

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2014**

**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 2014.

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 2014, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRS”) and IC Interpretations (“IC Int.”):

MFRSs/IC Interpretations

MFRS 9 (2009) Financial Instruments)
MFRS 9 (2010) Financial Instruments) To be
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)) announced) by MASB
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures))
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1 January 2014
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014

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Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

The adoption and application of the amendments to MFRSs and IC Interpretations are expected to have no significant impact on the financial statements 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 2014 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.

- i) During the current quarter ended 30 November 2014, a total of 4,960,815 new ordinary shares of RM0.10 each were allotted and issued pursuant to the Employees' Share Option Scheme.
- ii) On 31 October 2014, the Company issued 9,299,000 new ordinary Bumiputera shares of RM0.10 each pursuant to the Proposed Bumiputera Issue.

A7. Dividend paid

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

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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.

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

B1. Review of Performance

	2Q FY2015 RM'000	2Q FY2014 RM'000	Variance %	6MQFY2015 RM'000	6MQFY2014 RM'000	Variance %
Revenue	7,144	7,221	(1.08)	13,268	12,531	5.89
EBITDA	1,833	1,202	52.52	3,405	2,195	55.09
PBT	1,414	594	>100	2,589	1,085	>100
PAT	1,390	594	>100	2,544	1,085	>100

For the current quarter ended 30 November 2014, the Group recorded revenue of RM7.14 million, represents a slightly decrease of 1.08% as compared to revenue of RM7.22 million for the corresponding quarter of the preceding year.

The Group achieved a profit before taxation of approximately RM1.41 million for the current quarter. This represents an increase of more than 100% from the profit before taxation of approximately RM0.59 million registered in the corresponding quarter of the preceding year. The increase was mainly resulting from continuous cost and efficiency improvements as well as better products mix.

For the six (6) months ended 30 November 2014, the Group generated total revenue of approximately RM13.27 million which represents an increase of approximately 5.89% as compared to RM12.53 million achieved in the corresponding period of the preceding year.

For the same period, the Group achieved a profit before tax of approximately RM2.59 million which represents an increase of more than 100% as compared to a profit before tax of approximately RM1.09 million registered in the corresponding period of the preceding year.

B2. Comparison with Preceding Quarter's Results

	Current Quarter 30.11.2014 RM	Immediate preceding Quarter 31.08.2014 RM	Changes %
Revenue	7,143,687	6,124,625	16.64
EBITDA	1,832,515	1,572,774	20.29
Profit before tax	1,413,608	1,175,181	16.51

Revenue registered in the current quarter of RM7.14 million represents an increase of 16.64% as compared to the revenue of RM6.12 million recorded in the immediate preceding quarter.

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The Group's current quarter profit before taxation of approximately RM1.41 million has increased by 16.51% as compared in the immediate preceding quarter. The improvement was in line with sales volume increase.

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. Nevertheless, we are focusing our efforts in reducing wastage and improving cost efficiency during production in order to reduce inefficiencies in 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 Group has not provided any profit forecast and therefore no variance information is available for presentation.

B5. Taxation

	Current quarter 30.11.2014	Current year to date 30.11.2014
	RM	RM
Current year	23,563	44,812
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 issuance of shares to Bumiputera investors to comply with Bumiputera equity conditions as announced on 30 July 2013, 18 October 2013, 28 October 2013, 30 October 2013 and 6 December 2013.

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- i) On 13 October 2014, the Company announced that Bursa Securities had, vide its letter dated 9 October 2014 (which was received on 10 October 2014), approved the listing and quotation of up to 24,208,000 ES Ceramics Shares (excluding treasury shares) to be issued pursuant to the Proposed Bumiputera Issue subject to the conditions.
- ii) On 24 October 2014, the Company announced that the Board has on 24 October 2014 fixed the issue price for 9,299,000 Bumiputera Shares (“**Price-fixing Date**”) at RM0.15 each (“**Issue Price**”).
- iii) On 24 November 2014, the Company announced that the advisor had on 20 November 2014 notified the Securities Commission (“SC”) that the Company is deemed to have complied with the Bumiputera Equity Requirements pursuant to the terms and conditions as set out in the approval letter from the SC dated 26 November 2013 and the Proposed Bumiputera Issue is deemed to have completed on 20 November 2014.

In view thereof, the Board has decided not to implement the remaining Bumiputera Shares under the Proposed Bumiputera Issue, which was undertaken to facilitate the compliance of the Bumiputera Equity Requirements.

B7. Borrowings and Debt Securities

The Group’s borrowings as at 30 November 2014 are as follows:

	At end of current quarter 30 November 2014		
	(RM)		
	Short term Borrowings	Long term borrowings	Total Borrowings
Secured:			
Hire Purchase	99,163	312,005	411,156
Term Loan	74,782	-	74,782
	173,934	312,005	485,938

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.

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

The breakdown of the retained earnings of the Group as of 30 November 2014 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 30.11.14 RM'000
- Realised	8,014
- Unrealised	-
Less: Consolidation adjustments	(1,464)
Total group retained profits/(accumulated losses) as per consolidated accounts	6,550

B12. Earnings Per Share

	Current Quarter Ended 30.11.14	Current Year To Date 30.11.14
Net profit attributable to owner of the Company (RM'000)	1,390	2,544
Weighted average number of ordinary shares in issue ('000)	176,073	176,073
Basic earnings per share (sen)	0.7	0.7

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 any exercise of the ESOS would result in anti-dilution.

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B13. Profit Before Taxation

	Current Quarter 30.11.14 RM'000	Current Year To Date 30.11.14 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Interest income	39	41
Other income including investment income	-	-
Interest expense	8	16
Depreciation and amortization	411	801
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)	(8)	(166)
Gain/(loss) on derivatives	-	-
Exceptional items	-	-