**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 AUGUST 2012**

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 2012.

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 2012, except for the following:

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

In the current period ended 31 August 2012, 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)

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 losses 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 2012 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 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 30 September 2012	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 30 September 2012	39,934,500	23.52
Number of warrants held by Dato' Kamal as at the latest practicable date prior to any public disclosure; ie 30 September 2012	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.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 AUGUST 2012**

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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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 31 August 2012, the ESCTB Group recorded revenue of RM3.71 million, which represents a decrease of 38.31% as compared to revenue of RM6.01 million for the corresponding quarter of the preceding year.

The Group achieved a profit before taxation of approximately RM0.44 million for the current quarter. This represents a decrease of 16.36% from the profit before taxation of approximately RM0.52 million registered in the corresponding quarter of the preceding year due to the lower revenue contribution from the Thailand subsidiaries.

B2. Comparison with Preceding Quarter's Results

	Current Quarter 31.08.2012 RM	Immediate preceding Quarter 31.05.2012 RM	Changes %
Revenue	3,707,952	4,183,520	(11.37)
Profit/(loss) before tax	435,570	292,902	48.71

The revenue for the current quarter of approximately RM3.71 million has decreased by 11.37% compared to the revenue of approximately RM4.18 million for the immediate preceding quarter.

The Group recorded profit before tax of approximately RM0.44 million for the current quarter, representing a 48.71% increase as compared to approximately RM0.29 million profit before tax in the immediate preceding quarter. This was mainly due to increase in cost efficiency and continuous fine tuning also contributed to profit improvement although the production output has decreased.

B3. Commentary on Prospect for the Current Financial Year

The continued uncertainties of the global economic environment, escalation of costs due to inflationary pressure and volatile latex commodity price 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.

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

	Current quarter	Current year to date
	31.08.2012	31.08.2012
	RM	RM
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

The Group's borrowings as at 31 August 2012 are as follows:

	At end of current quarter 31 August 2012 (RM)		
	Short term Borrowings	**Long term borrowings**	**Total Borrowings**
Secured:			
Hire Purchase	100,359	446,798	547,157
Banker Acceptance	2,984,770		2,984,770
Term Loan	3,989,749	2,786,994	6,776,743
	7,074,878	3,233,792	10,308,670

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 31 August 2012 into realised and unrealised profits or losses, pursuant to the Listing Requirements of Bursa Securities, is as follows:

Total group retained profits/(accumulated losses) of the Company and its subsidiaries	Current Quarter 31.08.12 RM'000
- Realised	590
- Unrealised	-
Less: Consolidation adjustments	(452)
Total group retained profits/(accumulated losses) as per consolidated accounts	139

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

B14. Earnings Per Share

	Current Quarter Ended 31.08.12	Current Year To Date 31.08.12
Net profit attributable to equity holders of the Parent (RM'000)	436	436
Weighted average number of ordinary shares in issue ('000)	169,788	169,788
Basic earnings per share (sen)	0.3	0.3

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares which would be issued on conversion of all dilutive potential ordinary shares, i.e. the share options granted to the employees of the Group, into ordinary shares.

The diluted earnings per ordinary share is not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding ESOS and warrants and any exercise of the ESOS and warrants would result in anti-dilution.