

Press Release – FY2006 Results

**ECS FY 2006 Net Profit Rises
To Record \$20.1 Million; Proposes 1.5 cents
Dividend Per Share**

- **28.6% jump in Operating Profit to \$38.4 million in FY 2006 exceeded management expectations; all three business segments delivered robust double-digit PBIT growth on margin enhancement strategy**
- **Revenue up 14.9% to \$2.3 billion, led by strong double-digit growth in Enterprise Systems and Distribution segments**
- **ECS China continues to deliver strong revenue and PBIT growth**
- **Sharply improved working capital management: from 57.3 days to lowest to-date 47.6 days; \$29.9 million positive operating cash flow vs. negative \$19.5 million in FY 2005; 17.5% reduction in bank borrowings**
- **Outlook – FY 2007 earnings expected to be better than FY 2006 as Group prepares to expand into high-growth markets; eyes M&As especially in India and Vietnam; prepares to extend local footprint in China**

Singapore, 14 February 2007 – SGX Mainboard-listed **ECS Holdings Limited** (“ECS” or the “Group”), a leading regional Info-Comm Technology (“ICT”) solutions provider representing best-of-class global brand names, announced today a record high net profit for the year ended 31 December 2006 (“FY 2006”) as its margin enhancement strategy propelled double-digit PBIT (net profit before interest and tax) growth for all three business segments – Distribution, Enterprise Systems and IT services.

The results underscored the effectiveness of the Group’s efforts to re-position country-specific business thrusts to maximise leverage on local market trends that can enhance operating margins, with revenue growth an important but secondary priority.

Buoyed by robust growth in higher-margin businesses, improved operational and working capital management efficiencies, net profit attributable to equity holders rose 15.8% to a record high of \$20.1 million for FY 2006 from \$17.3 million in FY 2005.

Earnings per share (“EPS”) correspondingly rose to 5.51 cents versus 4.86 cents in FY 2005 while Net asset value (“NAV”) per share increased to 52.27 cents as at 31 December 2006 versus 47.91 cents year-ago.

Group revenue grew 14.9% to \$2.3 billion, led by strong double-digit growth in Enterprise Systems and Distribution segments.

Operating profit rose strongly by 28.6% to \$38.4 million in FY 2006. Gross profit margin improved to 4.84% in FY 2006 from 4.68% in FY 2005 mainly due to improved product mix with better margin yield from Enterprise Systems and IT Services while operating margin improved to 1.64% from 1.47%. Total operating expenses as a percentage of revenue improved to 3.37% from 3.48% on better cost management and operational efficiencies.

Commenting on ECS’ FY 2006 results, Group CEO Mr. Tay Eng Hoe said, “Having crossed the \$2.0 billion revenue milestone in FY 2005, we are pleased to be able to deliver on our promise to shareholders to lift margins and raise operational efficiency in all aspects in FY 2006.”

“The sterling performance this year reflects the dedicated commitment of the entire ECS team to execute our margin enhancement strategy. This includes a focus on a higher-value product mix and a streamlined existing distribution portfolio based on margin accretive parameters. This approach, when executed together with raised internal efficiencies has been paying off,” said Mr Tay.

Another significant accomplishment was the sharp reduction in working capital days from 57.3 days to 47.6 days, the lowest in the Group’s history to date. Due to better working capital management, in 4Q 2006, the operating cash flow improved steeply to \$23.4 million as compared to \$235 thousand in 4Q 2005. Hence, on a full year basis, the operating cash flow in FY 2006 amounted to \$29.9 million, reversing from FY 2005’s negative \$19.5 million.

Due to the improved operating cash flow, bank borrowings decreased 17.5% or by \$35 million to \$164.6 million at the end of FY 2006.

The segmental sales and PBIT breakdown for FY 2006 reflected the Group’s focus on sales of higher-margin products as PBIT growth outstripped sales growth. Enterprise Systems PBIT grew 27.7% from increased sales of higher-margin products such as networking hardware and enterprise servers; Distribution PBIT rose 34.9% on strong demand for consumer notebooks, printers and supplies while IT Services PBIT increased 35.1% as compared to a year earlier.

On a geographical basis, both North Asia (China) and South East Asia reported strong growth in PBIT of 18.7% and 41.6% over FY 2005, respectively.

“ECS China continues to deliver strong profitability growth as it has revamped its product mix from high-volume thin-margin distribution sales to Enterprise Systems products. This is a major breakthrough as it accounts for almost half of our turnover and China is an important high-growth market that no global leading IT player can ignore. We will continue to enlarge our local footprint in this market to leverage on the growth opportunities present there,,” said Mr Tay.

“ECS China is ranked as the number two ICT distributor in China. Thus, several leading US research analysts specialising in the global ICT industry have contacted us for views on Asia Pacific market trends by virtue of our key position and our over-arching priority henceforth is to unlock the full potential of ECS China, ” added Mr Tay.

According to IDC, ICT spending in Asia is projected to grow strongly, especially in China, India, Indonesia and Vietnam. Revenue growth for ECS’ top seven brands – HP, Apple, Microsoft, Sun, IBM, Oracle and EMC – from this region has been strong and is forecasted to remain bullish.

The Group expects stable organic growth for its Distribution business and will pursue new agencies selectively. With a network of more than 17,000 active channel partners, the Group is confident of offering a compelling value proposition as regional partner to any global-leading MNC ICT brand owner and vendor intent on tapping this region’s ICT spending growth.

On the FY 2007 outlook, ECS is upbeat and expects earnings to be better than that of FY 2006, building on the growth momentum. “We have put in place a firm foundation based on solid fundamentals for sustained future growth. We are ready to jumpstart our expansion into high-growth segments through M&A initiatives, and we are actively engaged in discussions with potential partners in the region, especially in Vietnam and India. These negotiations should shift into higher gear in FY 2007, ” he said.

The Group would also continue to explore business opportunities in IT accessories and IT retail businesses to complement distribution partners.

“In view of the above factors, we are confident that our financial performance in FY 2007 will be better than that of FY 2006, ” Mr Tay added.

The Group proposed a first and final dividend of 1.5 cents per ordinary share (tax exempt) compared to 1.4 cents per ordinary share (tax exempt) a year earlier.



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Issued on behalf of the Company by WeR1 Consultants Pte Ltd:

Media contact information:

WeR1 Consultants Pte Ltd
29 Scotts Road
Singapore 228224
Mona Leong, Reshma Jain, Woo Joen Wai
Tel: (65) 67374844; HP: (65) 8200 9339
monaleong@wer1.net; reshma@wer1.net;
woojw@wer1.net

ECS Holdings Limited.
19 Kallang Avenue #07-153
Singapore 339410
Sharon Boh-Friberg
HP: (65) 91808062
Sharon.bohfriberg@ecs.com.sg

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