

In tandem with the significant expansion in production, overall value added growth of the manufacturing sector in 2004 strengthened further to 9.8% (2003: 8.3%). The manufacturing sector remained as the leading driver of economic growth, with its contribution to GDP increasing from 30.8% in 2003 to 31.6% in 2004. Amidst the strong output growth, the overall capacity utilisation rate in the manufacturing sector was marginally lower at 79% in 2004 (2003: 80%), due to additions in capacities in selected industries. The capacity utilisation rate for export-oriented and domestic-oriented industries stood at 81% and 75% respectively (2003: 82% and 76% respectively).

Similarly, output of rubber products remained strong, expanding by 14.8% in 2004 (2003: 18.7%). The double-digit expansion was supported mainly by rising external demand for rubber gloves, as more than 90% of the domestic production is for the export market. Stable prices and sufficient supply of latex enabled domestic glove manufacturers to compete successfully in the global market. Manufacturers remained competitive by utilising a higher share of inputs with natural rubber given the higher cost of oil-based synthetic rubber. The US remained as the major export destination of Malaysia's rubber products, followed by Europe, Japan, Korea and Australia.

Outlook for 2005

The manufacturing sector, which accounts for about a third of total private sector investment, is projected to record a strong positive growth for the third consecutive year. Capital expenditure for projects already committed to would extend into 2005. In periods of favourable business operating conditions, manufacturers are expected to continue to replace their old or obsolete machinery and equipment to improve their efficiency and enhance flexibility to meet changing demand.

In the **manufacturing** sector, strong external demand for chemical and rubber products as well as sustained growth in the output of domestic-oriented industries, led by the transport equipment and fabricated metal industries, would provide support for growth in the sector. The diversified base would moderate the impact of the ongoing consolidation in the electronics industry.

(Source: BNM Annual Report 2004)

6.3 Overview of the Agricultural Sector and Manufactured Goods

During the first six months of 2004, output of rubber rose sharply by 27.6% to 582,000 tonnes, partly due to improved yield. Strong rubber prices also motivated higher production from smallholders. Total land area under rubber cultivation is estimated to be 1.28 million hectares in 2004 (2003: 1.32 million hectares), a decrease of 2.5%. However, improved tapping technologies such as Low Intensity Tapping System (LITS) and better rubber tree clones, help raise the output of rubber. Consequently, total production of rubber is expected to increase by 17.6% to 1.16 million tonnes in 2004 (2003: 10.6%; 986,000 tonnes). About 70% of total consumption of rubber was used by rubber industries such as in gloves, catheters, tyres and tubes. R & D efforts to improve high-yielding clones are important to ensure long-term sustainable supply of natural rubber for downstream rubber-based industries.

Exports of **manufactured goods** recorded a strong growth of 19.7% in 2004 (2003: 8%), contributed by both higher volume (18.3%) and unit value (1.2%). Of significance, exports of electronics and electrical products expanded strongly, particularly in the first half-year benefiting largely from the global semiconductor up-cycle. Resource-based products such as petroleum, chemical, wood and rubber products also benefited from higher prices and volume. The rapid expansion in construction activity in PR China supported the strong demand for metal products from Malaysia. Exports of rubber products, especially for gloves remained strong during the year due to the demand stimulated by the outbreak of the Avian flu in the regional countries. In the transport equipment sub-segment, increased investments in global oil and gas exploration led to the strong demand for floating and submersible drilling platforms for exploration activity. Meanwhile, growth in exports of wood products was supported by sustained demand from Japan and US.

Export receipts from rubber-based products picked up significantly, dominated by higher exports of rubber gloves. Malaysia maintained her position as the leading exporter of rubber gloves (include medical gloves), which constitute more than 60% of the total export of rubber products. The advancement in production of high quality new generation gloves such as low protein, powdered or powder-free gloves and dry rubber products including conveyor belts, rubber rollers and moulded rubber parts for automotive and E&E industries, has boosted the industry's performance.

(Source: Economic Report 2004/2005 and BNM Annual Report 2004)

6.4 Prospects of the Group

The advanced ceramics industry in Malaysia is still at its infancy cycle. In Malaysia, advanced ceramics are mainly used for the manufacturing of soft ferrites, capacitors and resistors, catalyst coating, fibre optics, spark plugs, hand formers, high temperature crucibles, finger cots and balloon formers.

With the Group's achievement in designing and developing its ES Fine 1 advanced ceramic formulation, the Group is one (1) of the four (4) producers of advanced ceramic formulation in Malaysia.

(Source: Advanced Ceramics Industry Assessment Report by SIRIM Berhad dated 19 November 2003)

Malaysia is leading in the glove manufacturing industry and the Group is one (1) of the eight (8) glove former manufacturers in Malaysia. In addition, the Group is one (1) of only two (2) glove former manufacturers in Malaysia with an in house advanced ceramics formulation and production facility. The formers used by the glove manufacturers have been classified as an advanced ceramic product by the ISO Organisation. For advanced ceramics, currently it does not face any competition from other products like plastic or metal. As such, the number of competition both at home and abroad will increase. A reduction in cost of production is certainly needed in order to be competitive. But the most important will be the product quality, and the ability to respond quickly to customer's changing demand.

(Source: Advanced Ceramics Industry Assessment Report by SIRIM Berhad dated 19 November 2003)

With the Group's ability to produce its own advanced ceramic material, the Group is able to respond to customer's changing needs and demands on a timely manner, as well as its ability to produce high quality formers. In the local market, the Group mainly competes with private companies, such as T.S. Ceramics (Malaysia) Sdn Bhd / T.S Ceramics Materials (Japan) Sdn Bhd, Fusan Clays & Glazes Sdn Bhd and GBH Porcelain Sdn Bhd for its advanced ceramic materials.

Malaysia is a leading glove manufacturer and thus, there is a high local demand for formers. The Group mainly competes with HT Ceramics (M) Sdn Bhd, GTR Ceramics Sdn Bhd, SNKO Ceramics (M) Sdn Bhd, GBH Porcelain Sdn Bhd, Mark Dynamics Sdn Bhd, NS Formers (M) Sdn Bhd and CeramTec Innovative Ceramic Engineering (M) Sdn Bhd. The Group also faces competition from the overseas advanced ceramic producers for its overseas markets in Indonesia, Thailand, Sri Lanka and Vietnam. The Board of Directors believes that the Group is able to maintain its competitiveness due to the product's pricing, quality and service provided.

In addition, the Group faces competition from local players, most of which source their advanced ceramic materials directly from overseas. The Group however, is one (1) of the two (2) glove former manufacturers who is able to produce its own advanced ceramic materials for the production of hand former. Apart from having its own advanced ceramic formulation, the Group also has other products, such as the P20 design of examination hand formers and the aluminous coating - ES Coat 1, to remain competitive in the industry.

Given the above, the Group plans to further develop and enhance its products through its R & D efforts to remain competitive in the market.

6.5 Future Plans

The future plans of the Group is mainly focused on the following areas:-

- (i) To launch the sale of its advanced ceramic materials to the local and export markets;
- (ii) To further increase the Group's market share in the overseas market;
- (iii) To enhance production capacity and productivity through automation; and
- (iv) To increase product range via its R & D activities.

The Group has plans to launch the sale of its advanced ceramic materials to the local and overseas markets in the financial year ending 31 May 2006. With the Group's established presence in the local and overseas markets, the introduction of the sale of materials would be mainly via its marketing team.

The Group plans to increase its overseas market share through the increase in its sales and product base. With the Group's present production capacity, the Group is only in a position to commit to certain orders and at times, had to turn down orders. With the Group's purchase of an additional property next to its existing factory, the Group would be able to increase its production capacity. Thus, with this increase, the Group will be able to increase its sales, capture a wider share of the overseas market and introduce new products.

The increase in production capacity would facilitate the increase in the Group's product base as well as its marketing efforts to promote and secure orders for the products offered. The Group plans to introduce new advanced ceramic materials and other types of advanced ceramic products and formers in the market via R & D activities and marketing efforts in securing orders for the new products. With the Group's business relationship with its overseas customers, the Group will be able to sell its products to its existing customers, while sourcing for new overseas customers.

The Group intends to enhance its production capacity and productivity through the automation of certain production processes. The automation process will be funded via the utilisation of part of the Public Issue proceeds. In addition, part of the proceeds has been allocated for the installation of production facilities for the production of hand formers for surgical gloves. The production facility for hand formers used for producing surgical gloves is different from that of examination gloves mainly due to the different shape, dimensions and technology required.

Despite the competitiveness of the advanced ceramic industry, the Group believes that with its key management and technical personnel, the Group will be able to compete successfully in the industry and experience growth in its business.

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6.6 Summary of Five-Year Business Development Plan

The following is a summary of the Five-Year Business Development Plan dated 5 December 2003 prepared by ES Ceramics Technology Bhd for the purpose of inclusion in this Prospectus:-

(i) **Background of the Group**

ES Ceramics was incorporated in Malaysia on 4 September 2003 under the Act as a private limited company. The Company subsequently converted into a public company on 27 September 2003. The ES Ceramics Group is principally involved in the design, development and processing of specialty advanced ceramic materials, and the design, development and manufacturing of specialty advanced ceramic products. The Group is one of the few advanced ceramic producers in Malaysia, and is one of the eight glove former manufacturers in Malaysia. The Group has achieved several milestones, which includes its success in developing the Group's first advanced ceramic formulated body, the ES Fine 1, the P20 hand former design, the ES Coat 1 for coating the hand formers and the reengineering of its glove former production process to shorten the manufacturing process while maintaining the quality of its products.

(ii) **Plans and Strategies**

The Group has the following plans and strategies to achieve its mission of being a leading premium brand in the advanced ceramics industry:-

- (i) Launch the sale of advanced ceramic materials to local and overseas markets;
- (ii) Increase the Group's overseas market share;
- (iii) Enhance the Group's production capacity and productivity through automation; and
- (iv) Increase in product base via R & D activities.

(iii) **Human Resource Policy**

In line with the Group's development plans and strategies, the Group will continue recruiting additional employees to support its level of business and operations. The Group believes that its employees play a major role in the Group's success as they are at the front line of the Group's business which determines the quality of the Group's end products. To maintain the employees and to further enhance their skills and knowledge of the Group's products, the Group engages the services of qualified trainers to conduct training programs for its employees. With the increase in its employee's skill set and knowledge, the Group believes that it will be able to reduce wastage and defects. With the Group's listing on the MESDAQ Market, the Group believes that it would be able to attract the relevant qualified personnel in the future. Furthermore, the Group will be implementing an ESOS in conjunction with its listing on the MESDAQ Market, in recognition of its employee's contribution to the success of the Group.

(iv) **Conclusion**

The Group with its R & D capabilities in advanced ceramics, is poised to capitalise on its position as one (1) of the four (4) advanced ceramics body formulators in Malaysia. The Group is currently actively researching into advanced ceramics formulations for other applications within the advanced technical ceramics segment, which includes, amongst others, hand-formers, balloon formers, high-temperature crucibles and finger cot formers. With the Group's position as one (1) of the two (2) hand former manufacturers with in house advanced ceramic formulation and production facilities, the Group is well positioned to capitalise on this segment of the industry through its quality products, continuous improvement and process reengineering activities.

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

7.1 Promoters and Substantial Shareholders

7.1.1 Shareholdings in ES Ceramics

Based on the Register of Substantial Shareholders and the Register of Members of ES Ceramics as at 29 August 2005, the Promoters and substantial shareholders of ES Ceramics and their shareholdings in ES Ceramics before and after the Public Issue are as follows:-

Name	Nationality	Before Public Issue				After Public Issue				After Full Exercise of ESOS ^(d)			
		-- Direct--		-- Indirect --		-- Direct--		-- Indirect --		---Direct---		- Indirect -	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Wong Fook Choy ^{(a)(b)}	Malaysian	8,063,250	19.50	-	-	^(c) 8,238,250	15.74	-	-	^(e) 8,738,250	16.08	-	-
Choy Swee Lan ^{(a)(b)}	Malaysian	10,544,240	25.50	-	-	^(c) 10,744,240	20.52	-	-	^(e) 11,144,240	20.50	-	-
Wong Fook Lin ^{(a)(b)}	Malaysian	17,160,240	41.50	-	-	^(c) 17,180,240	32.82	-	-	^(e) 17,580,240	32.35	-	-
Kam Yee Lam ^(a)	Malaysian	1,860,750	4.50	-	-	^(c) 1,910,750	3.65	-	-	^(e) 2,310,750	4.25	-	-

Notes:-

(a) Promoters of ES Ceramics.

(b) Substantial shareholders of ES Ceramics.

(c) Based on their respective entitlements for the pink form share allocation pursuant to the Public Issue.

(d) The ESOS will be implemented in conjunction with the Company's listing on the MESDAQ Market.

(e) Based on their respective indicative ESOS allocations as follows:-

	Indicative No. of ESOS Options
Wong Fook Choy	500,000
Choy Swee Lan	400,000
Wong Fook Lin	400,000
Kam Yee Lam	400,000

7.1.2 Directorships in Other Public Corporations

None of the Promoters and substantial shareholders has held directorships in any other public corporations for the past two (2) years preceding 29 August 2005.

7.1.3 Substantial Shareholdings in Other Public Corporations

None of the Promoters and substantial shareholders has had substantial shareholdings, whether directly or indirectly, in other public corporations for the past two (2) years preceding 29 August 2005.

7.1.4 Background on Promoters and Substantial Shareholders

The profiles of Wong Fook Choy, Choy Swee Lan, Wong Fook Lin and Kam Yee Lam who are also the Directors of ES Ceramics, are set out in Section 7.3.1 of this Prospectus.

7.2 Changes in Promoters and Substantial Shareholders' Shareholdings in ES Ceramics

The changes in the Promoters and substantial shareholders' shareholdings in ES Ceramics for the past three (3) years preceding 29 August 2005, based on the Register of Substantial Shareholders and the Register of Members of ES Ceramics are as follows:-

Name	As at 04.09.2003 ^(b)		As at 15.02.2005 ^{(b) (c)}		As at 16.02.2005 ^(e)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Hew Yoon Chin	1	50.00	1	-(d)	10	-(d)
Pua Sok Ngan	1	50.00	1	-(d)	10	-(d)
Wong Fook Choy ^(a)	-	-	806,325	19.50	8,063,250	19.50
Choy Swee Lan ^(a)	-	-	1,054,424	25.50	10,544,240	25.50
Wong Fook Lin ^(a)	-	-	1,716,024	41.50	17,160,240	41.50
Kam Yee Lam ^(a)	-	-	186,075	4.50	1,860,750	4.50

Notes:-

- (a) Promoters of ES Ceramics.
- (b) Refers to ordinary shares of RM1.00 each.
- (c) Issued as consideration for the acquisition of MCSB and ESSB.
- (d) Negligible.
- (e) Refers to ordinary shares of RM0.10 each.

7.3 Board of Directors

7.3.1 Profiles of Directors

Dato' Yeong Kok Hee ("Dato' Yeong"), aged 45, was appointed to the board of ES Ceramics on 11 October 2004 and on 17 February 2005, he was appointed as the non-executive Chairman of ES Ceramics. Dato' Yeong also serves as the Chairman of the Board's Audit Committee. Dato' Yeong is well recognised and respected not only in the Information Technology arena but also well known in the Financial and Corporate Sector. He is currently the consultant and Vice President of Computer System Advisers (M) Berhad and is also a non-independent non-executive director of Wimems Corporation Berhad.

With his vast experience and established networking, Dato' Yeong will contribute significantly by assisting the Chief Executive Officer in formulating the future direction and future plans of the Group.

Wong Fook Choy, aged 51, was appointed to the Board on 17 February 2005. He is also the Chief Executive Officer of the Group. After his studies, he worked in an electrical company. Subsequently in 1978, he set up his own electrical company and was involved in the electrical business until 1998. Since 1998, together with other directors and pioneer staff, he has been actively involved in the operations of the Group and has successfully led the team in establishing the business since it commenced operations in 1998. He is mainly responsible for the coordination of the Group's day-to-day operations and business management. With his diversified business experience, he is the main driving force leading the Group to achieve its growth in the past years.

Choy Swee Lan, aged 46, was appointed to the Board on 17 February 2005. After completing her studies, she worked in an electronic manufacturing company. Prior to joining the Group, she was in the quality control department of another ceramic company for a period of four (4) years. She is mainly responsible for the overall quality assurance and quality control of the Group's production processes. She has also led the team which obtained the ISO 9001 standard for ESSB. Her experience in quality control has helped the Group to achieve a high standard in product quality.

Wong Fook Lin, aged 39, was appointed to the Board on 17 February 2005. He is a member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. He worked and studied for a period of four (4) years in the United Kingdom. In 1991, he returned to Malaysia and worked in the internal auditing and financial management function of a multinational company, mainly specialising in the commercial and industrial sector, and in two (2) other private companies, for a total period of five (5) years. Subsequently in 1996, he joined a local accounting and consulting firm for a period of three (3) years as a manager of the business consulting division before setting up his own public practice in 1999. His strong experience in business consulting, and financial planning and control has helped the Group to grow steadily throughout the years. His responsibilities include overseeing the accounting and financial matters of the Group.

Kam Yee Lam, aged 47, was appointed to the Board on 17 February 2005. He is also the Chief Technology Officer of the Group. He joined the Group in March 2002 and has attended numerous technical courses on ceramics. He has more than 24 years diversified experience in the ceramics industry gained through his employment with several companies after completing his studies, as well as via self-development. He has been involved in lab research, quality control and production operations. He is responsible for the Group's R & D initiatives in new ceramic formulation, lab operation and processing of ceramic material for subsequent application in the production of advanced ceramic products. In June 2002, he pioneered the successful design and development of the first in house advanced ceramic formulation, *ES Fine 1*, which replaced the foreign brand pre-mixed advanced ceramic material. This technical breakthrough has enhanced the value chain and competitiveness of the Group.

Khoo Ming Koong, aged 49, was appointed to the Board on 3 May 2005. She is a chartered accountant by profession. She is a fellow member of the Chartered Association of Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. She has experience in working with an international accounting firm and public listed companies where her exposure includes corporate tax planning and other special assignments. Currently, she is a shareholder and director of KMK Management Services Sdn Bhd.

7.3.2 Directors' Declaration

None of the Directors of the Company is or was involved in the following events, whether in or outside Malaysia:-

- (a) A petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (b) Such person was charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (c) Such person was the subject of any order, judgment or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

7.3.3 Shareholdings in ES Ceramics

Based on the Register of Directors' Shareholdings as at 29 August 2005, the Directors of ES Ceramics and their shareholdings in ES Ceramics before and after the Public Issue are as follows:-

Name	Nationality	Before Public Issue				After Public Issue				After Full Exercise of ESOS ^(b)			
		-- Direct--		-- Indirect --		-- Direct--		-- Indirect --		----Direct----		-- Indirect --	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Wong Fook Choy	Malaysian	8,063,250	19.50	-	-	^(a) 8,238,250	15.74	-	-	^(c) 8,738,250	16.08	-	-
Choy Swee Lan	Malaysian	10,544,240	25.50	-	-	^(a) 10,744,240	20.52	-	-	^(c) 11,144,240	20.50	-	-
Wong Fook Lin	Malaysian	17,160,240	41.50	-	-	^(a) 17,180,240	32.82	-	-	^(c) 17,580,240	32.35	-	-
Kam Yee Lam	Malaysian	1,860,750	4.50	-	-	^(a) 1,910,750	3.65	-	-	^(c) 2,310,750	4.25	-	-
Dato' Yeong Kok Hee	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-
Khoo Ming Koong	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-

Notes:-

- (a) Based on their respective entitlements for the pink form share allocation pursuant to the Public Issue.
- (b) The ESOS will be implemented in conjunction with the Company's listing on the MESDAQ Market.
- (c) Based on their respective indicative ESOS allocations as follows:-

	Indicative No. of ESOS Options
Wong Fook Choy	500,000
Choy Swee Lan	400,000
Wong Fook Lin	400,000
Kam Yee Lam	400,000

7.3.4 Directorships in Other Public Corporations

None of the Directors of ES Ceramics held directorships in other public corporations for the past two (2) years preceding 29 August 2005 except for the following:-

Name of Director	Position	Name of Company	Date of Appointment
Dato' Yeong Kok Hee	Non-Independent Non-Executive Director	Wimems Corporation Berhad	28.10.2004

7.3.5 Substantial Shareholdings in Other Public Corporations

None of the Directors of ES Ceramics has had substantial shareholdings, whether directly or indirectly, in other public corporations for the past two (2) years preceding 29 August 2005.

7.3.6 Directors' Remuneration

For the financial year ended 31 May 2005, the remuneration paid to the Directors of the ES Ceramics was RM0.21 million. For the current financial year ending 31 May 2006, approximately RM0.22 million is payable to the Directors of ES Ceramics. Details of the remuneration paid or payable are shown below.

Remuneration RM	No. of Directors	
	Financial Year Ended 31.05.2005	Financial Year Ending 31.05.2006
0 - 50,000	3	2
50,001 - 100,000	3	4
	6	6

7.4 Audit Committee

The main functions of the Audit Committee fall within the ambit of the Listing Requirements of Bursa Securities. The Audit Committee was set up on 17 February 2005 and comprises the following Board members: -

Name	Responsibility	Directorship
Dato' Yeong Kok Hee	Chairman	Independent Non-Executive Chairman
Wong Fook Lin	Member	Executive Director
Khoo Ming Koong	Member	Independent Non-Executive Director

The main functions of the Audit Committee include the review of audit plans and audit reports with the Group's external auditors; review of the auditors' evaluation of internal accounting controls and internal audit programme and processes; review of the scope and adequacy of the Group's internal audit procedures and functions; review of the financial statements and nomination of the Group's external auditors.

7.5 Key Management and Technical Personnel

The day-to-day operations of the Group are mainly handled by the executive Directors, Wong Fook Choy, Choy Swee Lan, Wong Fook Lin and Kam Yee Lam. The profiles of the key management and technical personnel who are assisting the Directors are disclosed below:-

7.5.1 Profiles of Key Management and Technical Personnel

Thanabal s/o Veerasamy, aged 40, is the Chief Operating Officer of the ES Ceramics Group. He completed his Sijil Pelajaran Malaysia in 1984. He has more than 18 years of working experience in the production of gloves. He started his career with Masif Latex Products (M) Sdn Bhd as a production shift supervisor in 1986. In 1989, he joined Safeskin Corporation (M) Sdn Bhd ("**Safeskin**") as a Production Supervisor and left as a Senior Operations Manager for Kimberly Clark Safeskin Corporation Thailand ("**Kimberly Clark Safeskin**") in 2004. Throughout his tenure at Safeskin and Kimberly Clark Safeskin, he was involved in overseeing the production of gloves; manufacturing facilities; setting up glove manufacturing facilities in Thailand; validating of manufacturing equipment in line with the U.S. Food and Drug Administration requirements; and overseeing the entire operational and manufacturing matters of Kimberly Clark Safeskin. With his vast experience in operations, he is mainly responsible for the ES Ceramics Group's production and operational matters.

Jeyabharath s/o Murtee, aged 31, is the Production Manager of the dipping formers production department. He has more than 12 years experience in controlling the production operations of advanced ceramic hand formers. After completing his secondary education, he started his career in a foreign owned ceramic company, Aishin Ceramic Sdn Bhd as a production operator and was subsequently promoted to the position of a Supervisor before joining another ceramic products manufacturing company in 1994 where he led the entire production operation, which includes providing training to the operators, manpower planning and the setting of production targets. He joined the Group in June 1998 and is one of the pioneer staff of the Group. He has also introduced numerous improvement measures to the Group and was part of the team of personnel involved in the Group's process reengineering achievement where the production cycle of formers were reduced with the elimination of a firing process. This improvement has reduced the production cost of the products significantly. His cost control abilities and work discipline earned him respect from the management and staff. He is mainly responsible for managing the day-to-day production functions of the Group.

Chuah Boon Leong, aged 38, is the Human Resource Manager of the Group. He holds a degree in Bachelor of Business Administration (Hons) awarded by University Kebangsaan Malaysia. He began his career with a private company as an administration officer. After a year, he joined Chunghwa Picture Tubes (Kampar) Sdn Bhd as a senior officer for ten (10) years. Subsequently, he joined the Group in August 2003 and has effectively structured a human resource development program aligned with the business goals of the Group. He is mainly responsible for all human resource matters of the Group.

Zulkifli bin Abdul Rhani, aged 39, is the Business Development Manager of the ES Ceramics Group. He graduated with a Diploma in Business Administration from the Association of Business Executives in June 2001. From 1990 to 2002, he worked for a ceramic company listed on Bursa Securities and resigned as the Marketing Manager. Subsequently, he was involved in his family business from 2002 to January 2005 where he was mainly responsible for marketing efforts of the business. He joined the Group in January 2005 and is mainly responsible for the business development and marketing activities of the Group.

Mohd Abas Bin Nordin, aged 42, is the Laboratory Manager of the Group. He has completed his pre-university education. He joined the Group in June 1998 and is one of the Group's pioneer staff. Prior to joining the Group in 1998, he worked as a Lab Supervisor in Goh Ban Huat Berhad for ten (10) years and another four (4) years in the production line. He contributes extensively to the Group's development and application in advanced ceramics and has been actively involved in the Group's advanced ceramics material formulation research activities and processing procedures. He is mainly responsible for the compliance of the advanced ceramic materials received by the Group and ensures that the materials are within the specifications required for the production of advanced ceramic products.

Hew Chun Hou, aged 29, is the Group Accountant of ES Ceramics Group. He joined the Group in May 2004. He graduated from University Sains Malaysia in 1999 with a Bachelor of Management (Honours) degree majoring in accounting and is an Associate of The Chartered Institute of Management Accountants. Upon graduation, he joined a local tax consultancy firm from 1999 to 2001 and left as a Tax Senior. Subsequently in December 2001, he joined a multinational company which is a joint venture between a foreign and local company involved in manufacturing plastic products, as a Finance Executive and was mainly responsible for the costing, finance and accounting functions of the company. His responsibilities as the Group Accountant of ES Ceramics encompass the accounting, finance and tax matters of the Group.

7.5.2 Key Management and Technical Personnel's Declaration

None of the key management and technical personnel of the Group is or was involved in the following events, whether in or outside Malaysia:-

- A petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- Such person was charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- Such person was the subject of any order, judgment or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

7.5.3 Shareholdings in ES Ceramics

Based on the Register of Members of ES Ceramics as at 29 August 2005, the key management and technical personnel of ES Ceramics and their shareholdings in ES Ceramics before and after the Public Issue are as follows:-

Name	Before Public Issue				After Public Issue				After Full Exercise of ESOS ^(b)			
	----- Direct -----		-- Indirect --		----- Direct -----		-- Indirect --		----- Direct -----		-- Indirect --	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Key Management and Technical Personnel												
Wong Fook Choy	8,063,250	19.50	-	-	^(a) 8,238,250	15.74	-	-	^(c) 8,738,250	16.08	-	-
Choy Swee Lan	10,544,240	25.50	-	-	^(a) 10,744,240	20.52	-	-	^(c) 11,144,240	20.50	-	-
Wong Fook Lin	17,160,240	41.50	-	-	^(a) 17,180,240	32.82	-	-	^(c) 17,580,240	32.35	-	-
Kam Yee Lam	1,860,750	4.50	-	-	^(a) 1,910,750	3.65	-	-	^(c) 2,310,750	4.25	-	-
Thanabal s/o Veerasamy	-	-	-	-	^(a) 190,000	0.36	-	-	^(c) 690,000	1.27	-	-
Jeyabharath s/o Murtee	-	-	-	-	^(a) 40,000	0.08	-	-	^(c) 220,000	0.40	-	-
Chuah Boon Leong	-	-	-	-	^(a) 30,000	0.06	-	-	^(c) 210,000	0.39	-	-
Zulkifli bin Abdul Rhani	-	-	-	-	^(a) 5,000	0.01	-	-	^(c) 185,000	0.34	-	-
Mohd Abas bin Nordin	-	-	-	-	^(a) 60,000	0.11	-	-	^(c) 240,000	0.44	-	-
Hew Chun Hou	-	-	-	-	^(a) 40,000	0.08	-	-	^(c) 160,000	0.29	-	-

Notes:-

- Based on their respective entitlements for the pink form share allocation pursuant to the Public Issue.
- The ESOS will be implemented in conjunction with the Company's listing on the MESDAQ Market.
- Based on the respective indicative ESOS allocations as follows:-

	Indicative No. of ESOS Options
Wong Fook Choy	500,000
Choy Swee Lan	400,000
Wong Fook Lin	400,000
Kam Yee Lam	400,000
Thanabal s/o Veerasamy	500,000
Chuah Boon Leong	180,000
Zulkifli bin Abdul Rhani	180,000
Jeyabharath s/o Murtee	180,000
Mohd Abas bin Nordin	180,000
Hew Chun Hou	120,000

7.6 Involvement of Directors and Key Management and Technical Personnel in Other Business / Corporations

The Executive Directors, and key management and technical personnel of ES Ceramics are all presently serving as full time employees of the Group, save for Wong Fook Lin who spends three (3) days a week attending to the affairs of the Group and the remaining days with other business interest in a firm which provides management and accounting services.

7.7 Family Relationships and Associations

Save for Wong Fook Choy and Wong Fook Lin who are brothers, there is no family relationship (as defined in Section 122A of the Act) and business association between the Substantial Shareholders, Promoters, Directors, and key management and technical personnel of ES Ceramics.

7.8 Service Agreements

There are no existing and intended service agreements between the Company (or its subsidiary companies) and its Directors, and key management and technical personnel.

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8. RELATED-PARTY TRANSACTIONS / CONFLICTS OF INTEREST

8.1 Related-Party Transactions

There are no existing or proposed related party transactions between the Group and its Related Parties and there is no conflict of interest in relation to ES Ceramics Group and its related parties. Related Parties means directors, substantial shareholders and/or persons connected with such director or substantial shareholder as defined under Section 122A of the Act.

8.2 Transactions Unusual in Their Nature or Conditions

There does not exist any transaction that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which the Company or any of its subsidiaries was a party in respect of the past one (1) financial year and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

8.3 Material Interest in Contracts and Agreements

None of the Directors or the substantial shareholders of ES Ceramics has any material interest in any contract or arrangement which is significant in relation to the business of the Group and subsisting at the date of this Prospectus.

8.4 Outstanding Loans Made by the Corporation or Any of its Parent or Subsidiaries to or for the Benefit of Related Parties

There are no outstanding loans (including guarantees of any kind) made by ES Ceramics or any of its subsidiaries to or for the benefit of any related parties in respect of the past one (1) financial year and the subsequent financial period thereto, immediately preceding the date of this Prospectus.

8.5 Interests of Directors and Substantial Shareholders in Similar Business

None of the Directors and substantial shareholders of the Company has any interest, either directly or indirectly, in other businesses and corporations carrying on a similar trade as that of the Group.

8.6 Promotions of Assets Acquired/to be Acquired

Save for the interests of the Directors and/or substantial shareholders of ES Ceramics in relation to the Acquisition of MCSB and the Acquisition of ESSB, as disclosed below, none of the directors and/or substantial shareholders of ES Ceramics has any interests, whether directly or indirectly, in the promotion of, or in any material assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or disposed of by or leased to ES Ceramics or any of its subsidiaries, or are proposed to be acquired, disposed of by or leased to ES Ceramics or any of its subsidiaries.

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Director / Substantial Shareholder of ES Ceramics	Nature of Interest
Wong Fook Choy	- Director of ESSB and MCSB - Substantial Shareholder of ESSB and MCSB
Choy Swee Lan	- Director of ESSB and MCSB - Substantial Shareholder of ESSB and MCSB
Wong Fook Lin	- Director of ESSB and MCSB - Substantial Shareholder of ESSB and MCSB

Further information on the Acquisition of MCSB and the Acquisition of ESSB are set out in Section 9.1 of this Prospectus.

8.7 Declaration of Interest

AmMerchant Bank hereby confirms that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser to ES Ceramics Group for the listing exercise.

Messrs Lim Chen & Co hereby confirms that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants to ES Ceramics Group for the listing exercise.

Messrs Jeff Leong, Poon & Wong hereby confirms that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors to ES Ceramics Group for the listing exercise.

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9. APPROVALS AND CONDITIONS

9.1 Listing Scheme

In conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of ES Ceramics on the MESDAQ Market, the Company has implemented/will implement the following inter-conditional proposals: -

(i) Increase in Authorised Share Capital

The Company had on 15 February 2005 increased its authorised share capital from RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each.

(ii) Acquisition of MCSB

Pursuant to a Sale and Purchase Agreement dated 11 December 2003, ES Ceramics acquired the entire issued and paid-up share capital of MCSB of RM150,000 comprising 150,000 ordinary shares of RM1.00 each in MCSB for a purchase consideration of RM703,137 satisfied by the issuance of 703,137 new ordinary shares of RM1.00 each in ES Ceramics at an issue price of RM1.00 per share.

The purchase consideration was arrived at based on the audited NTA of MCSB as at 31 August 2003 of RM703,565 as shown below:-

	Audited as at 31 August 2003 RM
Share Capital	150,000
Retained Profits	553,565
Shareholders' Funds / NTA	<u>703,565</u>

The consideration shares have been issued to the vendors of MCSB in accordance with their respective shareholdings in MCSB as follows:-

Vendors of MCSB	No. of Shares held in MCSB		Purchase Consideration RM	No. of Consideration Shares
	No. of Shares	%		
Choy Swee Lan	38,250	25.5	179,300	179,300
Wong Fook Choy	29,250	19.5	137,112	137,112
Wong Fook Lin	62,250	41.5	291,802	291,802
Pang Yon Thim @ Pung Yon Thim	6,750	4.5	31,641	31,641
Kam Yee Lam	6,750	4.5	31,641	31,641
Ah Foo @ Hong Ah Foo	6,750	4.5	31,641	31,641
	<u>150,000</u>	<u>100.0</u>	<u>703,137</u>	<u>703,137</u>

The consideration shares have been issued on 15 February 2005. These shares rank pari passu in all respects with the existing shares of ES Ceramics except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment thereof.

The acquisition of MCSB was completed on 15 February 2005.

(iii) Acquisition of ESSB

Pursuant to a Sale and Purchase Agreement dated 11 December 2003, ES Ceramics acquired the entire issued and paid-up share capital of ESSB of RM1,700,000 comprising 1,700,000 ordinary shares of RM1.00 each in ESSB for a purchase consideration of RM3,431,861 satisfied by the issuance of 3,431,861 new ordinary shares of RM1.00 each in ES Ceramics at an issue price of RM1.00 per share.

The purchase consideration was arrived at based on the audited NTA of ESSB as at 31 August 2003 of RM3,433,945 as shown below:-

	Audited as at 31 August 2003 RM
Share Capital	1,700,000
Retained Profits	1,733,945
Shareholders' Funds / NTA	<u>3,433,945</u>

The consideration shares have been issued to the vendors of ESSB in accordance with their respective shareholdings in ESSB as follows:-

Vendors of ESSB	No. of Shares held in ESSB		Purchase Consideration	No. of Consideration Shares
	No. of Shares	%	RM	No. of Shares
Choy Swee Lan	433,500	25.50	875,124	875,124
Wong Fook Choy	331,500	19.50	669,213	669,213
Wong Fook Lin	705,500	41.50	1,424,222	1,424,222
Pang Yon Thim @ Pung Yon Thim	76,500	4.50	154,434	154,434
Kam Yee Lam	76,500	4.50	154,434	154,434
Ah Foo @ Hong Ah Foo	76,500	4.50	154,434	154,434
	<u>1,700,000</u>	<u>100.00</u>	<u>3,431,861</u>	<u>3,431,861</u>

The consideration shares have been issued on 15 February 2005. These shares rank pari passu in all respects with the existing shares of ES Ceramics except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment thereof.

The acquisition of ESSB was completed on 15 February 2005.

(iv) Share Split

Upon completion of the Acquisition of MCSB and the Acquisition of ESSB, ES Ceramics undertook a share split pursuant to which its existing ordinary shares of RM1.00 each were split into ordinary shares of RM0.10 each. Following the share split, ES Ceramics' issued and paid-up share capital of RM4,135,000 was converted from 4,135,000 ordinary shares of RM1.00 each to 41,350,000 ordinary shares of RM0.10 each.

The Share Split was completed on 16 February 2005.

(v) Public Issue

The public issue by ES Ceramics involves an issue of 11,000,000 new Shares or 21.01% of the enlarged issued and paid-up share capital of 52,350,000 Shares, at an issue price of RM0.55 per Share.

The Public Issue Shares are to be allocated to the following persons, with each investor representing less than 5% of the resultant enlarged share capital of the Company upon listing:-

- (i) 1,000,000 Shares to be made available for application by Malaysian public;
- (ii) 1,000,000 Shares to be made available for application by eligible Directors and employees of the Group;
- (iii) 9,000,000 Shares to be made available for application by selected investors under private placement.

The Public Issue Shares in respect of paragraphs (i) and (ii) have been fully underwritten by the Underwriters in compliance with the Listing Requirements. The Placement Agent has received confirmations from the respective exempt investors as defined in Schedules 2 and 3 of the Securities Commission Act 1993 to subscribe for the 9,000,000 Shares available for application under private placement.

In the event of an under-subscription in paragraph (i) above, all Shares not subscribed for may be made available for application under the private placement, and vice versa. Any Shares which are made available for application by the eligible directors and employees of the Group which are not subscribed for, will be made available for application by the Malaysian public and/or the selected investors. Any further Shares not subscribed for will be made available for subscription by the Underwriters.

Upon the completion of the Public Issue, the issued and paid-up share capital of ES Ceramics will be increased from RM4,135,000 comprising 41,350,000 Shares to RM5,235,000 comprising 52,350,000 Shares.

The Public Issue Shares will rank *pari passu* in all respects with the existing Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment thereof.

(vi) ESOS

As part of its listing, the Company established an ESOS for the eligible employees and directors of the Group. The quantum of the ESOS will be up to 2,000,000 Shares or 3.82% of the enlarged issued and paid up share capital of the Company at any time during the duration of the ESOS assuming no alteration in the capital structure of the Company. In the event of any alteration in the capital structure of the Company during the duration of the ESOS, whether by way of rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or otherwise howsoever, the Company is required to adjust the number of Options granted in accordance with the provisions of the ESOS Bye-Laws, subject to always that the number of Options offered under the ESOS shall not exceed 3.82% of the issued capital of the Company at any one time as stated in the Listing Requirements.

The Board has the right during the duration of the ESOS to grant Options to the executive directors and the eligible employees of the Group in accordance with the ESOS Bye-Laws adopted by the shareholders of the Company. Each Option shall be exercisable at a price which is the weighted average market price of the Company's shares for the five (5) market days immediately preceding the date on which the Option is granted, less, if the directors shall decide at their discretion from time to time, a discount of not more than 10%, or at the par value of the Shares, whichever is the higher.

The ESOS shall be in force for a duration of five (5) years. However, the ESOS may be extended for an additional five (5) years at the discretion of the Board upon the recommendation of the option committee comprising directors and/or senior management personnel appointed by the Board to administer the ESOS. The new Shares to be issued upon the exercise of the Options will, upon allotment and issue, rank pari passu in all respects with the existing Shares of the Company, except that the new Shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the said Shares. The new Shares will be subject to all the provisions of the Articles of Association of the Company.

The categories of executive directors and employees who are eligible to participate in the ESOS and their respective grading and maximum allowable allocation are as follows:-

Category of Employee	Maximum Entitlement (No. of Options)
Executive Director	400,000
Chief Executive Officer / Chief Operation Officer / Chief Financial Officer / Chief Technology Officer / Chief Marketing Officer / Chief Production Officer	500,000
Manager	180,000
Senior Executive	120,000
Executive	80,000
Non-Executive	20,000

9.2 Approvals Obtained

The Listing Scheme of ES Ceramics has been approved by the following authorities:-

Authorities	Date
Bursa Securities	7 February 2005
SC*	25 January 2005, 12 April 2005 and 10 June 2005

Note:-

* Including the approval under the Guideline on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests.

The conditions imposed by the authorities and the status of compliance thereof are as follows:-

Authority/ Date of Approval	Conditions	Status of Compliance
Bursa Securities/ 7 February 2005	(i) ES Ceramics to disclose the following in the prospectus:- (a) The ageing analysis based on the Group's latest audited trade receivables including measures taken to recover long overdue balances and other credit control measures undertaken to mitigate the risk of bad debts;	Complied. Please refer to Section 4.8 of this Prospectus.

Authority/ Date of Approval	Conditions	Status of Compliance
	<p>(b) The Group to make full provision for trade receivables outstanding that has exceed the normal credit granted of 60 days but less than 180 days, unless it can be justified that the outstanding amount can be collected. The said justification must also be disclosed in the prospectus supported by an independent opinion from the Reporting Accountants; and</p> <p>(c) The Group to collect or make full provision for all trade receivables that has been outstanding for more than 180 days;</p> <p>(ii) ES Ceramics to furnish the final copy of the Bye-Laws and confirmation letter from its Adviser pursuant to the Listing Requirements of Bursa Securities for the MESDAQ Market;</p> <p>(iii) ES Ceramics to inform Bursa Securities on the appointment of independent directors and to provide confirmation that they qualify as independent directors as defined in the Listing Requirements; and</p> <p>(iv) ES Ceramics to include a negative statement in its prospectus on the exclusion of profit forecast and projections from the prospectus and the reasons thereof.</p>	<p>Based on the Group's ageing analysis, the trade receivables which are between 60 to less than 180 days from the date of invoice, amounts to RM1.14 million. Of this amount, RM0.90 million has been collected subsequent to 31 May 2005. The Board is of the opinion that the balance outstanding of RM0.23 million is collectible and no provision is required. The Reporting Accountants', Messrs Lim Chen & Co, had reviewed the outstanding debts which are more than 60 days but less than 180 days and had vide their letter dated 16 August 2005 addressed to the board of directors of ES Ceramics opined that no provision is required.</p> <p>AmMerchant Bank, on behalf of ES Ceramics, had on 11 March 2005, sought a waiver from the SC on this condition. The waiver was sought from the SC in view that Bursa Securities no longer approves MESDAQ listing applications with effect from 1 January 2005. Please refer below on the conditions imposed by the SC vide its approval letter dated 12 April 2005.</p> <p>The final copy of the Bye-Laws and the confirmation letter from AmMerchant Bank will be furnished to Bursa Securities prior to the date of the Company's listing on the MESDAQ Market.</p> <p>Complied. On 19 April 2005 and 10 May 2005, AmMerchant Bank, on behalf of ES Ceramics, had informed Bursa Securities on the appointment of the Independent Directors and the individual independent directors have provided the confirmation that they qualify as Independent Directors as defined in the Listing Requirements.</p> <p>Complied. Please refer to Section 3.9 of this Prospectus.</p>
SC / 25 January 2005	<p>(i) ES Ceramics to disclose the status of the utilisation of proceeds raised from the public issue in its periodic and annual reports until the proceeds are fully utilised;</p> <p>(ii) ES Ceramics to meet the 30% Bumiputera equity requirement within one year after it has achieved the profit record required for listing on the Second Board of Bursa Securities or 5 years after being listed on the MESDAQ Market, whichever is the earlier, in which the shares are to be allocated to Bumiputera investors approved by the MITI;</p>	<p>Will be complied.</p> <p>Will be complied.</p>

Authority/ Date of Approval	Conditions	Status of Compliance
	<p>(iii) ES Ceramics to submit a preliminary proposal to the SC on how the company intends to meet the Bumiputera equity condition, six months before the expiry date of compliance; and</p> <p>(iv) AmMerchant Bank / ES Ceramics to inform the SC upon completion of the listing proposal.</p>	<p>Will be complied.</p> <p>Will be complied.</p>
SC / 12 April 2005	<p>(i) ES Ceramics is required to make a disclosure in its prospectus on the following matters:-</p> <p>(a) Details and justifications on plans made between ES Ceramics and its said debtors to settle the debts which results in the provision of doubtful debts unnecessary;</p> <p>(b) Independent opinion from the Reporting Accountants that the provision for doubtful debts is not required to be made for the said trade receivables; and</p> <p>(c) Undertaking to guarantee the collection of the said trade receivables between ES Ceramics, Easy Sun Sdn Bhd (ESSB) and the directors of ESSB, and the placement of the charged shares with a trustee.</p> <p>(ii) In relation to the undertaking agreement guaranteeing the collection of the trade receivables as stated in paragraphs (i)(c) above, AmMerchant Bank, the Directors of ES Ceramics and the said trustee has to ensure that the Stakeholders Agreement and all preparations necessary for the implementation of the guarantee agreement is prepared to facilitate the sale of the charged shares at the specified time should the said trade receivables is still uncollected. A copy of the said Stakeholders Agreement is to be furnished to the SC.</p>	<p>Complied. Please refer to Section 4.8 of the Prospectus.</p> <p>Complied. Please refer to Section 4.8 of the Prospectus.</p> <p>Complied. Please refer to Section 4.8 of the Prospectus.</p> <p>As confirmed by AmTrustee Berhad vide their letter dated 12 May 2005, all preparations necessary for the implementation of the guarantee agreement is in order, save for the deposit of 1.2 million Shares into the Securities Account (as defined in the Debt Guarantee Agreement dated 26 April 2005) as the 1.2 million Shares will be deposited into the Securities Account during the prescribed period.</p> <p>A copy of the Debt Guarantee Agreement had been furnished to the SC vide AmMerchant Bank's letter dated 29 April 2005.</p>

The SC had also noted that as a result of the Listing, the equity structure of ES Ceramics would not change whereby 100% of its equity will be held by non-Bumiputera shareholders.

MITI had vide their letter dated 18 March 2005 stated that MITI takes note and has no objection to the Group's Listing Scheme, subject to the following conditions:-

Conditions	Status of Compliance
(i) The Company is required to increase its Bumiputera equity to 30% of its issued and paid-up capital within five (5) after its listing or within one (1) year after the Company fulfils the profit record criteria for floatation on the Second Board of Bursa Securities, whichever is the earlier;	Noted and will be complied with.
(ii) Distribution of Bumiputera shares as stated in Paragraph (i) above is subject to the approval from MITI;	Noted and will be complied with.
(iii) To obtain the SC's approval for the listing scheme and compliance with the Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests; and	Complied. The SC's approval was obtained vide their letter dated 25 January 2005.
(iv) MCSB is to give necessary attention to the approval conditions imposed for its Pioneer Status.	Noted.

9.3 Moratorium on Promoters' Shares

Pursuant to the Listing Requirements, the Shares held by the Promoters amounting to 45% of the enlarged issued and paid-up capital of the Company as at the date of admission of the Company to the Official List of the MESDAQ Market, are to be placed under moratorium. The Promoters whose Shares are subject to moratorium are as follows:-

Promoters	After Public Issue		Under Moratorium After Public Issue		Under Moratorium After Full Exercise of ESOS ^(b)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Wong Fook Choy	^(a) 8,238,250	15.74	5,240,896	10.01	5,240,896	9.64
Choy Swee Lan	^(a) 10,744,240	20.52	6,853,472	13.09	6,853,472	12.61
Wong Fook Lin	^(a) 17,180,240	32.82	11,153,695	21.31	11,153,695	20.52
Kam Yee Lam	^(a) 1,910,750	3.65	1,209,437	2.31	1,209,437	2.23
	38,073,480	72.73	24,457,500	46.72	24,457,500	45.00

Notes:-

(a) Based on their respective entitlements for the pink form share allocation pursuant to the Public Issue.

(b) The ESOS will be implemented in conjunction with the Company's listing on the MESDAQ Market.

The moratorium has been fully accepted by the Promoters. The Promoters will not be allowed to sell, transfer or otherwise dispose of any part of their interest in the Shares under the moratorium within one (1) year from the date of admission of the Company to the Official List of the MESDAQ Market, and thereafter, they are permitted to sell, transfer or otherwise dispose of up to a maximum of one third per annum of their respective shareholdings under moratorium on a straight-line basis.

The restriction will be specifically endorsed on the share certificates representing the respective shareholdings of the Promoters which are under moratorium to ensure that the Company's Registrar will not register any transfer not in compliance with the moratorium restrictions.

10. FINANCIAL INFORMATION

10.1 Historical Financial Information

The summarised proforma consolidated results of ES Ceramics for the past five (5) financial years ended 31 May 2005, extracted from the Accountants' Report which was prepared based on the audited financial statements of the Group, for illustrative purposes, after making such adjustments considered necessary and assuming that the Group had been in existence throughout the financial period/years under review, are set out below.

	-----Financial Year Ended 31 May-----				
	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)
Revenue	2,740	3,702	4,191	5,504	7,155
EBIDTA before R & D expense	175	870	1,648	2,109	3,627
R&D expense	(16)	(18)	(87)	(128)	(189)
EBIDTA	159	852	1,561	1,981	3,438
Interest expense	(3)	(117)	(166)	(151)	(141)
Depreciation and amortisation	(87)	(174)	(190)	(208)	(222)
Operating profit / PBT	69	561	1,205	1,622	3,075
Taxation	(11)	(108)	(148)	(126)	(243)
PAT	58	453	1,057	1,496	2,832
No. of Shares assumed in issue ('000) *	41,350	41,350	41,350	41,350	41,350
Gross EPS (sen) ^	0.17	1.36	2.91	3.92	7.44
Net EPS (sen) ^	0.14	1.10	2.56	3.62	6.85

Notes:-

- * Based on the issued and paid-up share capital of 41,350,000 Shares of ES Ceramics as at 31 May 2005.
- ^ The Gross and Net EPS were computed based on proforma PBT and PAT divided by the number of Shares in issue as at 31 May 2005.
- (a) The audited financial statements of the Group for all the financial years under review were reported on without any audit qualification.
- (b) There were no exceptional items, extraordinary items and minority interests in the financial years under review.
- (c) The Group's proforma consolidated financial results have been prepared based on the audited financial statements for each of the companies. MCSB was dormant since its date of incorporation, 29 September 1999 up to 31 December 2001. The audited financial statements for the financial period ended 31 December 2000 and the financial year ended 31 December 2001 have been adopted for consolidation without time apportionment or adjustments as it has no material overall effect on the proforma consolidated financial results taken as a whole.

10.2 Analysis of Historical Financial Information

A detailed analysis of the historical financial information of the Group is as follows:-

10.2.1 Overview of Revenue and PBT

Financial Year Ended 31 May 2001

The decrease in revenue during the financial year ended 2001 by 7.2% was mainly due to lower demand from existing customers and reduction in the average selling price which were attributed to the general decline in the local rubber gloves industry during the year.

PBT decreased by 39.5% in 2001 due to the decrease in revenue and the increase in general fixed overhead expenses.

Financial Year Ended 31 May 2002

Revenue increased by approximately 35.1% or RM0.96 million as a result of the extensive marketing efforts and sales to new customers during the financial year ended 2002.

PBT increased by approximately 713.0% due to the growth in revenue which was achieved without corresponding increases in other fixed operating and administrative costs.

Financial Year Ended 31 May 2003

The increase in revenue of approximately 13.2% was mainly due to the increase in production capacity as well as the increase in demand from customers. PBT increased by approximately 114.8% due to the Group's higher production volume that led to the achievement of economies of scale and the decrease in the cost of advanced ceramic materials as the Group commenced its in house production of advanced ceramic formulation.

Financial Year Ended 31 May 2004

In the financial year ended 31 May 2004, the Proforma Group's revenue increased by 31.3% as additional capital expenditures were invested to increase the production capacity and to meet the increased demand from customers. Correspondingly, the PBT has increased.

Financial Year Ended 31 May 2005

In the financial year ended 31 May 2005, the Proforma Group's revenue increased by approximately 30.0% mainly due to continuing growth in the demand from existing customers and higher utilisation of production facilities. The PBT increased accordingly.

10.2.2 Segmental Analysis

(i) Analysis of Revenue by Companies

The analysis of revenue by companies within the Group for the five (5) financial years ended 31 May 2005 are set out below:-

	Financial Year Ended 31 May				
	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)
ES Ceramics	-	-	-	-	-
ESSB	2,740	3,702	4,191	5,504	7,155
MCSB	-	-	-	-	-
	<u>2,740</u>	<u>3,702</u>	<u>4,191</u>	<u>5,504</u>	<u>7,155</u>

(ii) Analysis of PAT by Companies

The analysis of PAT by companies within the Group for the five (5) financial years ended 31 May 2005 are set out below:-

	Financial Year Ended 31 May				
	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)
ES Ceramics	-	-	-	(9)	(17)
ESSB	59	457	754	514	808
MCSB	(1)	(4)	303	991	2,041
	<u>58</u>	<u>453</u>	<u>1,057</u>	<u>1,496</u>	<u>2,832</u>

(iii) Analysis of Revenue by Markets

The analysis of revenue of the Group derived from Malaysia and outside of Malaysia for the five (5) financial years ended 31 May 2005 are set out below:-

	Financial Year Ended 31 May				
	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)
Malaysia	2,574	2,980	2,977	3,792	5,223
Outside Malaysia	166	722	1,214	1,712	1,932
	<u>2,740</u>	<u>3,702</u>	<u>4,191</u>	<u>5,504</u>	<u>7,155</u>

10.2.3 Impact of Foreign Exchange / Interest rates / Commodity Prices on Operating Profits

(i) Impact of Foreign Exchange

The Group commenced the export of its products overseas in the year 2000. However, as the sales abroad are quoted in USD, the Group was not susceptible to the fluctuations in the foreign exchange rates.

(ii) Impact of Interest Rates

The impact of the interest rates on the operating profits of the Group for the five (5) financial years ended 31 May 2005 are as follows:-

	-----Financial Year Ended 31 May -----				
	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)
PBT	69	561	1,205	1,622	3,075
Interest Expense	3	117	166	151	141
PBT before Interest Expense	72	678	1,371	1,773	3,216
Interest Coverage Ratio (times)	24.0	5.8	8.3	11.7	22.8

Interest coverage ratio for the period under review ranged from 5.8 to 24.0 times.

10.2.4 Taxation

There was no current taxation charge for the financial year ended 31 May 1999 as it was a tax waiver year.

The disproportionate tax charge for the financial years ended 31 May 2000 to 31 May 2001, is mainly due to the claim for export allowance. For the financial year ended 31 May 2002, the lower effective tax rate was mainly due to the claim of re-investment allowance. For the financial years ended 31 May 2003 to 31 May 2005, the lower effective tax rate is due to the Group's re-investment allowance claimed by ESSB and the pioneer status exemption for MCSB for a period of five (5) years commencing September 2002.

10.2.5 Exceptional and Extraordinary Items

There were no exceptional and extraordinary items for the financial years under review.

10.3 Directors' Declaration on Financial Performance

Save as disclosed in Section 4 and Section 10.2 of this Prospectus, the Directors of ES Ceramics are of the view that the financial performance, position and operations of the Group are not affected by any of the following:-

- (i) Known trends, demands, commitments, events or uncertainties that have had or that the Company reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (ii) Material capital expenditure commitments;
- (iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group;
- (iv) Any substantial increase in revenue; and
- (v) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.