

**ES CERAMICS TECHNOLOGY BHD**  
**Company no. 627117-P**  
**(Incorporated in Malaysia)**

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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER**  
**ENDED 31 AUGUST 2006**

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**CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)**

|                                  | INDIVIDUAL QUARTER                              |   | CUMULATIVE QUARTER                                      |   |
|----------------------------------|---|---|---|---|
|                                  | CURRENT<br>QUARTER ENDED<br>31-Aug-06<br><br>RM | CORRESPONDING<br>QUARTER ENDED<br>31-Aug-05<br>(RESTATED)<br><br>RM | CURRENT<br>YEAR TO DATE<br>ENDED<br>31-Aug-06<br><br>RM | CORRESPONDING<br>YEAR TO DATE<br>ENDED<br>31-Aug-05<br>(RESTATED)<br><br>RM |
| <b>Revenue</b>                   | <u>1,920,677</u>                                | <u>2,007,003</u>  | <u>1,920,677</u>  | <u>2,007,003</u>  |
| <b>Profit from operations</b>    | 254,371   | 808,594   | 254,371   | 808,594   |
| Finance costs                    | (5,903)   | (23,481)  | (5,903)   | (23,481)  |
| Depreciation and<br>amortisation | (98,922)  | (55,850)  | (98,922)  | (55,850)  |
| Interest income                  | 12,171  | -   | 12,171  | -   |
| <b>Profit before taxation</b>    | <u>161,717</u>                                  | <u>729,263</u>  | <u>161,717</u>  | <u>729,263</u>  |
| Taxation                         | 64,070  | (47,153)  | 64,070  | (47,153)  |
| <b>Net profit for the period</b> | <u>225,787</u>                                  | <u>682,110</u>  | <u>225,787</u>  | <u>682,110</u>  |
| Earnings per share (sen)         |   |   |   |   |
| - Basic                          | <u>0.4</u>                                      | <u>1.6</u>  | <u>0.4</u>  | <u>1.6</u>  |
| - Diluted                        | <u>0.4</u>                                      | <u>1.6</u>  | <u>0.4</u>  | <u>1.6</u>  |

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**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

|   | <b>AS AT CURRENT<br/>FINANCIAL Y/E AT<br/>31-Aug-06<br/>(UNAUDITED)<br/><br/>RM</b> | <b>AS AT PRECEDING<br/>FINANCIAL Y/E AT<br/>31-May-06<br/>(AUDITED)<br/>(RESTATED)<br/><br/>RM</b> |
|---|---|--|
| <b>Property, Plant and Equipment</b>        | 6,572,955   | 6,389,624  |
| <b>Research &amp; Development</b>           | 233,044   | 176,982  |
| <b>Current Assets</b>                       |   |  |
| Inventories                                 | 3,758,224   | 3,297,419  |
| Trade Receivables                           | 3,519,122   | 3,921,671  |
| Other Receivables, Deposits and Prepayments | 1,365,112   | 389,799  |
| Cash and Bank Balances                      | 1,518,699   | 2,721,342  |
| Tax Recoverable                             | 74,358  | 82,357   |
|   | <u>10,235,515</u>   | <u>10,412,588</u>  |
| <b>Current Liabilities</b>                  |   |  |
| Trade Payables                              | 729,605   | 769,227  |
| Other Payables and Accruals                 | 492,898   | 444,651  |
| Hire Purchase Payables                      | 97,368  | 82,390   |
| Bank Borrowings                             | -   | 124,353  |
| Taxation                                    | 16,352  | 16,352   |
|   | <u>1,336,223</u>  | <u>1,436,973</u>   |
| <b>Net Current Assets</b>                   | <u>8,899,292</u>  | <u>8,975,615</u>   |
|   | <u>15,705,291</u>   | <u>15,542,221</u>  |
| <b>Financed By:</b>                         |   |  |
| <b>Capital and Reserves</b>                 |   |  |
| Share Capital                               | 5,257,900   | 5,235,000  |
| Share Premium                               | 3,741,918   | 3,709,342  |
| Capital Reserve                             | 86,231  | 79,560   |
| Retained Profit                             | 6,020,007   | 5,794,220  |
| <b>Shareholders' Funds</b>                  | <u>15,106,056</u>   | <u>14,818,122</u>  |
| <b>Non-Current Liabilities</b>              |   |  |
| Hire Purchase Payables                      | 420,463   | 416,327  |
| Term Loan                                   | -   | -  |
| Deferred Taxation                           | 178,772   | 307,772  |
|   | <u>599,235</u>  | <u>724,099</u>   |
|   | <u>15,705,291</u>   | <u>15,542,221</u>  |
| <b>Net Assets Per Share (sen)</b>           | <u>29</u>   | <u>28</u>  |

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**

|  | Share Capital<br>RM | Non -<br>Distributable<br>Share Premium<br>RM | Non -<br>Distributable<br>Capital Reserve<br>RM | Distributable<br>Retained Profits<br>RM | Total<br>RM       |
|--|---------------------|---|---|---|-------------------|
| <b>Quarter Ended 31 August 2005</b>                  |                     |   |   |   |                   |
| At 31 May 2005                                       | 4,135,000           | -   | -   | 3,898,333                               | 8,033,333         |
| Net profit for the period                            | -                   | -   | -   | 702,000                                 | 702,000           |
| Prior year adjustment<br>- effects of adopting FRS 2 | -                   | -   | 19,890  | (19,890)                                | -                 |
| At 31 August 2005 (restated)                         | <u>4,135,000</u>    | <u>-</u>                                      | <u>19,890</u>                                   | <u>4,580,443</u>                        | <u>8,735,333</u>  |
| <b>Quarter Ended 31 August 2006</b>                  |                     |   |   |   |                   |
| At 31 May 2006 (restated)                            | 5,235,000           | 3,709,342                                     | 79,560  | 5,794,220                               | 14,818,122        |
| Issuance of ordinary shares                          | -                   | -   | -   | -                                       | -                 |
| Listing expenses                                     | -                   | -   | -   | -                                       | -                 |
| Share options  | 22,900              | 32,576  | 6,671   | -                                       | 62,147            |
| Net profit for the period                            | -                   | -   | -   | 225,787                                 | 225,787           |
| At 31 August 2006                                    | <u>5,257,900</u>    | <u>3,741,918</u>                              | <u>86,231</u>                                   | <u>6,020,007</u>                        | <u>15,106,056</u> |

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)**

|  | <b>CURRENT YEAR<br/>TO DATE ENDED<br/>31-Aug-06</b> | <b>PRECEDING YEAR<br/>QUARTER ENDED<br/>31-Aug-05<br/>(RESTATED)</b> |
|--|---|--|
|  | <b>RM</b>   | <b>RM</b>  |
| <b>Cash flows from operating activities</b>                        |   |  |
| Profit before taxation   | 161,717   | 729,263  |
| Adjustments for :-   |   |  |
| Depreciation of property, plant and equipment                      | 98,922  | 55,850   |
| Finance costs  | 5,903   | 23,481   |
| Staff costs  | 18,636  | 19,890   |
| (Profit) / Loss on disposal of property, plant & equipment         | -   | -  |
| Operating profit before working capital changes                    | <u>285,178</u>                                      | <u>828,484</u>   |
| Changes in working capital:  |   |  |
| (Increase) / Decrease in inventories                               | (460,805)   | (322,560)  |
| (Increase) / Decrease in trade receivables                         | 402,549   | (3,162)  |
| Decrease / (Increase) in other receivables, deposits & prepayments | (975,313)   | (47,712)   |
| Increase / (Decrease) in trade payables                            | (39,622)  | (30,721)   |
| Increase / (Decrease) in other payables and accruals               | 48,247  | 3,851  |
| Cash generated from operations                                     | <u>(739,766)</u>                                    | <u>428,180</u>   |
| Finance costs  | (5,903)   | (23,481)   |
| Income tax paid  | (56,930)  | (36,253)   |
| Interest income  | (12,171)  | -  |
| <b>Net cash generated by operating activities</b>                  | <u>(814,770)</u>                                    | <u>368,446</u>   |
| <b>Cash flows from investing activities</b>                        |   |  |
| Purchase of property, plant and equipment                          | (282,254)   | (384,738)  |
| Interest income  | 12,171  | -  |
| Development costs incurred   | (56,062)  | -  |
| Proceeds from disposal of property, plant and equipment            | -   | -  |
| Listing expenses   | -   | -  |
| <b>Net cash used in investing activities</b>                       | <u>(326,145)</u>                                    | <u>(384,738)</u>   |
| <b>Cash flows from financing activities</b>                        |   |  |
| Repayment of bank borrowings                                       | (124,353)   | -  |
| Repayment of term loan   | -   | (16,052)   |
| Issuance of shares pursuant to exercise of share options           | 43,510  | -  |
| Drawdown of short term borrowings                                  | -   | -  |
| Drawdown of hire purchase  | 19,115  | 43,814   |
| <b>Net cash from financing activities</b>                          | <u>(61,728)</u>                                     | <u>27,762</u>  |
| <b>Net increase / (decrease) in cash and cash equivalents</b>      | (1,202,643)   | 11,470   |
| <b>Cash and cash equivalents at beginning of period</b>            | 2,721,342   | 234,839  |
| <b>Cash and cash equivalents at end of period</b>                  | <u>1,518,699</u>                                    | <u>246,309</u>   |