

ECS HOLDINGS LIMITED
(Incorporated in Singapore with limited liability)
(Company Registration Number: 199804760R)

PROPOSED LISTING OF SUBSIDIARY ON THE MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD

1. **INTRODUCTION**

The Board of Directors (the “**Board**”) of ECS Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that ECS Kush Sdn Bhd (“**Kush**”, together with its subsidiaries, the “**Kush Group**”), a company incorporated in Malaysia, in which the Company is holding 60%, is seeking a listing on the Main Board of Bursa Malaysia Securities Berhad (the “**Bursa Securities**”), through a flotation exercise to be undertaken through a listing vehicle, namely ECS ICT Berhad (“**ECSB**”), a company incorporated in Malaysia and currently a wholly-owned subsidiary of Kush.

ECSB has, on 18 June 2009, submitted an application to the Malaysia Securities Commission for the proposed initial public offering of new and vendor shares (including vendor shares to be offered by the Company) and the listing of and quotation for the entire issued and paid up share capital of ECSB on the Bursa Securities (the “**Proposed Listing**”).

2. **INFORMATION ON ECSB AND THE KUSH GROUP**

ECSB is currently a wholly-owned subsidiary of Kush and is a Multimedia Super Corridor (“**MSC**”) Status company and a provider of e-commerce systems and solutions.

Kush and its wholly-owned subsidiaries, namely ECS Astar Sdn Bhd (“**Astar**”), ECS Ku Sdn Bhd (“**Ku**”) and ECSB, and its 80% owned subsidiary, ECS Pericomp Sdn Bhd (“**Pericomp**”) are principally involved in the distribution of information, communications and technologies (“**ICT**”) products, enterprise systems and/or the provision of ICT services. The Kush Group is one of the leading distributors of ICT products in Malaysia and is responsible for the distribution of ICT products of various leading brands.

3. **THE PROPOSED LISTING AND RELATED TRANSACTIONS**

3.1 In connection with the Proposed Listing, ECSB and the Kush Group will undertake, *inter alia*, the following:

3.1.1 A declaration and payment of a special dividend in respect of any net profits made by Kush, Astar and Pericomp respectively after 31 December 2008, to

the respective existing shareholders of Kush, Astar and Pericomp prior to completion of the Proposed Transfers (as defined in paragraph 3.2.3);

- 3.1.2 An internal rationalisation and restructuring exercise, the completion of which will result in ECSB holding the entire issued and paid-up share capital of Astar, Ku and Kush, and 80% of the total issued and paid-up share capital of Pericomp (the “**Proposed Restructuring**”);
 - 3.1.3 An acquisition by ECSB of 80,000 ordinary shares of RM1.00 each, representing 20% of the total issued and paid-up share capital of Pericomp from SiS Investment Holdings Ltd (“**SIS**”) (the “**Proposed Pericomp Acquisition**”); and
 - 3.1.4 A public issue of 27,000,000 new ordinary shares in ECSB (“**ECSB Share**”) at the indicative issue price of RM1.46 per ECSB Share (the “**Proposed Public Issue**”).
- 3.2 The Proposed Restructuring (as described in paragraph 3.1.2) will be carried out in the manner as set out below:
- 3.2.1 The Company, Teo Soo Pin Sdn. Berhad (“**TSP**”) and Sengin Sdn Bhd (“**Sengin**”) will acquire the entire issued and paid-up share capital of ECSB;
 - 3.2.2 The Company, TSP and Sengin will dispose of the entire issued and paid-up share capital of Kush to ECSB; and
 - 3.2.3 Immediately following completion of paragraphs 3.2.1 and 3.2.2 above, Kush will transfer the entire issued and paid-up share capital of Astar and Ku, and 80% of the total issued and paid-up share capital of Pericomp, to ECSB.

4. **THE PROPOSED RESTRUCTURING**

4.1 The Proposed Acquisition

The Company, TSP and Sengin have, on 18 June 2009, entered into a conditional share sale agreement with Kush, Dato’ Teo Chiang Quan (“**Dato’ Teo**”) and Foo Sen Chin (collectively, the “**ECSB Vendors**”) to acquire the entire issued and paid-up share capital of ECSB from the ECSB Vendors at a purchase consideration of RM39,075 to be fully satisfied in cash (the “**Proposed Acquisition**”).

The consideration for the Proposed Acquisition was arrived at on a willing buyer, willing seller basis after taking into account the net tangible assets of ECSB as at 31 December 2008, amounting to RM39,075.

The Proposed Acquisition is expected to be completed immediately prior to the Proposed Disposal (as defined in Clause 4.2 below).

4.2 The Proposed Disposal

The Company, TSP and Sengin have, on 18 June 2009, entered into a conditional share sale agreement with ECSB to dispose of the entire issued and paid-up share capital of Kush to ECSB at a purchase consideration of RM68,462,121 to be fully satisfied by the allotment and issue of 91,000,000 new ECSB Shares at an issue price of approximately RM0.75 per ECSB Share, of which 54,600,000 new ECSB Shares will be allotted and issued to the Company, based on its 60% shareholding in Kush (the “**Proposed Disposal**”). Following completion of the Proposed Disposal, the Company will hold a direct 60% shareholding interest in ECSB.

The consideration for the Proposed Disposal was arrived at on a willing buyer, willing seller basis after taking into account the audited net tangible assets of Kush Group as at 31 December 2008, amounting to RM68,462,121.

The Proposed Disposal is expected to be completed prior to the issuance of the prospectus pursuant to the Proposed Listing.

As Foo Sen Chin is a Director of the Company, who currently owns 50% of the total issued and paid up share capital of Sengin, both the Proposed Acquisition and the Proposed Disposal constitute interested person transactions pursuant to Chapter 9 of the Listing Manual (“**Interested Person Transactions**”). As the aggregate transacted value of the Proposed Acquisition and the Proposed Disposal is less than 3%, they are neither discloseable transactions nor transactions requiring approval of the shareholders of the Company (“**Shareholders**”) under Chapter 9 of the Listing Manual.

4.3 The Proposed Transfers

Immediately following completion of the Proposed Acquisition and the Proposed Disposal, ECSB will acquire the following by way of passing resolutions of the board of directors by ECSB and Kush:

4.3.1 the entire issued and paid up share capital of Astar comprising 500,000 ordinary shares of RM1.00 each from Kush for a cash consideration of RM100,000;

4.3.2 the entire issued and paid up share capital of Ku comprising 400,000 ordinary shares of RM1.00 each from Kush for a cash consideration of RM1,000,000; and

4.3.3 320,000 ordinary shares of RM1.00 each in Pericomp from Kush representing 80% of the total issued and paid up share capital of Pericomp for a cash consideration of RM560,000,

(collectively, the “**Proposed Transfers**”).

The consideration for the Proposed Transfers was arrived at based on the respective costs of investment of Kush in Astar, Ku and Pericomp as at 31 December 2008 as per their respective audited accounts for financial year ended 31 December 2008.

Further details on the Proposed Restructuring will be set out in the Circular to be despatched to the Shareholders in due course.

5. **THE PROPOSED PERICOMP ACQUISITION**

ECSB has, on 18 June 2009, entered into a conditional share sale agreement with SIS to acquire the remaining 80,000 ordinary shares of RM1.00 each, representing 20% of the total issued and paid up share capital of Pericomp for a purchase consideration of RM6,900,000, which will be fully satisfied in the following manner:

- 5.1 a sum equivalent to 1,000,000 new ECSB Shares to be allotted and issued at the indicative issue price of RM1.46 per ECSB Share; and
- 5.2 the remaining consideration sum to be wholly satisfied by way of an indebtedness owing by ECSB to SIS,

(the “**Proposed Pericomp Acquisition**”).

The consideration for the Proposed Pericomp Acquisition was arrived at on a willing-buyer-willing-seller basis between ECSB and SIS, based on the earnings potential and the net assets backing of Pericomp. Based on the profit after taxation and net tangible assets of Pericomp for the financial year ended 31 December 2008 of RM4.84 million and RM26.62 million respectively.

The Proposed Pericomp Acquisition is expected to be completed upon full subscription of ECSB Shares issued and/or offered pursuant to the Proposed Public Issue (as defined below) and the Proposed Offer For Sale (as defined below), after the issuance of the prospectus to the Proposed Listing.

Further details on the Proposed Pericomp Acquisition will be set out in the Circular to be despatched to the Shareholders in due course.

6. **THE PROPOSED INITIAL PUBLIC OFFERING**

6.1 The Proposed Public Issue

In conjunction with the Proposed Listing, ECSB intends to undertake a public issue of 27,000,000 ECSB Shares at an issue price to be determined in due course (the “**Proposed Public Issue**”). The Proposed Public Issue, if

successfully completed, will result in a dilution of the Company's equity interest in ECSB from 60% to approximately 46%¹, thereby resulting in ECSB ceasing to be a subsidiary of the Company.

In the light of the foregoing, the Shareholders' approval for the Proposed Listing will be sought at an extraordinary general meeting (the "**EGM**") of the Company to be convened, pursuant to Rule 805(2)(a) of the Listing Manual.

Further details on the Proposed Public Issue will be set out in the Circular to be despatched to the Shareholders in due course.

6.2 The Proposed Offer For Sale

In addition, the Board is contemplating an offer for sale via private placement of 7,200,000 ECSB Shares, representing 6% of the enlarged issued and paid up share capital of ECSB, at an offer price to be determined in due course to institutional investors (the "**Proposed Offer For Sale**").

As the offer price for the Proposed Offer For Sale cannot be determined at this point, the Company is not in a position to consider if any disclosure or Shareholders' approval is required for the purposes of Chapter 10 of the Listing Manual. In the event that the Proposed Offer For Sale constitutes a "major transaction" under Chapter 10 of the Listing Manual, the Shareholders' approval by way of ordinary resolution will be required in order for the Company to effect the Proposed Offer For Sale.

A separate announcement on the Proposed Offer For Sale, if appropriate, will be made in due course.

7. NON-COMPETE UNDERTAKING

As Kush and its subsidiaries (prior to the Proposed Restructuring) or ECSB and its subsidiaries (after the Proposed Restructuring) carry out their business exclusively in Malaysia and the Group carries out its business outside of Malaysia, it is contemplated that, upon the Proposed Listing, VST Holdings Limited ("**VST**"), the holding company of the Group, will enter into a non-compete agreement (the "**Non-Compete Agreement**") with ECSB in order to delineate by territory the business of the Kush Group and that of VST and the remaining of the Group.

Pursuant to the Non-Compete Agreement, ECSB shall not be engaged in business of distribution of or exporting ICT products outside of Malaysia or knowingly sell ICT products to customers with the intention of resale to places or users outside Malaysia, and shall offer any such business opportunity to VST and the remaining of the Group.

¹ Following the successful completion of the Proposed Restructuring, the Proposed Pericomp Acquisition and the Proposed Public Issue, the enlarged issued and paid up share capital of ECSB will be RM60,000,000, comprising 120,000,000 ECSB Shares. As a result, the Company will hold 54,600,000 ECSB Shares, representing approximately 46% of the total and issued share capital of ECSB.

It is further contemplated that VST and the remaining of the Group shall not be engaged in the business of distribution of or exporting ICT products within Malaysia.

8. **RATIONALE FOR THE PROPOSED LISTING**

The Board believes that the Proposed Listing will not only raise the profile of the Company's operations in Malaysia (the "**Malaysian Operations**") but also strengthen the financial position and business prospects of the Malaysian Operations. In considering the Proposed Listing, the Board has also taken into account various factors, including:

- 8.1 The Malaysian Operations are of a sufficient scale to justify a separate listing on the Bursa Securities. With its own listing on the Bursa Securities, the Malaysian Operations will be able to gain financial autonomy and directly access the capital markets in Malaysia to fund its existing operations and future growth and expansion plans;
- 8.2 The Proposed Listing will further enhance the corporate reputation of the Malaysian Operations. In this connection, investors in Malaysia will be able to more readily evaluate the financial performance of the Malaysian Operations and have the opportunity of investing directly in the Malaysian Operations;
- 8.3 A separate listing for the Malaysian Operations will provide additional incentive to the management team of the Malaysian Operations to pursue the expansion and growth of the Malaysian Operations;
- 8.4 The Proposed Listing will provide an opportunity for Malaysian public, directors, employees and business associates of the Malaysian Operations to participate in the continuing growth of the Malaysian Operations by way of equity participation; and
- 8.5 The Proposed Listing will enable the Group to realise part of its investments in the Kush Group and the Group's remaining shareholdings in the Kush Group will be reflected with full market valuation.

9. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save for Foo Sen Chin (who is a Director of the Company and is interested in the Proposed Acquisition and the Proposed Disposal which are Interested Person Transactions), none of the Directors (other than in his or her capacity as a director or Shareholder of the Company) and substantial Shareholders has any interest, direct or indirect, in the Proposed Listing.

10. **RESPONSIBILITY STATEMENT**

The Directors of the Company (including those who have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the

facts stated in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and they jointly and severally accept responsibility accordingly. Where any information has been extracted from published or publicly available sources, the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such source or, as the case may be, reflected or reproduced in this Announcement.

11. **SHAREHOLDERS CIRCULAR**

A circular which contains further information on the Proposed Listing and other related matters, and encloses the notice of the EGM to be convened in connection therewith, will be despatched by the Company to the Shareholders in due course.

12. **CAUTION IN TRADING**

Given that the Proposed Listing and other related transactions are still at a preliminary stage and are subject to various approvals (including the approvals from the Malaysia Securities Commission) and conditions, the Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this Announcement that the Proposed Listing and other related transactions will be completed, or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Listing and other matters contemplated by this Announcement. Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Eddie Foo Toon Ee
Company Secretary

18 June 2009