

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 AUGUST 2013**

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

A1. Basis of Preparation

The interim financial reports are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard 134 (“MFRS 134”) “Interim Financial Reporting” and Rule 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 2013.

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 2013, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRS”) and IC Interpretations (“IC Int.”):

MFRSs/IC Interpretations

MFRS 9 Financial Instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interest in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
Amendment to MFRS 7: Disclosure - Offsetting financial Assets and Financial Liabilities	1 January 2013
Amendment to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendment to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendment to MFRS 12: Disclosure of Interest in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendment to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	
Amendment to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	
Amendment to MFRS 134: Interim Financial Reporting (Annual	

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Improvements 2009-2011 Cycle)

IC Int. 20 Stripping Costs in the Production Phase of a Surface Mine

1 January 2013

The audited financial statements of the Group for the financial year ended 31 May 2012 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the adoption of the above MFRSs and IC Interpretations does not have any significant impact on the financial performance and financial position of the Group.

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 2013 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 ESCTB'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 ESCTB to disclose in its annual and interim accounts and any public document, including annual reports, prospectuses and circular, the following:-

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(i)

	Number of Shares/ Warrants	%
Voting Shares in ESCTB as at latest practicable dated prior to disclosure; ie 30 September 2013	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 2013	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 2013	2,600,000	-
The maximum potential voting shares or voting rights of Dato' Kamal in ESCTB, 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.

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.

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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

	1Q FY2014 RM'000	1Q FY2013 RM'000	Variance %
Revenue	5,309	3,708	43.18
EBITDA	994	1,081	(8.00)
PBT	491	436	12.75
PAT	491	436	12.75

For the current quarter ended 31 August 2013, the ESCTB Group recorded revenue of RM5.31 million, represents an increase of 43.18% as compared to revenue of RM3.71 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 12.75% from the profit before taxation of approximately RM0.44 million registered in the corresponding quarter of the preceding year. The increase in both sales turnover and profit before tax for the current quarter is mainly due to increase in sales volume.

B2. Comparison with Preceding Quarter's Results

	Current Quarter 31.08.2013 RM	Immediate preceding Quarter 31.05.2013 RM	Changes %
Revenue	5,309,231	5,189,873	2.30
EBITDA	994,093	1,195,621	(16.86)
Profit before tax	491,110	583,433	(15.82)

The revenue for the current quarter of approximately RM5.31 million increased by 2.30% as compared to the revenue of approximately RM5.19 million for the immediate preceding quarter.

The Group current quarter profit before taxation of approximately RM0.49 million has decreased 15.82% as compared to RM0.58 million in the immediate preceding quarter. This was mainly due to increase in operating cost.

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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 fluctuation of exchange rates are the significant factors that may impact the Group's profitability. In addition, the implementation of the minimum wage policy in Malaysia and Thailand may also pose further challenge to the group's operations.

The management shall continue to explore opportunities to enhance and improve the performance of the Group and is confident that barring any unforeseen circumstances the Group expects to achieve a favourable performance in the coming year.

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
	31.08.2013	31.08.2013
	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. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at the date of this report.

B7. Borrowings and Debt Securities

The Group's borrowings as at 31 August 2013 are as follows:

	At end of current quarter 31 August 2013		
	(RM)		
	Short term	Long term	Total Borrowings
	Borrowings	borrowings	
Secured:			
Hire Purchase	91,305	353,137	444,442

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Banker Acceptance	2,779,830		2,779,830
Term Loan	2,729,578	90,900	2,820,478
	5,600,713	444,037	6,044,750

B8. Derivative Financial Instruments

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

B9. 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.

B10. Dividend

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

B11. Disclosure of Realised and Unrealised Profits/(Losses)

The breakdown of the retained earnings of the Group as of 31 August 2013 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 31.08.13 RM'000
- Realised	2,905
- Unrealised	(353)
Less: Consolidation adjustments	(1,163)
Total group retained profits/(accumulated losses) as per consolidated accounts	1,389

B12. Earnings Per Share

	Current Quarter Ended 31.08.13	Current Year To Date 31.08.13
Net profit attributable to owner of the Company (RM'000)	491	491
Weighted average number of ordinary shares in issue ('000)	169,808	169,808
Basic earnings per share (sen)	0.3	0.3

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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.

B13. Profit Before Taxation

	Current Quarter 31.08.13 RM'000
Profit before taxation is arrived at after charging/(crediting):	
Interest income	10
Other income including investment income	-
Interest expense	116
Depreciation and amortization	387
Provision for and write off of receivables	-
Provision for and write off of inventories	-
Gain/(loss) on disposal of quoted or unquoted investments or properties	-
Impairment of assets	-
Foreign exchange gain/(loss)	22
Gain/(loss) on derivatives	-
Exceptional items	-