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

UNAUDITED FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 AUGUST 2008

NOTES TO THE INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD ("FRS") 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 "Interim Financial Reporting" and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (**"Bursa Securities"**) for the MESDAQ Market (**"MMLR"**).

The interim financial report should be read in conjunction with the latest audited financial statements of ES Ceramics Technology Bhd (**"ESCTB"** or the **"Company"**) and its subsidiaries (**"Group"**) for the financial year ended 31 May 2008.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 May 2008 except for the adoption of the new / revised FRS which have been issued and effective beginning 1 June 2008.

(a) The adoption of the following standards will only impact the form and content of disclosures presented in the financial statements. FRS 111 and FRS 120 are not relevant to the Group's operations.

(i) FRS 107 Cash Flow Statements
(ii) FRS 111 Construction Contracts
(iii) FRS 112 Income Taxes
(iv) FRS 118 Revenue
(v) FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
(vi) FRS 134 Interim Financial Reporting
(vii) FRS 137 Provisions, Contingent Liabilities and Contingent Assets

(b) The framework for the Preparation and Presentation of Financial Statements (**"Framework"**) which is effective for annual periods beginning on or after 1 July 2007. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a MASB approved accounting standard as defined in paragraph 11 of FRS 101 and hence, does not define standards for any particular measurement or disclosure issue.

(c) FRS 121 : The Effects of Changes in Foreign Exchange Rates-Net Investment in a foreign operations

This FRS has been amended and result in exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and of whether the monetary item results from a transaction with the Company or any of its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item.

(d) FRS 2: Share –Based Payment

Share-based payment applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received. The whole fair value of the share-based payment will be charged to income statement.

A3. Qualification of Financial Statements

The auditor's report on the financial statements of ESCTB for the financial year ended 31 May 2008 was not subject to any audit qualification.

A4. Seasonal or Cyclical Factors

The results of the Group were not materially affected by any seasonal or cyclical factors during the current quarter under review.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the current quarter under review.

A6. Material Changes in Estimates

There were no changes in estimates that have a material effect on the current quarter's results.

A7. Debts and Equity Securities

There were no issuance and repayment of debts and equity securities, share buy-back, share cancellation, shares held as treasury shares and resale of treasury shares for the current quarter under review.

A8. Dividend

There were no dividends paid for the current quarter under review.

A9. Segmental Information

The Group operates mainly in Malaysia and Thailand. The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segment:

2008	Malaysia RM	Thailand RM	Total RM
Revenue			
Segment revenue	3,631,972	476,170	4,108,142
Results			
Segment results	472,835	94,893	567,728
Finance costs	-	-	(332,176)
Profit before tax	-	-	235,552
Tax expense	-	-	(59,477)
Profit for the financial year	-	-	176,075
Assets			
Segment assets	30,743,976	3,542,452	34,286,428
Unallocated assets	-	-	1,991,796
Total assets	-	-	36,278,224
Liabilities			
Segment liabilities	19,427,904	133,001	19,560,905
Other segment information			
Capital expenditure	349,949	25,096	375,045
Depreciation	170,587	54,844	225,431

As the Group is predominantly in the business operation of hand formers, no segment reporting by business segment is prepared.

A10. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

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A11. Material Events Subsequent To the End of the Quarter

Saved as disclosed below, there are no material events subsequent to the current quarter that have not been reflected in this quarterly report.

On 13 June 2008, the Company entered into a conditional share sale and purchase agreement to acquire the entire issued and paid up share capital of Euroceramic Technologies Co. Ltd. ("**ECT**"), comprising 720,000 ordinary shares of Thai Baht 100 each from Dato' Kamal YP Tan, Ms Yeo Soi Lin, Mr Kong Ah Choo, Mr Michael Gunalan Benedict, Mr Law Swee Haw and Mr Edward Mosses Julius Josephath, for a total cash consideration of RM8,000,000. ECT is a company incorporated in Thailand, which engages in manufacturing of high quality ceramic dipping formers and marketing and distribution of ceramic hand formers for the rubber gloves industry. The acquisition was financed by way of internally generated funds of ESCTB Group and bank borrowings. On 15 September 2008, the said acquisition was completed.

A12. Contingent Assets or Liabilities

There were no contingent assets or contingent liabilities for the current quarter under review.

A13. Capital Commitments

There were no material capital commitments for the current quarter under review.

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B. ADDITIONAL INFORMATION PURSUANT TO APPENDIX 9B OF THE MMLR

B1. Review of Performance

For the current quarter ended 31 August 2008, the ESCTB Group recorded revenue of approximately RM4.11 million, which represents a decrease of approximately 27.13% as compared to revenue of approximately RM5.64 million for the corresponding quarter of the preceding year. This decrease was due lower sales recorded by the ESCTB Group.

The Group achieved a profit before taxation of approximately RM0.24 million for the current quarter. This represents a decrease of 36.84% from the profit before taxation of approximately RM0.38 million registered in the corresponding quarter of the preceding year, due to increase in administration, selling & distribution expenses.

B2. Comparison with Preceding Quarter's Results

	Current quarter 31.08.2008 RM	Immediate preceding quarter 31.05.2008 RM	Changes %
Revenue	4,108,142	4,738,593	(13.30)
Profit/(loss) before tax	235,552	(56,458)	>100%

The revenue for the current quarter of approximately RM4.11 million has decreased by 13.30% compared to the revenue of approximately RM4.74 million for the immediate preceding quarter. This was due to more competitive business environment of the current economic situation and the lower sales recorded by the ESCTB Group.

ESCTB Group's current quarter profit before taxation of approximately RM0.24 millionhas increased by more than 100% compared to the Group's loss position in the immediate preceding quarter. The higher profit before tax was mainly attributed to lower cost of good sold.

B3. Current Year's Prospect

Despite the uncertainty in the financial markets of many major developed countries and the volatility in energy cost which has an impact on production costs, the management remained confident of the positive prospects and outlook for the rubber glove industry, especially with the strong emphasis on healthcare in markets from developing countries. The management will continue to focus on its core business activities to improve its profit margins through enhancement of its current product offerings and increase marketing efforts for products with higher margins.

The management will continuously undertake measures to improve its production efficiency which will enhance the Company's competitiveness in the ceramics industry.

The Board of Directors of ESCTB ("**Board**") believes the business of the Group will remain challenging going forward and will continue to focus on its core activities to improve its competitiveness and profitability.

B4. Variance of Actual and Forecast Profit

The ESCTB Group has not provided any profit forecast and therefore no variance information is available for presentation.

B5. Profit or loss on Sales of Unquoted Investment and/or Properties

There were no purchase and/or disposals of unquoted investments and/or properties by the ESCTB Group for the current quarter under review.

B6. Purchase or Disposal of Quoted Securities

There were no purchases or disposal of quoted securities by the ESCTB Group for the current quarter under review.

B7. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Corresponding quarter of preceding year	Current year to date	Corresponding period of preceding year
	31.08.2008	31.08.2007	31.08.2008	31.08.2007
	RM	RM	RM	RM
Current year	59,477	90,322	59,477	90,322
Deferred taxation	-	-	-	-
	59,477	90,322	59,477	90,322

The effective tax rate of the Group's current tax charge for the period was lower than the statutory tax rate mainly due to tax incentives enjoyed by subsidiary companies.

B8. Status of Corporate Proposal

There are no corporate proposals announced but not as at the date of this report.

B9. Borrowings and Debt Securities

The Group's borrowings as at 31 August 2008 are as follows:

	At end of current quarter 31 August 2008 RM
Short term borrowings:-	
Secured:	
Hire Purchase	90,744
Banker Acceptance	463,000
Term Loan	197,536
	751,280
Long term borrowings:-	
Secured:	
Hire Purchase	274,443
Term Loan	15,561,269
	15,835,712
Total Borrowings:-	
Hire Purchase	365,187
Banker Acceptance	463,000
Term Loan	15,758,805
	16,586,992

B10. Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments as at the date of this report.

B11. Dividend

No interim dividend has been declared for the current quarter under review.

B12. Earnings Per Share

The basic earnings per share for the current quarter ended 31 August 2008 has been calculated based on the net profit attributable to ordinary shareholders of ESCTB of RM176,084 divided by the weighted average number of ordinary shares of RM0.10 each in issue of 52,741,962 shares as at the quarter ended 31 August 2008.

The diluted earnings per share for the current quarter ended 31 August 2008 has been calculated based on the net profit attributable to ordinary shareholders of ESCTB of RM176,084 divided by the weighted average number of ordinary shares of RM0.10 each in issue during the period, which have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees under the employees share option scheme of 53,185,015 shares.

B13. Material Litigation

(a) The Inland Revenue Board (**"Plaintiff"**) had brought two (2) actions against a subsidiary of the Group, GTR Ceramics Sdn Bhd (**"Defendant"**) at the Klang Sessions Court for the unpaid tax liabilities amounting to RM75,499.93 and at Shah Alam High Court for the unpaid tax liabilities amounting to RM469,326.34. After taking into consideration all payments which had been made by the Defendant, the current outstanding amount as of to date is RM397,920.51. The Plaintiff had withdrawn the suit filed in Klang Sessions Court on 30 July 2008.

The Plaintiff had vide a letter dated 13 October 2008 agreed to the Defendant's several requests to settle the outstanding tax payable of RM397,920.51 (including penalty interest) by 12 installments subject to certain terms and conditions stated in the letter. Among the terms are, the company is agreeable to record consent judgment (including the 8% interest that is chargeable from the date of judgement until full realisation) and to bear the legal cost which is to be determined later by the Plaintiff. However, the Defendant is in the midst of negotiating for a waiver of 8% interest.

(b) GTR Ceramics Sdn Bhd (**"Plaintiff"**) has brought actions against two customers, (**"Defendant"**) for goods sold and delivered. The Plaintiff is suing the first Defendant for an amount of RM183,496.00, however the first Defendant had put in a counter claim against the Plaintiff for an amount of RM165,379.55, being damages for late delivery of the goods supplied and also the breach of the agreement. As the Plaintiff's application for a summary judgment has been dismissed (inclusive of the company's appeal to the High Court) therefore the case has been fixed for mention on 14 November 2008 pending consent from the first Defendant liquidator or alternatively to withdraw the appeal as the first Defendant has been wound up. The Plaintiff is in the midst of filing a Proof of Debt with the Insolvency Department. Meanwhile, the Klang Sessions Court has fixed the matter for mention of the first Defendant's counter claim, pending the same on 26 November 2008.

As for the second Defendant the Plaintiff is suing them for a sum of RM1,272,792 being goods sold and delivered. However, the second Defendant counterclaimed against the Plaintiff for an amount of RM5,534,772 being cost of defective goods and loss of profit. As the Plaintiff's application for a summary judgment has been dismissed, therefore the Court has fixed the matter for case management on 3 November 2008 for the trial purposes.

The directors, based on the legal advice obtained, are of the view that the subsidiary company has a reasonably good chance of success in winning and defending the said claim and Defendants' counterclaim. Therefore, no provision is required to be made into the financial statements.