net cash generated from operating activities for the three months ended 30 September 2014 was \$34.0m (cash used for the three months ended 30 September 2013: \$22.9m).

- 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

N.A.

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

According to an International Data Corporation report published in August 2014, worldwide IT spending continues to grow on the back of increased investments in technology in the consumer and enterprise segments. Smartphones are expected to lead this growth, followed by enterprise products comprising of infrastructure and software products.

The Group's Enterprise segment, which offers higher margins, is expected to continue to grow.

Barring any unforeseen circumstances, the Board of Directors remains cautiously optimistic about the Group's financial performance in both the fourth quarter and the full financial year ending 31 December 2014.

11. Dividend

(a) Present Period

Any dividend recommended for the current financial period reported on? None

(b) Previous Corresponding Period

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

N.A.

(d) Books closure date

N.A.

- 12. If no dividend has been declared/recommendeded, a statement to that effect.**

N.A.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

N.A.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

N.A.

15. A breakdown of sales as follows:-

N.A.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

N.A.

17. Interested Person Transactions Under General Mandate.

Name of Interested Persons	Aggregate value of all interested transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions concluded under shareholders' mandate pursuant to Rule 920)	Aggregate value of all transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
a) Transactions for the sale of goods and services with Vnet Capital Co., Ltd and its subsidiaries	-	S\$891,267
b) Transactions for the sale of goods with VST Computers (H.K.) Limited and its subsidiaries	-	S\$59,370,531

The above transactions are for the third quarter ended 30 September 2014.

BY ORDER OF THE BOARD

Teo Chin Kee

Company Secretary

12 November 2014

ECS HOLDINGS LIMITED

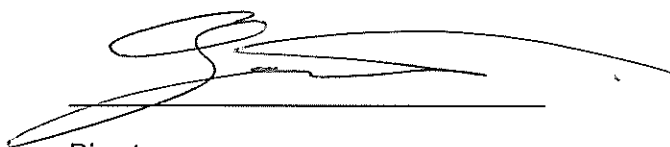
CONFIRMATION BY BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the third quarter ended 30 September 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to be 'Tay Eng Hoe', written over a horizontal line.

Chairman
Tay Eng Hoe

A handwritten signature in black ink, appearing to be 'Ong Wei Hiam', written over a horizontal line.

Director
Ong Wei Hiam

12 November 2014