

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

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2013**

---

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.

As per previously disclosed, the exemption granted by the Securities Commission to Dato' Kamal YP Tan pursuant to PN2.9.1 of the Malaysian Code on Take-Overs and Mergers, 1998 had ended on 28 September 2013.

Prior to the expiry of Warrants 2010/2013, a total of 18,600 units of Warrants 2010/2013 at the exercise price of RM0.12 each were converted into new ordinary shares of RM0.10 each.

**A7. Dividend paid**

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

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2013**

---

**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.

**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.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

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

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2013**

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

**B1. Review of Performance**

	2Q FY2014 RM'000	2Q FY2013 RM'000	Variance %	6MQFY2014 RM'000	6MQFY2013 RM'000	Variance %
Revenue	7,221	3,952	82.74	12,531	7,660	63.59
EBITDA	1,202	830	44.68	2,195	1,911	14.89
PBT	594	191	>100	1,085	626	73.21
PAT	594	191	>100	1,085	626	73.21

For the current quarter ended 30 November 2013, the Group recorded revenue of RM7.22 million, represents an increase of 82.74% as compared to revenue of RM3.95 million for the corresponding quarter of the preceding year.

The Group achieved a profit before taxation of approximately RM0.59 million for the current quarter. This represents an increase of more than 100% from the profit before taxation of approximately RM0.19 million registered in the corresponding quarter of the preceding year. The increase was mainly due to higher contribution and sales volume from the premium products.

For the six (6) months ended 30 November 2013, the Group generated total revenue of approximately RM12.53 million which represents an increase of approximately 63.59% as compared to RM7.66 million achieved in the corresponding period of the preceding year.

For the same period, the Group achieved a profit before tax of approximately RM1.09 million which represents an increase of 73.21% as compared to a profit before tax of approximately RM0.63 million registered in the corresponding period of the preceding year. The improvement was contributed by the better cost control measures undertaken in the operations as well as better products mix.

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

	<b>Current Quarter 30.11.2013 RM</b>	<b>Immediate preceding Quarter 31.08.2013 RM</b>	<b>Changes %</b>
Revenue	7,221,365	5,309,231	36.02
EBITDA	1,201,530	994,093	20.87
Profit before tax	593,898	491,110	20.93

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2013**

---

The revenue for the current quarter of approximately RM7.22 million increased by 36.02% as compared to the revenue of approximately RM5.31 million for the immediate preceding quarter.

The Group's current quarter profit before taxation of approximately RM0.59 million has increased 20.93% as compared to RM0.49 million in the immediate preceding quarter. This was mainly due to better sales mix and also cost control efficiency.

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

The continued escalation of production cost due to increase in various essential cost components such as wages and electricity and also fluctuation of exchange rates may pose challenges to the Group's operations as well as its profitability.

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 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>30.11.2013</b>	<b>30.11.2013</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. Status of Corporate Proposals**

There was no corporate proposal announced but not completed as at the date of this report, except for the proposed increase of shares to Bumiputera investors to comply with Bumiputera equity conditions as announced on 28 October 2013.

**B7. Borrowings and Debt Securities**

The Group's borrowings as at 30 November 2013 are as follows:

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

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2013**

At end of current quarter 30 November 2013  
(RM)

	<b>Short term Borrowings</b>	<b>Long term borrowings</b>	<b>Total Borrowings</b>
<b>Secured:</b>			
Hire Purchase	94,900	332,182	427,082
Banker Acceptance	3,757,270		3,757,270
Term Loan	145,750	85,800	231,550
	3,997,920	417,982	4,415,902

**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 30 November 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 30.11.13 RM'000
- Realised	3,552
- Unrealised	(353)
Less: Consolidation adjustments	(1,216)
Total group retained profits/(accumulated losses) as per consolidated accounts	1,983

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

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2013**

**B12. Earnings Per Share**

	Current Quarter Ended 30.11.13	Current Year To Date 30.11.13
Net profit attributable to owner of the Company (RM'000)	594	1,085
Weighted average number of ordinary shares in issue ('000)	169,808	169,808
Basic earnings per share (sen)	0.3	0.6

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 30.11.13 RM'000	Current Year To Date 30.11.13
Profit before taxation is arrived at after charging/(crediting):		
Interest income	12	22
Other income including investment income	-	-
Interest expense	105	221
Depreciation and amortization	502	889
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)	(189)	(167)
Gain/(loss) on derivatives	-	-
Exceptional items	-	-