

ECS HOLDINGS LIMITED**First 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 first quarter ended 31 March 2014.

	Group	
	Three Months Ended	
	31 March	
	2014	2013
	\$'000	\$'000
Revenue	930,887	1,090,339
Cost of sales	(892,348)	(1,050,479)
Gross profit	38,539	39,860
Other income including interest income	2,038	1,974
Selling & distribution expenses	(16,857)	(17,298)
General & administrative expenses	(12,654)	(12,660)
Operating profit (note 1)	11,066	11,876
Finance costs	(2,815)	(2,478)
Share of profit of associates	1,147	1,441
Profit from operations before tax	9,398	10,839
Income tax expense	(2,197)	(2,533)
Profit for the period	7,201	8,306
Attributable to:		
Owners of the Company	7,201	8,274
Non-controlling interests	-	32
Profit for the period	7,201	8,306

1(a)(ii) Statement of Comprehensive Income for the first quarter ended 31 March 2014.

	Group	
	Three Months Ended	
	31 March	
	2014	2013
	\$'000	\$'000
Profit for the period	7,201	8,306
Other comprehensive income		
Exchange (loss)/gain on translation of net assets of foreign subsidiaries	(4,630)	5,380
Share of foreign currency translation differences of associates	(548)	(77)
Total comprehensive income for the period	<u>2,023</u>	<u>13,609</u>
Attributable to:		
Owners of the Company	2,023	13,561
Non-controlling interests	-	48
Total comprehensive income for the period	<u>2,023</u>	<u>13,609</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 31 March	
	2014 \$'000	2013 \$'000
Depreciation and amortisation	(636)	(680)
Allowance made for doubtful debts and bad debts written off net of bad debts recovered	(297)	(798)
Allowance made for inventory obsolescence and inventories written off	(1,996)	(54)
Foreign exchange gain	1,329	678
Loss on sale of property, plant and equipment	(7)	(20)
Fair value changes on financial instruments	(1,186)	(918)

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	
	31 March 2014 \$'000	31 December 2013 \$'000	31 March 2014 \$'000	31 December 2013 \$'000
Non-Current Assets				
Property, plant and equipment	8,387	8,399	66	70
Investment in subsidiaries	-	-	219,301	219,301
Investment in associates	51,821	51,379	3,320	3,320
Deferred expenses	1,731	1,871	-	-
Intangible assets	33,522	33,522	-	-
Deferred tax assets	9,024	8,889	-	-
	104,485	104,060	222,687	222,691
Current Assets				
Inventories	252,802	281,264	-	-
Trade and other receivables	774,925	727,075	54,708	51,144
Derivative assets	-	729	-	-
Deferred expenses	2,148	1,732	-	-
Cash and bank balances	116,243	120,864	14,383	4,119
	1,146,118	1,131,664	69,091	55,263
Current Liabilities				
Trade and other payables	558,975	590,237	38,399	26,428
Derivative liabilities	494	-	340	-
Deferred income	2,416	2,514	-	-
Bank borrowings	188,362	145,769	11,340	10,080
Finance lease liabilities	17	26	-	-
Current tax payable	4,919	5,033	487	412
	755,183	743,579	50,566	36,920
Net Current Assets	390,935	388,085	18,525	18,343
Non-Current Liabilities				
Bank borrowings	113,400	113,400	113,400	113,400
Deferred tax liabilities	4,727	4,581	27	27
Deferred income	2,226	2,387	-	-
Finance lease liabilities	38	36	-	-
	120,391	120,404	113,427	113,427
	375,029	371,741	127,785	127,607
Equity attributable to owners of the Company				
Share capital	114,382	113,117	114,382	113,117
Other reserves	(1,084)	4,094	8,050	8,050
Retained earnings	261,731	254,530	5,353	6,440
	375,029	371,741	127,785	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 31/03/2014		As at 31/12/2013	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	188,362	-	145,769

Amount repayable after one year

As at 31/03/2014		As at 31/12/2013	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	113,400	-	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	
	31 March	
	2014	2013
	\$'000	\$'000
Cash Flows from Operating Activities		
Profit from operations before taxation	9,398	10,839
Adjustments for :		
Share of profit of associates	(1,147)	(1,441)
Fair value changes on financial instruments	1,186	918
Depreciation of property, plant and equipment	636	680
Loss on disposal of property, plant and equipment	7	20
Interest expense	2,815	2,478
Interest income	(295)	(162)
Operating profit before working capital changes	12,600	13,332
Changes in working capital :		
Inventories	26,800	26,415
Trade and other receivables	(53,279)	(102,961)
Trade and other payables	(26,499)	31,187
Cash utilized in operations	(40,378)	(32,027)
Income taxes paid	(2,301)	(1,530)
Net cash used in operating activities	(42,679)	(33,557)
Cash Flows from Investing Activities		
Interest received	295	162
Loan to associate	(2,832)	(3,024)
Purchase of property, plant and equipment	(666)	(182)
Proceeds from disposal of property, plant and equipment	7	100
Net cash used in investing activities	(3,196)	(2,944)
Cash Flows from Financing Activities		
Interest paid	(2,598)	(2,654)
Proceeds from bank loans	204,390	310,086
Repayment of bank loans	(161,797)	(316,027)
Payment of finance lease instalments	(6)	(21)
Proceed from issue of share capital	1,265	-
Net cash from/(used in) financing activities	41,254	(8,616)
Net decrease in cash and cash equivalents	(4,621)	(45,117)
Cash and cash equivalents at beginning of the period	120,864	108,210
Effects of exchange rate changes on balances held in foreign currencies	-	1,207
Cash and cash equivalents at end of the period	116,243	64,300

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 three months ended 31 March 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	<u>114,382</u>	<u>8,050</u>	<u>8,315</u>	<u>261,731</u>	<u>(17,449)</u>	<u>375,029</u>

(ii) Consolidated statement of changes in equity for the three months ended 31 March 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	<u>113,117</u>	<u>8,050</u>	<u>6,927</u>	<u>237,224</u>	<u>(12,078)</u>	<u>353,240</u>	<u>1,387</u>	<u>354,627</u>

(iii) Statement of changes in equity of the company for the three months ended 31 March 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	<u>114,382</u>	<u>8,050</u>	<u>5,353</u>	<u>127,785</u>

(iv) Statement of changes in equity of the company for the three months ended 31 March 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	<u>113,117</u>	<u>8,050</u>	<u>5,548</u>	<u>126,715</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 31 March 2014, the Company issued 2,300,000 ordinary shares arising from the exercise of stock options under ECS Employee Stock Option Scheme II. As at 31 March 2014, the Company has outstanding share options of 8,250,000 unissued ordinary shares. As at 31 March 2013, the Company has outstanding share options of 11,150,000 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 31 March 2014	368,210
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 31 March	
	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	1.96 cents	2.26 cents
Weighted average number of shares ('000)	366,977	366,210
(ii) On a fully diluted basis	1.96 cents	2.26 cents
Weighted average number of shares ('000)	368,225	366,210

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	
	31 March 2014	31 December 2013
Net asset value per ordinary share based on issued share capital as at the end of the financial period	101.85 cents	101.59 cents

	COMPANY	
	31 March 2014	31 December 2013
Net asset value per ordinary share based on issued share capital as at the end of the financial period	34.70 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 31 March 2014 was \$930.9m (three months ended 31 March 2013: \$1,090.3m). Geographically, revenue in North Asia decreased by 16.4% to \$554.7m (three months ended 31 March 2013: \$663.9m) due to lower sales of mobility devices, notebooks and desktop PCs. Revenue in South East Asia decreased by 11.8% to \$376.2m (three months ended 31 March 2013: \$426.5m) due to lower sales of consumer storage products and notebooks as well as servers and networking hardware.

During the period, revenue for the Distribution segment decreased by 30.6% to \$571.0m (three months ended 31 March 2013: \$823.2m) due to lower sales of mobility devices, notebooks, desktop PCs and consumer storage products. On the other hand, the Enterprise Systems segment revenue increased by 36.6% to \$351.6m (three months ended 31 March 2013: \$257.4m) mainly due to higher sales of servers, enterprise storage, software products and networking hardware.

(b) Profitability

The Group's gross profit for the three months ended 31 March 2014 was \$38.5m (three months ended 31 March 2013: \$39.9m), with gross profit margin of 4.1% (three months ended 31 March 2013: 3.7%). The lower gross profit was due to the decrease in overall revenue in the current period. The higher gross profit margin was due to the change in the revenue mix as the Group focused to grow the higher-margin Enterprise Systems business. The Enterprise Systems business accounted for 37.8% (three months ended 31 March 2013: 23.6%) of total revenue mainly due to improved Enterprise Systems sales in North Asia and improved margin contributions for networking hardware.

Total operating expenses for the three months ended 31 March 2014 was \$29.5m (three months ended 31 March 2013: \$30.0m), representing a decrease of approximately 1.5% compared with the same period last year due to lower provisions for doubtful debts. Finance costs for the three months ended 31 March 2014 was \$2.8m (three months ended 31 March 2013: \$2.5m) 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 31 March 2014 was \$7.2m (three months ended 31 March 2013: \$8.3m), with NPATMI as a percentage of revenue of 0.8% (three months ended 31 March 2013: 0.8%).

(c) Statement of Financial Position

The Group's total shareholders' funds as at 31 March 2014 stood at \$375.0m (as at 31 December 2013: \$371.7m).

The Group's gross bank borrowings as at 31 March 2014 stood at \$301.8m (as at 31 December 2013: \$259.2m). Cash and bank balances was \$116.2m (as at 31 December 2013: \$120.9m). Net gearing ratio was 0.49 times as at 31 March 2014 (as at 31 December 2013: 0.37 times).

Net cash used in operating activities for the three months ended 31 March 2014 was \$42.7m (three months ended 31 March 2013: \$33.6m).

- 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.**

Based on the IDC report published in August 2013, the outlook on IT spending is expected to continue to grow as consumers and enterprises increase their spending on IT products and infrastructures. However, our operations in Thailand will remain challenging in view of the current political uncertainty.

The Group will continue to focus on the higher margin Enterprise Systems segment and to build on strong customer relationships to ensure that it remains the preferred supplier of choice for various products and services.

Barring any unforeseen circumstances, the Board of Directors remains cautiously optimistic about the Group's financial performance in the second quarter of 2014 and FY2014.

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/recommended, 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 with VST Computers (H.K.) Limited and its subsidiaries	-	S\$55,170,415
b) Transactions for the purchase of goods with VST Computers (H.K.) Limited and its subsidiaries	-	S\$173,643

The above transactions are for the first quarter ended 31 March 2014.

BY ORDER OF THE BOARD

Lim Yok Yen

Company Secretary

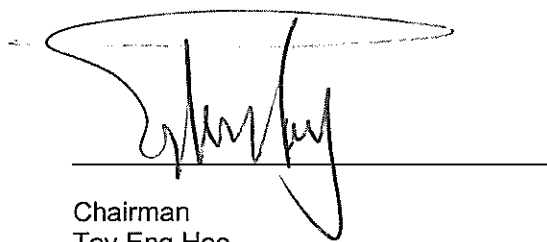
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ECS HOLDINGS LIMITED

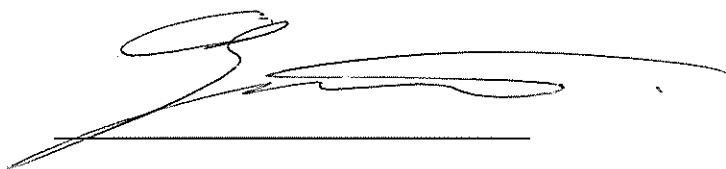
CONFIRMATION BY BOARD PURSUANT TO RULE 705(4) OF THE LISTING MANUAL

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 first quarter ended 31 March 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 read 'Tay Eng Hoe', is written over a horizontal line.

Chairman
Tay Eng Hoe

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

Director
Ong Wei Hiam

14 May 2014