

**News Release (1QFY2006 results)**

## **Strong Growth in Enterprise Systems & IT Distribution Businesses Drives ECS' Revenue to Grow 21.7% to S\$554.9 Million**

- **NPAT rises 16.3% to S\$3.3 million for seasonally slowest quarter 1Q – excluding effect of fair value changes on hybrid swap instrument, partially offset by negative goodwill, the Group would have recorded a 50.6% growth in NPAT to S\$4.3 million**
- **Initiatives to enhance margin mix reaping results – higher-margin Enterprise Systems grew 29.6% on strong growth in China; IT Distribution up 17.8% on robust demand in Malaysia and Thailand; new Accessories business in high-growth phase**
- **IT Distribution to extend into pan-Asia retail segment to complement 17,000-strong channel networks in 6 countries – initial roll-out in 2Q with first concept store to be opened in Singapore**
- **Outlook: Directors expect Group's earnings for 2Q and for FY 2006 to be better than FY 2005 on stronger economic outlook and higher ICT spending in the region**

**Singapore, 10 May 2006 - SGX Main-board-listed ECS Holdings Limited ("ECS"), a leading regional Info-Com Technology ("ICT") solutions provider** representing best-of-class global brand names with an established 17,000-strong channel network across Singapore, China, Indonesia, Malaysia, the Philippines and Thailand, today announced group results for the first three months ended 31 March 2006 ("1Q2006").

The Group achieved a 21.7% jump in revenue to S\$554.9 million compared to S\$ 456.0 million in 1Q2005, driven by strong growth in the Group's core Enterprise Systems and Distribution segments which grew by 29.6% and 17.8% respectively. This was despite 1Q being the seasonally slowest quarter of the year due to the extended Chinese New Year festive holidays and following the peak 4Q season.

While the Group's distinctive achievement in 2005 was breaking the \$2.0 billion top-line mark in sales, the overarching objective for the Group in 2006 is to improve bottom-line yields. ECS' strategic focus on the Enterprise Systems segment powered a 26.3% increase in revenue from the North Asia market from increased sales of networking

products and enterprise servers in fast-growing China. For the IT Distribution segment which is ECS' core business, the buoyant trend was mainly led by higher consumer demand in Thailand and Malaysia, notably for notebooks, Apple iPods, PDAs / smart phones like O2, and printer supplies.

The Group's 1Q2006 net profit after tax and minority interests ("NPAT") increased by 16.3% to S\$3.3 million in 1QFY2006 compared to S\$2.9 million for 1Q2005. Earnings per share ("EPS") rose to 0.92 cent in 1QFY2006 from 0.81 cent in 1Q2005.

Mr. Tay Eng Hoe, ECS Group's Chief Executive Officer, said, "In line with our multi-pronged strategy to enhance yields, we are revising our margin mix and seizing opportunities from the shake-out in the regional ICT supply chain. We have channelled more resources to drive growth in our higher-margin Enterprise System segment, notably in China, while continuing the momentum in the ongoing build-out of our IT Distribution's pan-Asia network.

"Our initiatives are starting to reap paybacks, as reflected in the strong growth drivers of our 1Q results. Demand from both South East Asia and North Asia has been increasingly encouraging and we are confident we are on the right track in our expansion strategy that is customised to the dynamic needs and trends for each country," he said.

However, had it not been for the effect of fair value changes on the hybrid swap instrument, which was partially offset by negative goodwill of \$0.9 million from the acquisition of an associate, the Group's NPAT for 1Q2006 would have recorded a 50.6% growth to S\$4.3 million.

On a geographical basis, the Group reported strong growth in pre-tax profit before interest ("PBIT") in both its North Asia and South East Asia markets. The 35.2% PBIT growth from North Asia market was broad based across all business segments, of which, the Group's Enterprise Systems business segment registered the strongest growth with a 43.0% growth in PBIT. South East Asia also enjoyed strong growth in PBIT of 32.5%, fuelled by strong growth in Thailand as well as Indonesia.

On outlook for subsequent quarters, Mr Tay said, "The Group will accelerate its push into emerging regional markets that demonstrate strong resurgence in ICT spending or new potential in fresh market segments beyond the main capital or first-tier cities, notably in China and emerging markets Philippines and Indonesia; as well as penetrating new markets with new products. We anticipate that our initiatives will draw more paybacks during the more active 2Q and tighter working capital management. With stronger economic outlook and higher ICT spending in the region, our directors are expecting the Group's earnings for 2Q and for FY 2006 to be better than FY 2005."

Mr Tay added, “We have taken on the distribution of Lenovo notebooks and signed with China-based Huawei Technologies to distribute lower-end networking products, e.g., wireless routers, switches and other networking equipment, for which we are targeting the small business and retail segments in Thailand, Malaysia, the Philippines and Indonesia. For large markets like China and Indonesia, we are strengthening our countrywide infrastructure to expand our channel coverage beyond the main cities. In addition, our budding Accessories business under iSan Pte Ltd is now into its exciting high-growth phase and should double its sales this year coupled with a pan-Asia roll-out.”

In China, the Group has established a network of branches and representative offices in Beijing, Chengdu, Guangzhou, Hong Kong, Shanghai, Shenyang, Shenzhen, Wuhan, and Xi’an. Similarly in Indonesia, the Group’s network is found in Balikpapan, Bandung, Denpasar, Jakarta, Semarang, Solo, Surabaya, Ujung Pandang, Yogjakarta. In line with the increasing demand in markets beyond the main cities, the Group is progressively upgrading selected representative offices in both countries to branch operations.

The Group had started off its new Accessories business on a pilot run since 1H 2005 with products like Apple iPods accessories, thumb drives, notebook bags and cables before it was officially launched in Singapore at end 2005 and subsequently established its own dealer network.

Mr Tay is also excited about the Group’s plans to selectively extend its IT Distribution business into the regional retail segment. “This channel strategy is aimed at enabling ECS to establish a direct interface and reach out to our end-user consumers. We have absolutely no intention to compete with our existing channel partners and resellers. Through coverage differentiation, we believe we provide better support to our partners and we have held advanced talks on how we can work hand in hand for mutual benefit. Staying on the pulse of fast-changing customer preferences will facilitate timely pre-emptive actions in planning new product offerings.”

The initial rollout will be in Singapore, starting with the Group’s first concept store to be unveiled soon in 2Q. Two more stores are earmarked for Singapore in subsequent quarters coupled with a progressive roll-out pan Asia. Concurrently, the Group will be ready to seize opportunities to springboard the development of this promising business through strategic equity investments with retail chain partners in the region.

In 1Q 2006, the Group’s overall operating expenses increased in line with the higher business volume and expansion initiatives. Selling and distribution expenses were maintained at 2.1% of group revenue, albeit rising 20.5% to \$11.6m in 1Q 2006 from \$9.7m mainly due to higher payroll costs such as sales incentives and marketing costs. General and administrative expenses increased to \$8.2m in 1Q 2006 (1.5% of revenue) from \$6.6m (1.4% of revenue). Finance costs were 27.6% higher in 1QFY2006, in line with the prevailing higher market interest rate environment.

Net asset value backing per share as at 31 March 2006 rose to 49.26 Singapore cents compared to 47.91 cents as at 31 December 2005. Net cash flow generated from operating activities in 1Q FY2006 was S\$3.2 million compared to net cash used of S\$25.0 million in 1Q FY2005. Cash and cash equivalents stood at S\$36.8m as at 31 March 2006. Net gearing has been maintained at 0.9.

### end of release ###

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**About ECS Holdings Limited ([www.ecs.com.sg](http://www.ecs.com.sg))**

*Listed on Singapore Exchange Main Board since 2001, ECS Holdings Limited ("ECS") is a leading ICT product and services provider, serving and supporting a wide regional customer base. With Group headquarters in Singapore, the Group has offices in 32 other cities covering China, Indonesia, Malaysia, the Philippines and Thailand.*

*The Group's main businesses are: Enterprise Systems, IT Distribution and IT Services. Enterprise Systems Division designs, installs and implements IT infrastructure for companies, while IT Services Division provides a comprehensive range of professional, technical support and training services. Leading IT vendors use ECS' network of over 17,000 channel partners and resellers in the region to distribute their products.*

*The Group has a consistent profit track and a management that is focused on operational excellence to achieve sustainable profit growth and enhance shareholder returns. For FY2005, the Group recorded a net profit after tax of S\$17.3 million on revenue of S\$2.0 billion*