

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 MAY 2016**

**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)**

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

B1. Review of Performance

	31-May-16 (RM)	31-May-15 (RM)	Variance %	12 Months 31-May-16 (RM)	12 Months 31-May-15 (RM)	Variance %
Revenue	7,852,711	6,025,434	30.33	29,951,965	24,951,096	20.04
EBITDA	2,406,093	1,922,916	25.13	9,000,011	7,301,013	23.27
PBT	1,936,283	1,563,620	23.83	7,185,265	5,698,146	26.10
PAT	2,092,527	1,541,093	35.78	7,264,324	5,591,556	29.92

For the current quarter ended 31 May 2016, the Group recorded revenue of RM7.85 million, represents an increase of 30.33% as compared to revenue of RM6.03 million for the corresponding quarter of the preceding year.

The Group achieved a profit before taxation of approximately RM1.94 million for the current quarter. This represents an increase of 23.83% from the profit before taxation of approximately RM1.56 million registered in the corresponding quarter of the preceding year.

For the twelve (12) months ended 31 May 2016, the Group generated total revenue of approximately RM29.95 million which represents an increase of approximately 20.04% as compared to RM24.95 million achieved in the corresponding period of the preceding year.

For the same period, the Group achieved a profit before tax of approximately RM7.19 million which represents an increase of 26.10% as compared to a profit before tax of approximately RM5.70 million registered in the corresponding period of the preceding year. The increase was in line with the revenue and continuous cost improvement in the operations performance.

B2. Comparison with Preceding Quarter's Results

	Current Quarter 31.05.2016 RM	Immediate preceding Quarter 29.02.2016 RM	Changes %
Revenue	7,852,711	7,783,761	0.89
EBITDA	2,406,093	2,328,727	3.32
Profit before tax	1,936,283	1,853,165	4.49

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Revenue registered in the current quarter of RM7.85 million represents a slightly increase of 0.89% as compared to the revenue of RM7.78 million recorded in the immediate preceding quarter.

The Group's current quarter profit before taxation of approximately RM1.94 million has slightly increased by 4.49% 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 and shortage of workers 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

	Current quarter 31.05.2016	Current year to date 31.05.2016
	RM	RM
Current year	(99,244)	(79,059)
Deferred taxation	(57,000)	-

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 May 2016 are as follows:

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At end of current quarter 31 May 2016
(RM)

	Short term Borrowings	Long term borrowings	Total Borrowings
Secured:			
Hire Purchase	30,745	62,333	93,078

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 the announcement dated 25 April 2016, the Company wish to announce that an appeal would be made on the Sessions Court's decision in dismissing its application (enclosure 21) to set aside the Writ with costs of RM1,500.

On 26 April 2016, the Company announce that the captioned appeal is fixed for mention on 9 June 2016 at 9.00 a.m. before the learned Senior Assistant Registrar Civil Division Kompleks Sultan Salahuddin Abdul Aziz Shah.

On 27 May 2016, the Company announce that its wholly-owned subsidiary, namely Easy Sun Sdn Bhd has filed an application to strike out the claim by Kong Ah Choo and the application is fixed for decision on 1 August 2016.

On 9 June 2016, the Company announce that the appeal by its wholly-owned subsidiary, namely Euroceramic Technologies Company Limited ("ECT") via Shah Alam High Court Civil Appeal No. BA-12ANCVC-35-06/2016 against the dismissal of its application to set aside the Writ filed by Kong Ah Choo via Shah Alam Sessions Court Suit no. B52NCVC-155-07/2015 came up for case management on 9 June 2016 before the learned Senior Assistant Registrar Puan Azlinda Binti Ahmad Sharif who fixed the appeal for further case management on 19 July 2016 to enable parties to obtain the Ground of Judgement of the learned Sessions Court Judge.

However, on 19 July 2016 before the learned Senior Assistant Registrar Puan Azlinda Binti Ahmad Sharif who has fixed the appeal for further case management on 17 August 2016 as the Ground of Judgement of the learned Sessions Court Judge is still not ready.

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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 31 May 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 31.05.16 RM'000
- Realised	20,281
- Unrealised	-
Less: Consolidation adjustments	(3,419)
Total group retained profits/(accumulated losses) as per consolidated accounts	16,862

B12. Earnings Per Share

	Current Quarter Ended 31.05.16	Current Year To Date 31.05.16
Net profit attributable to owner of the Company (RM'000)	2,093	7,264
Weighted average number of ordinary shares in issue ('000)	205,515	205,515
Basic earnings per share (sen)	1.0	3.5

There was no dilution in earnings per share as there was no dilutive potential ordinary shares as at 31 May 2016.

B13. Profit Before Taxation

	Current Quarter 31.05.16 RM'000	Current Year To Date 31.05.16 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Interest income	69	277
Other income including investment income	-	-
Interest expense	2	15
Depreciation and amortization	468	1,800
Provision for and write off of receivables	-	-

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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)	457	376
Gain/(loss) on derivatives	-	-
Exceptional items	-	-