

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 29 FEBRUARY 2016**

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**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 2015.

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 2015, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRS”) and IC Interpretations (“IC Int.”) that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the current financial year:-

**MFRSs and IC Interpretations (Including The Consequential  
Amendments)**

	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities - Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements - Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016

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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 2015 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.

**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.

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**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)  
(Incorporated in Malaysia)

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

**B1. Review of Performance**

	29-Feb-16 (RM)	29-Feb-15 (RM)	Variance %	9 Months 29-Feb-16 (RM)	9 Months 29-Feb-15 (RM)	Variance %
Revenue	7,783,761	5,657,350	37.59	22,099,254	18,925,662	16.77
EBITDA	2,328,726	1,972,808	18.04	6,593,918	5,378,096	22.61
PBT	1,853,165	1,545,736	19.89	5,248,982	4,134,525	26.95
PAT	1,828,185	1,506,485	21.35	5,171,797	4,050,462	27.68

For the current quarter ended 29 February 2016, the Group recorded revenue of RM7.78 million, represents an increase of 37.59% as compared to revenue of RM5.66 million for the corresponding quarter of the preceding year.

The Group achieved a profit before taxation of approximately RM1.85 million for the current quarter. This represents an increase of 19.89% from the profit before taxation of approximately RM1.55 million registered in the corresponding quarter of the preceding year.

For the nine (9) months ended 29 February 2016, the Group generated total revenue of approximately RM22.10 million which represents an increase of approximately 16.77% as compared to RM18.93 million achieved in the corresponding period of the preceding year.

For the same period, the Group achieved a profit before tax of approximately RM5.25 million which represents an increase of 26.95% as compared to a profit before tax of approximately RM4.13 million registered in the corresponding period of the preceding year. The increase was in line with the revenue, expanded capacity and continuous cost improvement in the operations performance as well as better products mix.

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

	<b>Current Quarter 29.02.2016 RM</b>	<b>Immediate preceding Quarter 30.11.2015 RM</b>	<b>Changes %</b>
Revenue	7,783,761	7,661,807	1.59
EBITDA	2,328,727	2,300,540	1.23
Profit before tax	1,853,165	1,859,659	(0.35)

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Revenue registered in the current quarter of RM7.78 million represents a slightly increase of 1.59% as compared to the revenue of RM7.66 million recorded in the immediate preceding quarter.

The Group's current quarter profit before taxation of approximately RM1.85 million has slightly decreased by 0.35% as compared to 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 coupled with fluctuation in exchange rates may pose challenges to the group's operations as well as its profitability. Nevertheless, the management is mindful of the challenges ahead and is taking measures to improve the performance of the Group and ensure better efficiency.

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 29.02.2016</b>	<b>Current year to date 29.02.2016</b>
	<b>RM</b>	<b>RM</b>
Current year	24,980	77,185
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 29 February 2016 are as follows:

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At end of current quarter 29 February 2016  
(RM)

	<b>Short term Borrowings</b>	<b>Long term borrowings</b>	<b>Total Borrowings</b>
<b>Secured:</b>			
Hire Purchase	91,582	135,674	227,256

**B8. Derivative Financial Instruments**

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

**B9. Material Litigation**

Save as disclosed below, 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.

Further to our announcements dated 28 December 2015 and 4 January 2016, the Company wishes to announce that the above matter came up for Case Management at the Shah Alam Sessions Court on 26 January 2016 and the Court has fixed the matter for further case management on 25 February 2016.

The Company also wishes to inform that Easy Sun Sdn. Bhd. has filed its defence and Euroceramic Technologies Company Limited (“ECT”) has filed an application to set aside the writ on the ground that the Plaintiff’s alleged cause of action against ECT arose in Thailand and not within the Jurisdiction of the Sessions Court and Sessions Court has no jurisdiction over ECT in respect of the subject matter of the claim or the relief or remedy sought in the action.

On 29 February 2016, the Company announced that the Court has given the following directions:

- a) Parties to file and exchange submission simultaneously for 2nd Defendant’s application (enclosure 21) to set aside the Writ on or before 10 March 2016;
- b) Parties to file and exchange submission in reply simultaneously for enclosure 21 on or before 17 March 2016.

The Court has fixed enclosure 21 for oral clarification/decision on 31 March 2016.

Further to the Company’s announcement on 29 February 2016, the Company announced on 31 March 2016 that the Sessions Court has adjourned the 2nd Defendant’s application (enclosure 21) to set aside the Writ to 25 April 2016 for oral clarification / decision.

On 25 April 2016, the Sessions Court has dismissed enclosure 21 with costs of RM1,500 and has fixed the matter for further case management on 26 May 2016.

The Company would deliberate on the next course of action on dismissal of enclosure 21.

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**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 29 February 2016 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 29.02.16 RM'000
- Realised	18,479
- Unrealised	-
Less: Consolidation adjustments	(3,709)
Total group retained profits/(accumulated losses) as per consolidated accounts	14,770

**B12. Earnings Per Share**

	Current Quarter Ended 29.02.16	Current Year To Date 29.02.16
Net profit attributable to owner of the Company (RM'000)	1,828	5,172
Weighted average number of ordinary shares in issue ('000)	205,515	205,515
Basic earnings per share (sen)	0.9	2.5

There was no dilution in earnings per share as there was no dilutive potential ordinary shares as at 29 February 2016.

**B13. Profit Before Taxation**

	Current Quarter 29.02.16 RM'000	Current Year To Date 29.02.16 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Interest income	73	208
Other income including investment income	-	-
Interest expense	3	12
Depreciation and amortization	473	1,332
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-

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Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange gain/(loss)	35	(81)
Gain/(loss) on derivatives	-	-
Exceptional items	-	-