

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

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 30 NOVEMBER 2011**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 30-Nov-11	CORRESPONDING QUARTER ENDED 30-Nov-10	CURRENT YEAR TO DATE ENDED 30-Nov-11	CORRESPONDING YEAR TO DATE ENDED 30-Nov-10
	RM	RM	RM	RM
<b>Revenue</b>	<u>5,413,649</u>	<u>5,769,016</u>	<u>11,423,812</u>	<u>11,347,904</u>
<b>Operating profit</b>	765,512	617,208	1,663,405	1,228,778
Finance costs	(274,557)	(479,563)	(651,709)	(956,231)
<b>Profit before taxation</b>	<u>490,955</u>	<u>137,645</u>	<u>1,011,696</u>	<u>272,547</u>
Taxation	-	-	-	-
<b>Profit for the period</b>	<u>490,955</u>	<u>137,645</u>	<u>1,011,696</u>	<u>272,547</u>
<b>Other comprehensive income :</b>				
Foreign exchange translation difference	268,417	796,864	1,503,154	660,888
<b>Total comprehensive income for the period</b>	<u>759,372</u>	<u>934,509</u>	<u>2,514,850</u>	<u>933,435</u>
<b>Profit Attributable to :</b>				
Equity holders of the parent	490,940	137,653	1,011,681	272,546
Non-Controlling Interest	15	(8)	15	1
	<u>490,955</u>	<u>137,645</u>	<u>1,011,696</u>	<u>272,547</u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	759,357	934,517	2,514,835	933,434
Non-Controlling Interest	15	(8)	15	1
	<u>759,372</u>	<u>934,509</u>	<u>2,514,850</u>	<u>933,435</u>
Earnings per share (sen)				
- Basic	<u>0.3</u>	<u>0.1</u>	<u>0.6</u>	<u>0.2</u>
- Diluted	<u>0.3</u>	<u>0.1</u>	<u>0.6</u>	<u>0.2</u>

*(The condensed consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 May 2011)*

**ES CERAMICS TECHNOLOGY BHD**  
**Company No. 627117-P**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 NOVEMBER 2011**

	<b>AS AT 30-Nov-11 (UNAUDITED)</b>	<b>AS AT 31-May-11 (AUDITED)</b>
	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	19,952,781	19,257,950
Intangible Assets	1,391,955	1,416,847
Securities Held-to-Maturity	-	-
	<u>21,344,736</u>	<u>20,674,797</u>
<b>Current Assets</b>		
Inventories	4,226,128	4,752,695
Trade & Other Receivables	5,211,328	7,227,579
Current Tax Asset	1,081,650	1,325,936
Cash and Cash Equivalents	3,900,323	6,644,647
	<u>14,419,429</u>	<u>19,950,857</u>
<b>TOTAL ASSETS</b>	<u><u>35,764,165</u></u>	<u><u>40,625,654</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Equity Holders of the Parent</b>		
Share Capital	16,978,800	16,978,800
Share Premium	-	-
Capital Reserve	1,276,945	1,185,505
Exchange Reserve	1,312,115	(191,039)
Retained Profit	(197,598)	(1,354,823)
	<u>19,370,262</u>	<u>16,618,443</u>
<b>Non-controlling interest</b>	<u>167</u>	<u>167</u>
<b>TOTAL EQUITY</b>	<u><u>19,370,429</u></u>	<u><u>16,618,610</u></u>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Hire Purchase Payables	529,128	577,510
Term Loan	5,835,798	1,645,070
Deferred Taxation	249,000	249,000
	<u>6,613,926</u>	<u>2,471,580</u>
<b>Current Liabilities</b>		
Trade and Other Payables	1,638,372	2,015,419
Hire Purchase Payables	110,954	117,230
Term Loan	4,059,623	16,794,758
Bank Borrowings	3,970,861	2,608,057
Current Tax Payable	-	-
	<u>9,779,810</u>	<u>21,535,464</u>
<b>TOTAL LIABILITIES</b>	<u><u>16,393,736</u></u>	<u><u>24,007,044</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>35,764,165</u></u>	<u><u>40,625,654</u></u>
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	<u><u>11</u></u>	<u><u>10</u></u>

*(The condensed consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 May 2011)*

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

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to Owners of the Parent						Non-controlling Interest RM	Total Equity RM
	Share Capital RM	Share Premium RM	Capital Reserve RM	Exchange Reserve RM	Retained Profits RM	Total RM		
Balance at 1 Jun 2011	16,978,800	-	1,185,505	(191,039)	(1,354,823)	16,618,443	167	16,618,610
Effects of applying FRS 139								
<b>Restated balance</b>	16,978,800	-	1,185,505	(191,039)	(1,354,823)	16,618,443	167	16,618,610
Issue of Shares	-					-		-
Dividends paid						-		-
Total comprehensive income for the period		-	91,440	1,503,154	1,157,225	2,751,819	-	2,751,819
Balance at 30 November 2011	16,978,800	-	1,276,945	1,312,115	(197,598)	19,370,262	167	19,370,429

***For the Corresponding Quarter Ended 30 November 2010***

	Attributable to Owners of the Parent						Non-controlling Interest RM	Total Equity RM
	Share Capital RM	Share Premium RM	Capital Reserve RM	Exchange Reserve RM	Retained Profits RM	Total RM		
Balance at 1 Jun 2010	5,365,100	3,821,775	184,212	1,487,877	7,053,587	17,912,551	246	17,912,797
Effects of applying FRS 139								
<b>Restated balance</b>	5,365,100	3,821,775	184,212	1,487,877	7,053,587	17,912,551	246	17,912,797
Issue of Shares	11,613,700		(136,485)			11,477,215		11,477,215
Dividends paid						-		-
Total comprehensive income for the period		(3,821,775)		660,888	(1,313,122)	(4,474,009)	-	(4,474,009)
Balance at 30 November 2010	16,978,800	-	47,727	2,148,765	5,740,465	24,915,757	246	24,916,003

*(The condensed consolidated Statement of changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 May 2011)*

**ES CERAMICS TECHNOLOGY BHD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 NOVEMBER 2011**

	<b>CURRENT QUARTER ENDED 30-Nov-11</b>	<b>PRECEDING YEAR QUARTER ENDED 30-Nov-10</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	1,011,696	272,547
Adjustments for :-		
Depreciation, amortisation and impairment losses	1,269,754	1,426,978
Interest income and expenses	637,837	935,602
Other non-cash items	27,750	65,469
Operating profit before changes in working capital	<u>2,947,037</u>	<u>2,700,596</u>
Changes in working capital:		
Net change in inventories	526,567	(1,309,953)
Net change in receivables	1,873,840	970,510
Net change in payables	<u>(377,047)</u>	<u>(83,857)</u>
Cash flow from operations	4,970,397	2,277,296
Finance costs	(651,709)	(956,231)
Income tax paid	<u>(25,208)</u>	<u>(349,058)</u>
<b>Net cash flows from operating activities</b>	<u>4,293,480</u>	<u>972,007</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	59,826	(300,909)
Interest income	13,872	20,629
Development costs incurred	-	(25,906)
Proceeds from disposal of property, plant and equipment	<u>37,719</u>	<u>37,719</u>
<b>Net cash used in investing activities</b>	<u>73,698</u>	<u>(268,467)</u>
<b>Cash flows from financing activities</b>		
Drawdown / (Repayment) of bank borrowings	532,649	(1,905,488)
Drawdown / (Repayment) of term loan	(8,544,407)	(711,032)
Proceeds from issuance of ordinary shares	-	5,659,600
Issuance of shares pursuant to exercise of share options	-	483,980
Defraying cost of corporate exercise	-	(318,248)
Drawdown / (Repayment) of hire purchase	<u>(54,658)</u>	<u>10,718</u>
<b>Net cash flows from financing activities</b>	<u>(8,066,416)</u>	<u>3,219,530</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	(3,699,238)	3,923,070
<b>Cash and cash equivalents at beginning of the year</b>	6,644,647	2,908,838
<b>Effect of changes in foreign exchange rates</b>	86,956	31,133
<b>Cash and cash equivalents at end of period</b>	<u>3,032,365</u>	<u>6,863,041</u>
Cash and cash equivalent comprises of:		
- Cash and bank balances	3,862,520	7,170,729
- Fixed Deposits	<u>37,803</u>	<u>37,181</u>
As reported in the balance sheets	3,900,323	7,207,910
<b>Less</b> : Fixed deposits pledged as security	(37,803)	(37,181)
Bank overdrafts	(830,155)	(307,688)
As reported in cash flow statements	<u>3,032,365</u>	<u>6,863,041</u>

*(The condensed consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 May 2011)*

**ES CERAMICS TECHNOLOGY BHD** (Company No. 627117-P)  
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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2011**

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**A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING**

**A1. Basis of Preparation**

The interim financial reports 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 ACE Market (“**ACE**”).

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 2011.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 May 2011, except for the following:

- i. Adoption of new and revised Financial Reporting Standards (“FRSs”), IC Interpretation and Amendments

In the current period ended 30 November 2011, the Group adopted the following new and revised FRSs, IC Interpretation and Amendments to FRSs and IC Interpretation which are applicable to its financial statement and are relevant to its operations:

- FRS 1 (Revised) First-time Adoption of Financial Reporting Standards
- FRS 3 (Revised) Business Combinations
- FRS 127 (Revised) Consolidated and Separate Financial Statements
- Amendment to FRS 1 (Revised): Limited Exemption from Comparative FRS7 Disclosures for First-time Adopters
- Amendment to FRS 1: Additional Exemptions for First-time Adopters
- Amendment to FRS 2: Scope of FRS 2 and FRS 3 (2010)
- Amendment to FRS 2: Group Cash-settled Share-based Payment Transactions
- Amendment to FRS 5: Plan to Sell the Controlling Interest in Subsidiary
- Amendment to FRS 7: Improving Disclosures about Financial Instruments
- Amendment to FRS 138: Consequential Amendments Arising from FRS3 (2010)
- Amendment to IC Interpretation 9 and FRS 3 (Revised)
- IC Interpretation 4 Determining Whether An Arrangement Contains a Lease
- IC Interpretation 12 Service Concession Arrangements
- IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17 Distributions of Non-cash Assets to Owners
- IC Interpretation 18 Transfers of Assets from Customers
- Annual Improvements to FRSs (2010)

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The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any significant impact on the financial performance and financial position of the Group other than as stated below:

- I. FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issues costs, will be expensed as incurred.
- II. FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest gained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the non-controlling interest to be absorbed by the non-controlling interest instead of by the parent.

**A2. Auditors' Report on Preceding Annual Financial Statements**

The auditor's report on the financial statements of ESCTB for the financial year ended 31 May 2011 was not subject to any audit qualification.

**A3. 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.

**A4. 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.

**A5. Material Changes in Estimates**

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

**A6. Debts and Equity Securities**

Save as disclosed below, 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.

The Securities Commission, had vide its letter dated 29 September 2010 approved ES Ceramics Technology Berhad's application on behalf of Dato' Kamal YP Tan to seek an exemption

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pursuant to PN 2.9.1 of the Malaysian Code on Take-Overs and Mergers, 1998. The exemption had been granted for a period of 3 years; ie from 29 September 2010 to 28 September 2013.

Amongst others, the approval requires ES Ceramics to disclose in its annual and interim accounts and any public document, including annual reports, prospectuses and circular, the following:-

(i)

	Number of Shares/ Warrants	%
Voting Shares in ES Ceramics as at latest practicable dated prior to disclosure; ie 31 December 2011	169,788,000	100.00
Number of voting shares held by Dato' Kamal as at the latest practicable date prior to any public disclosure; ie 31 December 2011	39,934,500	23.52
Number of warrants held by Dato' Kamal as at the latest practicable date prior to any public disclosure; ie 31 December 2011	2,600,000	-
The maximum potential voting shares or voting rights of Dato' Kamal in ES Ceramics, assuming only Dato' Kamal exercise the warrants in full	42,534,500	N/A

(ii) No take-over would arise on full exercise of the warrants.

**A7. Dividend paid**

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

**A8. Segmental Information**

The Group operates mainly in Malaysia and Thailand. As the Group is predominantly in the business operation of hand formers, no segment reporting by business segment is prepared.

**A9. Valuation of Property, Plant and Equipment**

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

**ES CERAMICS TECHNOLOGY BHD** *(Company No. 627117-P)*  
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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2011**

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**A10. Material Events Subsequent To the End of the Quarter**

There are no material events subsequent to the current quarter that have not been reflected in this quarterly report.

**A11. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current financial quarter.

**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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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2011**

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**B. ADDITIONAL INFORMATION PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Review of Performance**

For the current quarter ended 30 November 2011, the ESCTB Group recorded revenue of RM5.41million, which represents a decrease of 6.16% as compared to revenue of RM5.77 million for the corresponding quarter of the preceding year.

The Group achieved a profit before taxation of approximately RM0.49 million for the current quarter. This represents an increase of 257% from the profit before taxation of approximately RM0.13 million registered in the corresponding quarter of the preceding year due to better sales mix of premium products and continuous production process control also contributed to profit improvement although the production output has slightly decrease.

**B2. Comparison with Preceding Quarter's Results**

	<b>Current Quarter 30.11.2011 RM</b>	<b>Immediate preceding Quarter 31.08.2011 RM</b>	<b>Changes %</b>
Revenue	5,413,649	6,010,163	(9.93)
Profit/(loss) before tax	490,955	520,741	(5.72)

The revenue for the current quarter of approximately RM5.41 million has decreased by 9.93% compared to the revenue of approximately RM6.01 million for the immediate preceding quarter.

The Group current quarter profit before taxation of approximately RM0.49 million has decreased by 5.72% compared to RM0.52 million in the immediate preceding quarter. The decrease in profit before tax was due to lower recorded sales.

**B3. Commentary on Prospect for the Current Financial Year**

The continued uncertainties of the global economic environment, the ongoing debts crisis that have hampered economy activities in many developed nations in euro zone and escalation of costs due to inflationary pressure are the significant factors that may impact the Group's profitability.

The management will continue to focus on its core business activities and forge ahead strongly with specific efforts undertaken to improve its profit margins through productivity enhancement and increase marketing efforts for products with higher margins.

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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. Taxation**

	<b>Current quarter</b>	<b>Current year to date</b>
	<b>30.11.2011</b>	<b>30.11.2011</b>
	<b>RM</b>	<b>RM</b>
Current year	-	-
Deferred taxation	-	-
	-	-

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.

**B6. 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.

**B7. 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.

**B8. Status of Corporate Proposals**

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

**B9. Borrowings and Debt Securities**

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The Group's borrowings as at 30 November 2011 are as follows:

**At end of current quarter 30 November 2011  
(RM)**

	<b>Short term Borrowings</b>	<b>Long term borrowings</b>	<b>Total Borrowings</b>
<b>Secured:</b>			
Hire Purchase	110,954	529,128	640,082
Banker Acceptance	3,140,706		3,140,706
Term Loan	4,059,623	5,835,798	9,895,421
Bank overdraft	830,155		830,155
	<b>8,141,438</b>	<b>6,364,926</b>	<b>14,506,364</b>

**B10. Derivative Financial Instruments**

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

**B11. Material Litigation**

The Company and its subsidiaries are not engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Company and its subsidiaries as at the date of this announcement.

**B12. Dividend**

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

**B13. Disclosure of Realised and Unrealised Profits/(Losses)**

The breakdown of the retained earnings of the Group as of 30 November 2011 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

Total group retained profits/(accumulated losses) of the Company and its subsidiaries	Current Quarter 30.11.11 RM'000
- Realised	314
- Unrealised	-
Less: Consolidation adjustments	(512)
Total group retained profits/(accumulated losses) as per consolidated accounts	(198)

Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/Losses disclosure.

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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2011**

**B14. Earnings Per Share**

	Current Quarter Ended 30.11.11	Current Year To Date 30.11.11
Net profit attributable to equity holders of the Parent (RM'000)	491	1,012
Weighted average number of ordinary shares in issue ('000)	169,788	169,788
Basic earnings per share (sen)	0.3	0.6

	Current Quarter Ended 30.11.11	Current Year To Date 30.11.11
Net profit attributable to equity holders of the Parent (RM'000)	491	1,012
Weighted average number of ordinary shares in issue ('000)	169,788	169,788
Effects of dilutive : share option ('000)	1,920	1,920
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	171,708	171,708
Diluted earnings per share (sen)	0.3	0.6

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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2011**

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**A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING**

**A1. Basis of Preparation**

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**NOTES TO THE INTERIM FINANCIAL REPORT  
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**B14. Earnings Per Share**

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Net profit attributable to equity holders of the Parent (RM'000)	491	1,012
Weighted average number of ordinary shares in issue ('000)	169,788	169,788
Basic earnings per share (sen)	0.3	0.6

	Current Quarter Ended 30.11.11	Current Year To Date 30.11.11
Net profit attributable to equity holders of the Parent (RM'000)	491	1,012
Weighted average number of ordinary shares in issue ('000)	169,788	169,788
Effects of dilutive : share option ('000)	1,920	1,920
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	171,708	171,708
Diluted earnings per share (sen)	0.3	0.6