

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

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 31 AUGUST 2016**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 31-Aug-16	CORRESPONDING QUARTER ENDED 31-Aug-15	CURRENT YEAR TO DATE ENDED 31-Aug-16	CORRESPONDING YEAR TO DATE ENDED 31-Aug-15
	RM	RM	RM	RM
<b>Revenue</b>	<u>8,280,860</u>	<u>6,653,686</u>	<u>8,280,860</u>	<u>6,653,686</u>
<b>Operating profit</b>	2,460,629	1,901,094	2,460,629	1,901,094
Finance costs	(1,471)	(4,882)	(1,471)	(4,882)
Depreciation and amortisation	(485,838)	(423,612)	(485,838)	(423,612)
Interest income	68,715	63,558	68,715	63,558
<b>Profit before taxation</b>	<u>2,042,035</u>	<u>1,536,158</u>	<u>2,042,035</u>	<u>1,536,158</u>
Taxation	(23,339)	(26,282)	(23,339)	(26,282)
<b>Profit for the period</b>	<u>2,018,696</u>	<u>1,509,876</u>	<u>2,018,696</u>	<u>1,509,876</u>
<b>Other comprehensive income :</b>				
Foreign exchange translation difference	159,304	1,471,073	159,304	1,471,073
<b>Total comprehensive income for the period</b>	<u>2,178,000</u>	<u>2,980,949</u>	<u>2,178,000</u>	<u>2,980,949</u>
<b>Profit Attributable to :</b>				
Equity holders of the parent	2,018,696	1,509,876	2,018,696	1,509,876
Non-Controlling Interest	-	-	-	-
	<u>2,018,696</u>	<u>1,509,876</u>	<u>2,018,696</u>	<u>1,509,876</u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	2,178,000	2,980,949	2,178,000	2,980,949
Non-Controlling Interest	-	-	-	-
	<u>2,178,000</u>	<u>2,980,949</u>	<u>2,178,000</u>	<u>2,980,949</u>
Earnings per share (sen)				
- Basic	<u>1.0</u>	<u>0.7</u>	<u>1.0</u>	<u>0.7</u>
- Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

*(The condensed consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 May 2016)*

**ES CERAMICS TECHNOLOGY BHD**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 AUGUST 2016**

	AS AT 31-Aug-16 (UNAUDITED)	AS AT 31-May-16 (AUDITED)
	RM	RM
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	14,521,191	14,523,173
Intangible Assets	1,218,510	1,230,640
	<u>15,739,701</u>	<u>15,753,813</u>
<b>Current Assets</b>		
Inventories	2,867,409	2,398,729
Trade & Other Receivables	7,274,882	6,448,180
Current Tax Asset	93,500	300,394
Cash and Cash Equivalents	22,888,645	21,744,026
	<u>33,124,436</u>	<u>30,891,329</u>
<b>TOTAL ASSETS</b>	<u><u>48,864,137</u></u>	<u><u>46,645,142</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Equity Holders of the Parent</b>		
Share Capital	20,551,510	20,551,510
Share Premium	2,359,801	2,359,801
Capital Reserve	715,680	715,680
Exchange Reserve	2,332,208	2,172,904
Retained Profit	18,880,968	16,862,272
	<u>44,840,167</u>	<u>42,662,167</u>
<b>Non-controlling interest</b>	-	-
<b>TOTAL EQUITY</b>	<u><u>44,840,167</u></u>	<u><u>42,662,167</u></u>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Hire Purchase Payables	56,345	67,510
Deferred Taxation	296,000	296,000
	<u>352,345</u>	<u>363,510</u>
<b>Current Liabilities</b>		
Trade and Other Payables	3,640,745	3,593,897
Hire Purchase Payables	30,880	25,568
Term Loan	-	-
	<u>3,671,625</u>	<u>3,619,465</u>
<b>TOTAL LIABILITIES</b>	<u><u>4,023,970</u></u>	<u><u>3,982,975</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>48,864,137</u></u>	<u><u>46,645,142</u></u>
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	<u><u>22</u></u>	<u><u>21</u></u>

*(The condensed consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 May 2016)*

**ES CERAMICS TECHNOLOGY BHD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 AUGUST 2016**

	<b>CURRENT QUARTER ENDED 31-Aug-16</b>	<b>PRECEDING YEAR QUARTER ENDED 31-Aug-15</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	2,042,035	1,536,158
Adjustments for :-		
Depreciation, amortisation and impairment losses	485,838	423,612
Interest income and expenses	(67,244)	(58,676)
Other non-cash items	-	161,530
Operating profit before changes in working capital	<u>2,460,629</u>	<u>2,062,624</u>
Changes in working capital:		
Net change in inventories	(468,680)	(506,750)
Net change in receivables	(608,277)	930,770
Net change in payables	46,848	80,990
Cash flow from operations	<u>1,430,520</u>	<u>2,567,634</u>
Finance costs	(1,471)	(4,882)
Income tax refunded/(paid)	(23,339)	(33,616)
<b>Net cash flows from operating activities</b>	<u>1,405,710</u>	<u>2,529,136</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(398,747)	(1,054,934)
Interest income	68,715	63,558
Proceeds from disposal of property, plant and equipment	-	-
<b>Net cash used in investing activities</b>	<u>(330,032)</u>	<u>(991,376)</u>
<b>Cash flows from financing activities</b>		
Drawdown / (Repayment) of term loan	-	(7,073)
Issuance of shares pursuant to exercise of share options	-	1,083,142
Drawdown / (Repayment) of hire purchase	(5,853)	(15,847)
<b>Net cash flows from financing activities</b>	<u>(5,853)</u>	<u>1,060,222</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	1,069,825	2,597,982
<b>Cash and cash equivalents at beginning of the year</b>	21,744,026	13,762,508
<b>Effect of changes in foreign exchange rates</b>	74,794	405,833
<b>Cash and cash equivalents at end of period</b>	<u>22,888,645</u>	<u>16,766,323</u>

*(The condensed consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 May 2016)*

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to Owners of the Parent					Total Equity RM
	Share Capital RM	Share Premium RM	Capital Reserve RM	Exchange Reserve RM	Retained Profits RM	
Balance at 1 Jun 2016	20,551,510	2,359,801	715,680	2,172,904	16,862,272	42,662,167
Issue of Shares						-
Total comprehensive income for the period		-		159,304	2,018,696	2,178,000
<b>Balance at 31 August 2016</b>	<b>20,551,510</b>	<b>2,359,801</b>	<b>715,680</b>	<b>2,332,208</b>	<b>18,880,968</b>	<b>44,840,167</b>

**For the Corresponding Quarter Ended 31 August 2015**

	Attributable to Owners of the Parent					Total Equity RM
	Share Capital RM	Share Premium RM	Capital Reserve RM	Exchange Reserve RM	Retained Profits RM	
Balance at 1 Jun 2015	19,704,980	1,646,256	1,031,083	976,098	9,597,948	32,956,365
Issue of Shares	846,530	236,612				1,083,142
Total comprehensive income for the period			161,530	1,471,073	1,509,876	3,142,479
<b>Balance at 31 August 2015</b>	<b>20,551,510</b>	<b>1,882,868</b>	<b>1,192,613</b>	<b>2,447,171</b>	<b>11,107,824</b>	<b>37,181,986</b>

*(The condensed consolidated Statement of changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 May 2016)*

**ES CERAMICS TECHNOLOGY BHD** (Company No. 627117-P)  
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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FIRST QUARTER ENDED 31 AUGUST 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 2016.

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 2016, 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:-

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Classifications to MFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable	1 January 2016

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**NOTES TO THE INTERIM FINANCIAL REPORT  
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Methods of Depreciation and Amortisation

Amendments to MFRS 127: Equity Method in Separate Financial Statements 1 January 2016

Annual Improvements to MFRSs 2012 - 2014 Cycle 1 January 2016

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 2016 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.

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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FIRST QUARTER ENDED 31 AUGUST 2016**

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**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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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FIRST QUARTER ENDED 31 AUGUST 2016**

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

**B1. Review of Performance**

	31-Aug-16 (RM)	31-Aug-15 (RM)	Variance %	3 Months 31-Aug-16 (RM)	3 Months 31-Aug-15 (RM)	Variance %
Revenue	8,280,860	6,653,686	24.46	8,280,860	6,653,686	24.46
EBITDA	2,529,344	1,964,652	28.74	2,529,344	1,964,652	28.74
PBT	2,042,035	1,536,158	32.93	2,042,035	1,536,158	32.93
PAT	2,018,696	1,509,876	33.70	2,018,696	1,509,876	33.70

For the current quarter ended 31 August 2016, the Group recorded revenue of RM8.28 million, represents an increase of 24.46% as compared to revenue of RM6.65 million for the corresponding quarter of the preceding year.

The Group achieved a profit before taxation of approximately RM2.04 million for the current quarter. This represents an increase of 32.93% from the profit before taxation of approximately RM1.54 million registered in the corresponding quarter 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**

	<b>Current Quarter 31.08.2016 RM</b>	<b>Immediate preceding Quarter 31.05.2016 RM</b>	<b>Changes %</b>
Revenue	8,280,860	7,852,711	5.45
EBITDA	2,529,344	2,406,093	5.12
Profit before tax	2,042,035	1,936,283	5.46

Revenue registered in the current quarter of RM8.28 million represents an increase of 5.45% as compared to the revenue of RM7.85 million recorded in the immediate preceding quarter.

The Group's current quarter profit before taxation of approximately RM2.04 million has increased by 5.46% as compared to the immediate preceding quarter. The increase was in line with the revenue and continuous expansion in production capacity.



**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FIRST QUARTER ENDED 31 AUGUST 2016**

**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 operational efficiencies, monitoring and controlling the operational expenses to achieve improved profitability and sustainable business growth.

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 31.08.2016</b>	<b>Current year to date 31.08.2016</b>
	<b>RM</b>	<b>RM</b>
Current year	23,339	23,339
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 31 August 2016 are as follows:

	<b>At end of current quarter 31 August 2016 (RM)</b>		
	<b>Short term Borrowings</b>	<b>Long term borrowings</b>	<b>Total Borrowings</b>
<b>Secured:</b>			
Hire Purchase	30,880	56,345	87,225

**NOTES TO THE INTERIM FINANCIAL REPORT  
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**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 made on 19 July 2016, the Company wishes to announce that the application by its wholly-owned subsidiary, namely Easy Sun Sdn. Bhd. to strike out the claim by Kong Ah Choo filed in Shah Alam Sessions Court Suite No. B52NCVC-155-07/2015 has been allowed with costs on 1 August 2016.

On 12 August 2016, the Company announced that its wholly-owned subsidiary, namely Easy Sun Sdn. Bhd. ("ESS") has been served with a Notice of Appeal dated 11 August 2016 by Kong Ah Choo to appeal to Shah Alam High Court against the order of Shah Alam Sessions Court given on 1 August 2016 allowing ESS's application to strike out the claim by Kong Ah Choo filed in Shah Alam Sessions Court Suit No. B52NCVC-155-07/2015.

On 17 August 2016, the Company announced 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 again for case management on 17 August 2016 before the learned Senior Assistant Registrar Puan Azlinda Binti Ahmad Sharif who was on leave and has fixed the appeal for further case management on 2 September 2016.

On 19 August 2016, the Company announced that the Notice of Appeal dated 11 August 2016 filed by Kong Ah Choo to appeal to Shah Alam High Court against the order of Shah Alam Sessions Court given on 1 August 2016 allowing Easy Sun Sdn. Bhd.'s application to strike out the claim by Kong Ah Choo filed in Shah Alam Sessions Court Suit no. B52NCVC-155-07/2015 has been registered as Shah Alam High Court Civil Appeal no. BA-12ANCVC-70-08/2016 and fixed for case management on 19 September 2016.

On 5 September 2016, the Company announced that the appeal by its wholly-owned subsidiary, namely Euroceramic Technologies Company Limited 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 again for case management on 2 September 2016 before the learned Senior Assistant Registrar Puan Azlinda Binti Ahmad Sharif who directed written submission to be filed and exchanged on 20 October 2016 which is the next case management date and has fixed the appeal for hearing before the learned High Court Judge Dato' Zabidin Bin Diah on 14 November 2016.

Shah Alam Sessions Court Suit No. B52NCVC-155-07/2015 also came up for case management before the learned Sessions Court Judge on 2 September 2016 and the learned Sessions Court Judge has fixed the matter for further case management on 16 November 2016.

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On 19 September 2016, further to the announcement made on 5 September 2016, the Board of Directors announced that the appeal filed by Kong Ah Choo against its wholly-owned subsidiary, namely, Easy Sun Sdn. Bhd. via Shah Alam High Court Civil Appeal No. BA-12ANCVC-70-08/2016 against the decision of Shah Alam Sessions Court Suit no. B52NCVC-155-07/2015 in allowing Easy Sun Sdn. Bhd.'s application to strike out the Writ dated 24 July 2015 and the Statement of Claim dated 27 November 2015 came up for case management on 19 September 2016 before the learned Senior Assistant Registrar Puan Ellyaha Binti Razalli who fixed the matter for further case management on 25 October 2016 pending the written grounds from the Sessions Court. On 25 October 2016, a further case management is fixed for 24 November 2016.

**B10. Dividend**

The Board of Directors has proposed a single-tier interim dividend of RM0.006 per share in respect of the financial year ending 31 May 2017 and paid on 21 October 2016.

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

The breakdown of the retained earnings of the Group as of 31 August 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 31.08.16 RM'000
- Realised	22,300
- Unrealised	-
Less: Consolidation adjustments	(3,419)
Total group retained profits/(accumulated losses) as per consolidated accounts	18,881

**B12. Earnings Per Share**

	Current Quarter Ended 31.08.16	Current Year To Date 31.08.16
Net profit attributable to owner of the Company (RM'000)	2,019	2,019
Weighted average number of ordinary shares in issue ('000)	205,515	205,515
Basic earnings per share (sen)	1.0	1.0

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

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**(Incorporated in Malaysia)**

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**B13. Profit Before Taxation**

	Current Quarter 31.08.16 RM'000	Current Year To Date 31.08.16 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Interest income	(69)	(69)
Other income including investment income	-	-
Interest expense	1	1
Depreciation and amortization	486	486
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)	(7)	(7)
Gain/(loss) on derivatives	-	-
Exceptional items	-	-