

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2015**

**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

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2015**

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

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.

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.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2015**

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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ES CERAMICS TECHNOLOGY BHD (Company No. 627117-P)
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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2015**

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

B1. Review of Performance

	3QFY2015 RM'000	3QFY2014 RM'000	Variance %	9MQFY2015 RM'000	9MQFY2014 RM'000	Variance %
Revenue	5,657	5,957	(5.03)	18,926	18,487	2.37
EBITDA	1,973	1,182	66.84	5,378	3,378	59.20
PBT	1,546	698	>100	4,135	1,783	>100
PAT	1,506	616	>100	4,050	1,701	>100

For the current quarter ended 28 February 2015, the Group recorded revenue of RM5.66 million, represents a decrease of 5.03% as compared to revenue of RM5.96 million for the corresponding quarter of the preceding year.

Despite the decrease in turnover, the Group achieved a profit before taxation of approximately RM1.55 million for the current quarter. This represents an increase of more than 100% from the profit before taxation of approximately RM0.70 million registered in the corresponding quarter of the preceding year. The increase came from improvement in the operations performance as well as better products mix.

For the nine (9) months ended 28 February 2015, the Group generated total revenue of approximately RM18.93 million which represents a slightly increase of approximately 2.37% as compared to RM18.49 million achieved in the corresponding period of the preceding year.

For the same period, the Group achieved a profit before tax of approximately RM4.13 million which represents an increase of more than 100% as compared to a profit before tax of approximately RM1.78 million registered in the corresponding period of the preceding year. This was mainly due to cost control efficiency and improvement in production processes as mentioned above.

B2. Comparison with Preceding Quarter's Results

	Current Quarter 28.02.2015 RM	Immediate preceding Quarter 30.11.2014 RM	Changes %
Revenue	5,657,350	7,143,687	(20.81)
EBITDA	1,972,808	1,832,515	7.66
Profit before tax	1,545,736	1,413,608	9.35

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2015**

Revenue registered in the current quarter of RM5.66 million represents a decrease of 20.81% as compared to the revenue of RM7.14 million recorded in the immediate preceding quarter. This was partly due to shorter working days and public holidays during the quarter under reviewed.

The Group's current quarter profit before taxation of approximately RM1.55 million has increased by 9.35% as compared in the immediate preceding quarter.

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 also introduction of goods and services tax (GST) effective from 1 April 2015 coupled with fluctuation in 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 28.02.2015	Current year to date 28.02.2015
	RM	RM
Current year	39,251	84,063
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.

ES CERAMICS TECHNOLOGY BHD (Company No. 627117-P)
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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2015**

B7. Borrowings and Debt Securities

The Group's borrowings as at 28 February 2015 are as follows:

	At end of current quarter 28 February 2015		
	(RM)		
	Short term Borrowings	Long term borrowings	Total Borrowings
Secured:			
Hire Purchase	102,667	292,555	395,222
Term Loan	45,714	-	45,714
	148,381	292,555	440,936

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 28 February 2015 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 28.02.15 RM'000
- Realised	9,494
- Unrealised	-
Less: Consolidation adjustments	(1,437)
Total group retained profits/(accumulated losses) as per consolidated accounts	8,057

ES CERAMICS TECHNOLOGY BHD (Company No. 627117-P)
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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2015**

B12. Earnings Per Share

	Current Quarter Ended 28.02.15	Current Year To Date 28.02.15
Net profit attributable to owner of the Company (RM'000)	1,506	4,050
Weighted average number of ordinary shares in issue ('000)	190,333	190,333
Basic earnings per share (sen)	0.8	2.1

	Current Quarter Ended 28.02.15	Current Year To Date 28.02.15
Net profit attributable to equity holders of the Parent (RM'000)	1,506	4,050
Weighted average number of ordinary shares in issue ('000)	190,333	190,333
Effects of dilutive : share option ('000)	15,184	15,184
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	205,517	205,517
Diluted earnings per share (sen)	0.7	2.0

B13. Profit Before Taxation

	Current Quarter 28.02.15 RM'000	Current Year To Date 28.02.15 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Interest income	58	99
Other income including investment income	-	-
Interest expense	7	23
Depreciation and amortization	420	1,221
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)	(14)	(180)
Gain/(loss) on derivatives	-	-
Exceptional items	-	-