

ECS HOLDINGS LIMITED
Second 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 6 months of the immediately preceding financial year

1(a)(i) Income Statement for the 6 months / second quarter ended 30 June 2003

Group	Three months ended 30 June		%	Six months ended 30 June		%
	2003 \$'000	2002 \$'000		2003 \$'000	2002 \$'000	
Revenue	344,265	290,640	Increase/ (Decrease) 18.5	634,887	548,223	15.8
Cost of sales	(326,502)	(268,306)	21.7	(601,771)	(510,446)	17.9
Gross profit	17,763	22,334	(20.5)	33,116	37,777	(12.3)
Other income including interest income	548	677	(19.1)	861	930	(7.4)
Selling, general and administrative expenses	(13,480)	(11,146)	20.9	(25,830)	(23,000)	12.3
Profit from operations	4,831	11,865	(59.3)	8,147	15,707	(48.1)
Finance costs	(1,832)	(1,952)	(6.1)	(3,736)	(4,075)	(8.3)
Profit before tax	2,999	9,913	(69.7)	4,411	11,632	(62.1)
Taxation	(648)	(1,306)	(50.4)	(1,079)	(1,639)	(34.2)
Profit after tax	2,351	8,607	(72.7)	3,332	9,993	(66.7)
Minority interests ¹	(172)	(3,017)	(94.3)	(228)	(3,787)	(94.0)
Net profit	2,179	5,590	(61.0)	3,104	6,206	(50.0)

¹ For the corresponding quarter ended 30 June 2002, Minority Interest (MI) shares 49%, 25% & 40% of the profits of our China, Thailand and Malaysian subsidiaries respectively. For the quarter ended 30 June 2003, MI shares 40% of the profits of our Malaysian subsidiary only as the Group has acquired the balance interests in our China & Thailand subsidiaries in August 2002.

1(a)(ii) Notes to Income Statement

Group	Three months ended 30 June			Six months ended 30 June		
	2003 \$'000	2002 \$'000	% Increase/ (Decrease)	2003 \$'000	2002 \$'000	% Increase/ (Decrease)
Depreciation and amortisation	(1,479)	(1,271)	16.4	(2,940)	(2,532)	16.1
Allowance for doubtful debts and bad debts written off nett of bad debts recovered	(633)	(225)	181.3	(857)	(429)	99.8
Allowance for stock obsolescence and stocks written off	(439)	284	Nm	(713)	(359)	98.6
Foreign exchange gain / (loss)	(20)	90	Nm	269	176	52.8
Profit / (Loss) on sale of property, plant and equipment	(20)	(13)	53.8	(15)	(16)	(6.3)

Nm denotes as "not meaningful"

Notes :

- The income tax expense of the Group is determined by applying the applicable income tax rate in the respective companies which are operating in different jurisdictions.
- The comparative figures have been adjusted to conform with the current period's presentation.

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

	Group		Company	
	30 June 2003 \$'000	31 December 2002 \$'000	30 June 2003 \$'000	31 December 2002 \$'000
Non-Current Assets				
Property, plant and equipment	13,206	14,138	214	229
Investment in subsidiaries	0	0	86,408	86,408
Other Assets	643	329	140	140
Goodwill on consolidation	35,398	36,687	0	0
Deferred tax assets	566	303	0	0
	49,813	51,457	86,762	86,777
Current Assets				
Inventory	217,089	212,196	0	0
Trade and other receivables	149,711	136,810	111,010	17,149
Cash and bank balances	38,866	36,575	1,733	10,768
	405,666	385,581	112,743	27,917
Current Liabilities				
Bank overdrafts	205	1,305	0	0
Trade and other payables	135,707	122,430	1,270	2,189
Bank borrowings	159,646	155,210	87,500	0
Finance lease	375	830	0	0
Loans due to shareholders	7,000	6,960	0	0
Provision for taxation	2,045	1,614	0	0
	304,978	288,349	88,770	2,189
Net Current Assets	100,688	97,232	23,973	25,728
Non-Current Liabilities				
Bank borrowings	168	191	0	0
Deferred tax liabilities	153	155	17	17
	321	346	17	17
Minority interests	4,325	4,160	0	0
Net Assets	145,855	144,183	110,718	112,488
<i>Represented by :</i>				
Capital and Reserves				
Share capital	34,634	34,634	34,634	34,634
Reserves	111,221	109,549	76,084	77,854
	145,855	144,183	110,718	112,488

Notes to Balance Sheet**1(b)(ii) Aggregate amount of group's borrowings and debt securities****Amount repayable in one year or less, or on demand**

As at 30/06/2003		As at 31/12/2002	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
59	159,792	60	156,455

Amount repayable after one year

As at 30/06/2003		As at 31/12/2002	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
168	0	191	0

Details of any collateral

A fixed charge over the freehold office blocks of a subsidiary.

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

	Three months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities				
Profit from ordinary activities before taxation	2,999	9,913	4,411	11,632
Adjustments for :				
Amortisation of goodwill	675	670	1,289	1,302
Depreciation of property, plant and equipment	804	622	1,651	1,094
Loss on disposal of property, plant and equipment	20	13	15	16
Interest expense	1,832	1,952	3,736	4,075
Interest income	(85)	(210)	(158)	(445)
Operating profit/(loss) before working capital changes	6,245	12,960	10,944	17,674
Changes in working capital :				
Inventories	(21,424)	(858)	(4,008)	(1,153)
Trade and other receivables	(4,597)	(3,289)	(12,431)	41,249
Trade and other payables	52,091	(28,429)	12,986	(60,974)
Cash generated from operations	32,315	(19,616)	7,491	(3,204)
Income taxes paid	(1,208)	(2,037)	(1,393)	(3,638)
Net cash flow from operating activities	31,107	(21,653)	6,098	(6,842)
Cash Flows from Investing Activities				
Interest received	85	210	158	445
Purchase of property, plant and equipment	(395)	(515)	(767)	(1,241)
Proceeds from disposal of property, plant and equipment	5	1	31	177
Purchase of other assets	(314)	0	(314)	0
Net cash flow from investing activities	(619)	(304)	(892)	(619)
Cash Flows from Financing Activities				
Interest paid	(1,832)	(1,952)	(3,736)	(4,075)
Dividends paid	(1,621)	(1,460)	(1,621)	(1,460)
Proceeds from issue of shares	0	167	0	501
Proceeds from bank loans	0	17,230	3,907	7,531
Repayment of bank loans	(21,364)	(10)	0	0
Payment of finance lease rentals	(228)	(220)	(455)	(441)
Net cash flow from financing activities	(25,045)	13,755	(1,905)	2,056
Net increase / (decrease) in cash and cash equivalents	5,443	(8,202)	3,301	(5,405)
Cash and cash equivalents at beginning of the year	33,422	54,377	35,270	51,198
Effects of exchange rate changes on balances held in foreign currencies	(204)	(288)	90	94
Cash and cash equivalents at end of period	38,661	45,887	38,661	45,887

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 six months ended 30 June 2003

	Share Capital \$'000	Share Premium \$'000	Accumulated Profits / (Losses) \$'000	Currency Translation Reserve \$'000	Total \$'000
Bal as at 1 Jan 2003	34,634	75,656	36,344	(2,451)	144,183
Net profit for the period	0	0	925	0	925
Exchange gain on translation of net assets of foreign subsidiaries	0	0	0	772	772
Bal as at 31 March 2003	<u>34,634</u>	<u>75,656</u>	<u>37,269</u>	<u>(1,679)</u>	<u>145,880</u>
Net profit for the period	0	0	2,179	0	2,179
Exchange gain on translation of net assets of foreign subsidiaries	0	0	0	(583)	(583)
Final dividends paid of 6% less tax at 22% in respect of year 2002	0	0	(1,621)	0	(1,621)
Bal as at 30 June 2003	<u><u>34,634</u></u>	<u><u>75,656</u></u>	<u><u>37,827</u></u>	<u><u>(2,262)</u></u>	<u><u>145,855</u></u>

(ii) Consolidated statement of changes in equity for the six months ended 30 June 2002

	Share Capital \$'000	Shares to be Issued \$'000	Share Premium \$'000	Capital Reserve \$'000	Accumulated Profits / (Losses) \$'000	Currency Translation Reserve \$'000	Total \$'000
Bal as at 1 Jan 2002 restated	29,297	6,370	55,911	1,045	23,639	77	116,339
Issue of shares	1,734	(6,370)	4,970	0	0	0	334
Net profit for the period	0	0	0	0	616	0	616
Exchange gain on translation of net assets of foreign subsidiaries	0	0	0	0	0	(3)	(3)
Bal as at 31 Mar 2002	<u>31,031</u>	<u>0</u>	<u>60,881</u>	<u>1,045</u>	<u>24,255</u>	<u>74</u>	<u>117,286</u>
Issue of shares	167	0	0	0	0	0	167
Net profit for the period	0	0	0	0	5,590	0	5,590
Exchange gain on translation of net assets of foreign subsidiaries	0	0	0	0	0	(180)	(180)
Final dividend paid of 6% less tax at 22% in respect of year 2001	0	0	0	0	(1,460)	0	(1,460)
Bal as at 30 June 2002	<u>31,198</u>	<u>0</u>	<u>60,881</u>	<u>1,045</u>	<u>28,385</u>	<u>(106)</u>	<u>121,403</u>

(iii) Statement of changes in equity of the company for the six months ended 30 June 2003

	Share Capital \$'000	Share Premium \$'000	Accumulated Profits / (Losses) \$'000	Total \$'000
Bal as at 1 Jan 2003	34,634	75,656	2,198	112,488
Net profit for the period	0	0	(100)	(100)
Bal as at 31 Mar 2003	<u>34,634</u>	<u>75,656</u>	<u>2,098</u>	<u>112,388</u>
Net profit for the period	0	0	(49)	(49)
Final dividend paid of 6% less tax at 22% in respect of year 2002	0	0	(1,621)	(1,621)
Bal as at 30 June 2003	<u>34,634</u>	<u>75,656</u>	<u>428</u>	<u>110,718</u>

(iv) Statement of changes in equity of the company for the six months ended 30 June 2002

	Share Capital \$'000	Shares to be Issued \$'000	Share Premium \$'000	Accumulated Profits / (Losses) \$'000	Total \$'000
Bal as at 1 Jan 2002	29,297	6,370	55,911	592	92,170
Issue of shares	1,734	(6,370)	4,970	0	334
Net profit for the period	0	0	0	22	22
Bal as at 31 Mar 2002	31,031	0	60,881	614	92,526
Issue of shares	167	0	0	0	167
Net profit for the period	0	0	0	44	44
Final dividend paid of 6% less tax at 22% in respect of year 2001	0	0	0	(1,460)	(1,460)
Bal as at 30 Jun 2002	31,198	0	60,881	(802)	91,277

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 June 2003, the Company did not issue any shares. As at 31 March 2003 and 30 June 2003, the issued and paid up share capital of the Company was \$34,634,217.

As at 30 June 2003, the Company has outstanding share options of 46,528,000 unissued ordinary shares. The outstanding share options as at 30 June 2002 amounted to 41,371,000 unissued ordinary shares.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 financial statements for the current reporting period compared with the audited financial statements as at 31 December 2002.

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

N.A

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

	3 months ended 30 June 2003	3 months ended 30 June 2002	6 months ended 30 June 2003	6 months ended 30 June 2002
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	0.63 cents	1.80 cents	0.90 cents	2.00 cents
Weighted average number of shares ('000)	346,342	311,047	346,342	310,038
(ii) On a fully diluted basis	0.61 cents	1.68 cents	0.86 cents	1.88 cents
Weighted average number of shares ('000)	359,441	332,357	359,441	330,249

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 June 2003	31 December 2002
Net tangible asset backing per ordinary share based on issued share capital as at the end of the financial period	31.89 cents	31.04 cents

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, asset or liabilities of the group during the current financial period reported on

Business Segment Information

	Revenue			Profit before Interest & Taxation		
	3 months ended 30.6.2003 \$'000	3 months ended 30.6.2002 \$'000	% Change	3 months ended 30.6.2003 \$'000	3 months ended 30.6.2002 \$'000	% Change
	E-enabling Infrastructure	143,235	106,450	34.6	1,890	6,725
IT Services	5,242	8,755	-40.1	483	1,256	-61.5
IT Products Distribution	195,788	175,435	11.6	2,458	3,884	-36.7
Total	344,265	290,640	18.5	4,831	11,865	-59.3

	Revenue			Profit before Interest & Taxation		
	6 months ended 30.6.2003 \$'000	6 months ended 30.6.2002 \$'000	% Change	6 months ended 30.6.2003 \$'000	6 months ended 30.6.2002 \$'000	% Change
	E-enabling Infrastructure	273,749	212,001	29.1	4,273	8,879
IT Services	9,802	13,743	-28.7	756	1,575	-52.0
IT Products Distribution	351,336	322,479	8.9	3,118	5,253	-40.6
Total	634,887	548,223	15.8	8,147	15,707	-48.1

Geographical Segment Information

	Revenue			Profit before Interest & Taxation		
	3 months ended 30.6.2003 \$'000	3 months ended 30.6.2002 \$'000	% Change	3 months ended 30.6.2003 \$'000	3 months ended 30.6.2002 \$'000	% Change
Singapore	61,658	44,717	37.9	709	2,875	-75.3
Thailand	50,055	48,105	4.1	1,031	2,132	-51.6
Malaysia	32,037	26,044	23.0	659	573	15.0
China	200,515	171,774	16.7	2,432	6,285	-61.3
Total	344,265	290,640	18.5	4,831	11,865	-59.3

	Revenue			Profit before Interest & Taxation		
	6 months ended 30.6.2003 \$'000	6 months ended 30.6.2002 \$'000	% Change	6 months ended 30.6.2003 \$'000	6 months ended 30.6.2002 \$'000	% Change
Singapore	118,102	94,296	25.2	953	3,189	-70.1
Thailand	98,264	89,026	10.4	2,089	2,852	-26.7
Malaysia	58,930	50,722	16.2	964	1,021	-5.6
China	359,591	314,179	14.4	4,141	8,645	-52.1
Total	634,887	548,223	15.8	8,147	15,707	-48.1

Review of Group Performance

Second Quarter 2003

The second quarter 2003 has been a very challenging quarter for the Group. The Group's revenue increased by 18.5% to \$344.3m compared to the corresponding second quarter. However, the onset of the Severe Acute Respiratory Syndrome (SARS) in the second quarter has impacted on the Group's profitability especially in China & Singapore. During the period, the Group experienced intensified competition. In response, the Group undertook aggressive marketing efforts. Management also undertook prudent measures in reducing inventory and credit exposure by tightening accounts receivable collections. Nevertheless, our profit margin was affected. Our net profit after tax declined to \$2.2m, as compared to \$5.6m in the corresponding quarter for 2002. However, when compared to the profit achieved in the first quarter of 2003, net profit after tax in the second quarter of 2003 improved by 135%.

(a) Revenue

The Group's revenue increased from \$290.6m to \$344.3m, an increase of \$53.7m or 18.5% over the corresponding 3 months period ended 30th June 2002.

Revenue from the Singapore operation increased by \$16.9m from \$44.7m in Q2 2002 to \$61.6m in the second quarter due mainly to increased revenue from the IT Products Distribution and E-enabling Infrastructure segments. IT Services segment's revenue declined generally due to weaker spending by the finance and telco industries.

Revenue from Thailand operation is marginally higher for the second quarter at \$50m as compared to \$48m generated in the corresponding quarter ended June 2002. Revenue contribution from all business segment remains stable.

Revenue from the Malaysia operation grew by 23% from \$26m in Q2 2002 to \$32m in Q2 2003 due mainly to the increased revenue from the E-enabling business segment.

China accounted for more than 58% of the Group's total revenue. During the second quarter, the China operation contributed to approximately \$200m of the Group's turnover as a result of our aggressive marketing efforts to lower inventory due to the uncertainty caused by SARS. Revenue for the second quarter was 16.7% higher than that achieved during the corresponding quarter ended 30th June 2002.

In terms of business segments, IT Products Distribution accounted for approximately 56.9% and E-enabling Infrastructure made up approximately 41.6% of the Group's revenue for the second quarter ended 30 June 2003. As compared to the second quarter ended 30 June 2002, IT Products Distribution and E-enabling Infrastructure segments contributed 60.4% and 36.6% respectively. IT Services segment declined significantly by 40% from \$8.8m to \$5.2m due to weaker contribution from Singapore.

(b) Profitability

The Group's profit after tax and minority interests decreased by 61.0% to \$2.2m for the second quarter ended 30 June 2003 as compared to \$5.6m for the corresponding second quarter. However, the Group's profitability has improved from \$0.9m in the first quarter of 2003 to \$2.2m for the second quarter.

The outbreak of the SARS in Asia during the second quarter had severely impacted the Group's profitability especially the Singapore and China operations. The increased competition in the countries we operate has also lowered our profit margins. The Group's Gross Profit declined to \$17.8m during the second quarter as compared to \$22.3m in the corresponding second quarter ended 30 June 2002, while gross profit % fell to 5.2% from 7.7%. Due to the uncertainty as to when SARS would be brought under control, management took the decision to aggressively reduce inventory and reduce credit exposure by tightening accounts receivable collections.

Selling, general and administrative expenses were higher due mainly to :

- (i) higher provisions made for doubtful debts;
- (ii) depreciation expenses were higher than the corresponding quarter due to China's ERP system;
- (iii) higher outward freight expenses were incurred mainly due to higher revenue and additional risk premiums that were charged by the freight operators during the SARS period especially in China;
- (iv) higher payroll expenses arising mainly from :-
 - a) additional headcount invested in e-enabling segments in China and Thailand
 - b) increased in sales incentives and commissions arising from higher revenue
 - c) annual pay adjustment
- (v) bank charges arising from the syndicated loan which the Group raised in January 2003.

Interest expenses decreased from \$1.9m for the quarter ended 30 June 2002 to \$1.8m for the quarter ended 30 June 2003. The decrease arose from lower interest rates on the syndicated loan and other bank borrowings.

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

Please refer to Note 10.

10. A commentary at the date of the announcement of the 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

With the uncertain business outlook for the global economy and the continued intense competition in the regional market, the Directors expect the rest of the financial year to remain challenging. Nevertheless, the Directors expect the Group's performance in the second half of FY2003 to be better than that achieved in the first half.

To stay competitive, the Group will focus on improving cost control measures, enhancing its operation efficiencies and adopting realignment measures where necessary to cope with changes in market conditions and developments. The Group will intensify its efforts to secure higher margin businesses.

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**

Refer to Note 8.

- 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**

Refer to Note 8.

- 15. A breakdown of sales**

Refer to Note 8.

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

N.A

- 17. Interested Person Transactions Under General Mandate**

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Name of Interested Person	3 months ended 30 June 2003 \$'000	3 months ended 30 June 2003 \$'000
Transaction for sale of goods and services		
Solectron Technology Singapore Pte Ltd	0	135,655
Vintcom Technology Co., Ltd	0	1,094,289
Guangzhou Jia Dou Information Systems Integration Company Limited	0	998,668
Guangdong Jiadu Information Technology Co., Ltd	285,836	0
Total	285,836	2,228,612

BY ORDER OF THE BOARD

Yeo Siew Kwan

Company Secretary

28th August 2003