

Higher margin product sales lift ECS' 2Q 2006 net profit by 23.0% to S\$5.3m as revenue rises to S\$559.8m

- **Net profit rises 23.0% and outpaces Group revenue growth for the sixth consecutive quarter; net profit margin up from full year FY2005**
- **Revenue increases 13.9% to S\$559.8 million on strong networking product and enterprise server sales from China, stronger distribution sales in supplies, notebooks and PDAs from Indonesia and Thailand**
- **Outlook: Directors expect Group's earnings for 3Q 2006 and for FY 2006 to be better than that achieved in FY 2005**

Singapore, 3 August 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, announced today its financial results for the second quarter ended 30 June 2006 (“2Q 2006”).

The Group's net profit rose 23.0% to S\$5.3 million in 2Q 2006 compared to S\$4.3 million in 2Q 2005, buoyed by higher-margin product sales particularly in China and Indonesia. Revenue increased by 13.9% to S\$559.8 million in 2Q 2006 compared to S\$491.6 million in 2Q 2005, driven mainly by strong sales of higher-value networking products and enterprise servers in China. Stronger distribution sales in supplies, notebooks and PDAs in Indonesia and Thailand also contributed to the increase in distribution sales.

During the period under review, net profit growth outpaced revenue growth for the sixth consecutive quarter, reflecting the Group's efforts to improve its margin mix. The net profit margin improved to 1.0% in 2Q 2006 as compared to 0.9% in the corresponding period and 0.9% for the whole of FY 2005 due to measures to improve its margin mix and operational and financial efficiencies.

For the six months ended 30 June 2006 ("1H 2006"), the Group recorded a 20.3% increase in net profit to S\$8.6 million as compared to S\$7.2 million in 1H 2005. Group revenue for 1H 2006 increased by 17.6% to S\$1.11 billion compared to S\$947.6million in 1H 2005. Net profit growth outpaced revenue growth for the six-month period in line with the Group's multi-pronged strategy to enhance yields and seize opportunities from the market consolidation in the regional ICT supply chain.

Earnings per share ('EPS') correspondingly rose to 1.45 cents in 2Q 2006 as against 1.21 cents in 2Q 2005. On a half-year basis, EPS rose to 2.37 cents in 1H 2006 from 2.02 cents in 1H 2005. Net asset value ("NAV") per share was 49.00 cents as at 30 June 2006 as against 47.91 cents on 31 December 2005. Cash and cash equivalents stood at S\$31.4 million as at 30 June 2006.

On a geographical basis, the Group reported strong growth in profit before interest and tax ("PBIT") for 2Q 2006 vs 2Q 2005 in both North Asia and South East Asia at 22.4% and 52.2% respectively. For 2Q 2006, particularly in South East Asia, the Group's Indonesia and Thailand operations reported year-on-year profit growth of 104.2% and 65.0% respectively. Both the Distribution and Enterprise Systems segments did well, with their 2Q 2006 PBIT year-on-year growth rates at 40.9% and 40.4% respectively. Growth in the Distribution segment was led by notebooks and PDAs, while that of the Enterprise Systems segment was driven by enterprise servers, softwares and networking products.

Commenting on the performance, Mr. Tay Eng Hoe, Group CEO of ECS Holdings Limited, said, "Our performance this quarter underscores the success of our efforts to improve margins through a strategy that combines enhancing the product mix; strengthening our portfolio of distribution agreements with best-of-class principal partners; building up countrywide infrastructure; and channels coverage in selected geographical markets. In addition, we are also tightening working capital management and optimising the operational structure to extract maximum synergies, cost efficiencies and economies of scale."



“These efforts have already borne fruit. Since 1Q 2005, for six consecutive quarters, net profit growth has outpaced revenue growth and this is reflected in our improved margins. We will continue to pursue this strategy. We are rolling out plans to distribute our own brand of IT accessories, opening retail stores and exploring new geographical markets such as India and Vietnam,” he added.

“ECS has laid the foundation for sustainable growth. Since the regional slowdown in sales due to SARS in FY 2003, the Group has recorded 11 consecutive quarters of profitability,” added Mr. Tay. “We have a committed and hard working team which is determined to bring us to the next level of growth.”

At a product level, ECS’ Enterprise Systems sales, particularly for networking products and enterprise servers, have been very encouraging. ECS has succeeded in tapping the growing corporate demand in China for this segment while maintaining the momentum in its IT distribution segment which has been fuelled by growing demand for PDAs and notebooks in market such as Thailand and Indonesia where it enjoys better vendor terms.

On outlook for 2H 2006 and FY 2006, Mr. Tay said, “We will continue to focus on sales of higher-margin products and on strengthening our network in existing markets that are expected to increase ICT spending. With stronger economic outlook and higher ICT spending in the region, our Directors expect the Group’s earnings for 3Q 2006 and FY 2006 to be better than that achieved in FY 2005.”



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About ECS Holdings Limited:

Listed on the Main-board of the Singapore Exchange since 2001, ECS Holdings Limited (“ECS”) is a leading ICT products and services provider, serving and supporting a wide regional customer base. The Group has 32 offices in six countries namely China, Indonesia, Malaysia, Singapore, Thailand and the Philippines.

The Group’s three main businesses are Enterprise Systems, IT Services and Distribution. Its Enterprise Systems Division designs, installs and implements IT infrastructure for companies, while its 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 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.

For more information, please log onto: <http://www.ecs.com.sg>