

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 NOVEMBER 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 30-Nov-18	CORRESPONDING QUARTER ENDED 30-Nov-17	CURRENT YEAR TO DATE ENDED 30-Nov-18	CORRESPONDING YEAR TO DATE ENDED 30-Nov-17
	RM	RM	RM	RM
Revenue	<u>7,416,612</u>	<u>6,291,216</u>	<u>14,776,622</u>	<u>12,515,765</u>
Operating profit	442,446	681,061	1,234,752	1,655,374
Finance costs	(2,406)	(1,036)	(3,856)	(2,194)
Depreciation and amortisation	(469,669)	(543,141)	(921,294)	(1,088,942)
Interest income	75,915	119,694	183,389	248,120
Profit before taxation	<u>46,286</u>	<u>256,578</u>	<u>492,991</u>	<u>812,358</u>
Taxation	(261)	(306)	627	(635)
Profit for the period	<u>46,025</u>	<u>256,272</u>	<u>493,618</u>	<u>811,723</u>
Other comprehensive income :				
Foreign exchange translation difference	432,046	(117,879)	196,959	288,971
Total comprehensive income for the period	<u>478,071</u>	<u>138,393</u>	<u>690,577</u>	<u>1,100,694</u>
Profit Attributable to :				
Equity holders of the parent	46,025	256,272	493,618	811,723
Non-Controlling Interest	-	-	-	-
	<u>46,025</u>	<u>256,272</u>	<u>493,618</u>	<u>811,723</u>
Total comprehensive income attributable to:				
Equity holders of the parent	478,071	138,393	690,577	1,100,694
Non-Controlling Interest	-	-	-	-
	<u>478,071</u>	<u>138,393</u>	<u>690,577</u>	<u>1,100,694</u>
Earnings per share (sen)				
- Basic	<u>0.02</u>	<u>0.1</u>	<u>0.24</u>	<u>0.4</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 2018)

ES CERAMICS TECHNOLOGY BHD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2018

	AS AT 30-Nov-18 (UNAUDITED)	AS AT 31-May-18 (AUDITED)
	RM	RM
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	18,555,354	18,669,560
Intangible Assets	1,111,190	1,141,353
	<u>19,666,544</u>	<u>19,810,913</u>
Current Assets		
Inventories	4,231,512	3,628,416
Trade & Other Receivables	6,989,277	6,867,750
Current Tax Asset	20,840	352,018
Cash and Cash Equivalents	18,906,459	22,743,673
	30,148,088	33,591,857
TOTAL ASSETS	<u><u>49,814,632</u></u>	<u><u>53,402,770</u></u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Share Capital	20,551,510	20,551,510
Share Premium	2,359,801	2,359,801
Capital Reserve	715,680	715,680
Exchange Reserve	4,484,797	4,287,838
Retained Profit	20,216,908	20,956,381
	48,328,696	48,871,210
Non-controlling interest	-	-
TOTAL EQUITY	<u><u>48,328,696</u></u>	<u><u>48,871,210</u></u>
LIABILITIES		
Non-Current Liabilities		
Hire Purchase Payables	59,727	77,449
Employee Benefit Obligation	36,531	36,297
Term Loan	144,998	-
	241,256	113,746
Current Liabilities		
Trade and Other Payables	1,185,728	4,369,309
Hire Purchase Payables	44,156	48,505
Term Loan	14,796	-
	1,244,680	4,417,814
TOTAL LIABILITIES	<u><u>1,485,936</u></u>	<u><u>4,531,560</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>49,814,632</u></u>	<u><u>53,402,770</u></u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u><u>24</u></u>	<u><u>24</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 2018)

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

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 2018	20,551,510	2,359,801	715,680	4,287,838	20,956,381	48,871,210
Issue of Shares						-
Total comprehensive income for the period		-	-	196,959	493,618	690,577
Dividends paid					(1,233,091)	(1,233,091)
Balance at 30 November 2018	20,551,510	2,359,801	715,680	4,484,797	20,216,908	48,328,696

For the Corresponding Quarter Ended 30 November 2017

	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 2017	20,551,510	2,359,801	715,680	4,549,443	21,955,709	50,132,143
Issue of Shares						-
Total comprehensive income for the period		-	-	288,971	811,723	1,100,695
Dividends paid					(1,233,091)	(1,233,091)
Balance at 30 November 2017	20,551,510	2,359,801	715,680	4,838,414	21,534,342	49,999,747

(The condensed consolidated Statement of changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 May 2018)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 NOVEMBER 2018

	CURRENT QUARTER ENDED 30-Nov-18	PRECEDING YEAR QUARTER ENDED 30-Nov-17
	RM	RM
Cash flows from operating activities		
Profit before taxation	492,991	812,358
Adjustments for :-		
Depreciation, amortisation and impairment losses	921,294	1,088,942
Interest income and expenses	(179,533)	(245,926)
Other non-cash items	(424,000)	424,000
Operating profit before changes in working capital	810,752	2,079,374
Changes in working capital:		
Net change in inventories	(603,096)	(322,124)
Net change in receivables	435,193	2,150,514
Net change in payables	(3,183,581)	(1,343,717)
Cash flow from operations	(2,540,732)	2,564,047
Finance costs	(3,856)	(2,194)
Income tax refunded/(paid)	87,317	73,310
Net cash flows from operating activities	(2,457,271)	2,635,163
Cash flows from investing activities		
Purchase of property, plant and equipment	(536,205)	(2,091,895)
Interest income	183,389	248,120
Proceeds from disposal of property, plant and equipment	6,329	-
Net cash used in investing activities	(346,487)	(1,843,775)
Cash flows from financing activities		
Dividends paid	(1,233,091)	(1,233,091)
Drawdown / (Repayment) of term loan	159,794	-
Drawdown / (Repayment) of hire purchase	(22,071)	(13,657)
Net cash flows from financing activities	(1,095,368)	(1,246,748)
Net increase / (decrease) in cash and cash equivalents	(3,899,126)	(455,360)
Cash and cash equivalents at beginning of the year	22,743,673	23,692,932
Effect of changes in foreign exchange rates	61,912	77,428
Cash and cash equivalents at end of period	18,906,459	23,315,000

(The condensed consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 May 2018)

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2018**

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 2018.

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 2018, 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 for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i> (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IC Interpretation 23 <i>Uncertainty Over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4: <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 15: <i>Effective Date of MFRS 15</i>	1 January 2018
Amendments to MFRS 15: <i>Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’</i>	1 January 2018
Amendments to MFRS 119: <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2018**

Amendments to MFRS 140 - <i>Transfers of Investment Property</i>	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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 2018 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

Dividends paid by the Company during the current quarter as follow:-

(a) Single-tier dividend of RM0.006 per share amounting to RM1,233,091 in respect of the financial year ending 31 May 2019, declared on 14 September 2018 and paid on 26 October 2018.

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 SECOND QUARTER ENDED 30 NOVEMBER 2018**

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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(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2018**

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

B1. Review of Performance

	30-Nov-18	30-Nov-17	Variance	6 Months 30-Nov-18	6 Months 30-Nov-17	Variance
	(RM)	(RM)	%	(RM)	(RM)	%
Revenue	7,416,612	6,291,216	17.89	14,776,622	12,515,765	18.06
Operating Profit	442,446	681,061	(35.04)	1,234,752	1,655,374	(25.41)
Profit Before Interest and Tax	48,692	257,614	(81.10)	496,847	814,552	(39.00)
Profit Before Tax	46,286	256,578	(81.96)	492,991	812,358	(39.31)
Profit After Tax	46,025	256,272	(82.04)	493,618	811,723	(39.19)
Profit Attributable to Ordinary Equity Holders of the Parent	46,025	256,272	(82.04)	493,618	811,723	(39.19)

For the current quarter ended 30 November 2018, the Group recorded revenue of RM7.42 million, represents an increase of 17.89% as compared to revenue of RM6.30 million for the corresponding quarter of the preceding year.

Despite the increase in revenue, the Group profit before tax has decreased by 81.96% to RM0.05 million as compared to RM0.26 million registered in the corresponding quarter of the preceding year, mainly due to increase in operating costs such as LPG, raw material price increase and upgrading some factory equipment and machineries.

For the six (6) months ended 30 November 2018, the Group generated total revenue of approximately RM14.78 million which represents an increase of approximately 18.06% as compared to RM12.52 million achieved in the corresponding period of the preceding year.

For the same period, the Group achieved a profit before tax of approximately RM0.49 million which represents a decrease of 39.31% as compared to a profit before tax of approximately RM0.81 million registered in the corresponding period of the preceding year. The decrease in profit before tax was mainly attributed to higher cost of goods sold such as increases in the cost of labour, LPG and raw materials.

B2. Comparison with Preceding Quarter's Results

	Current Quarter 30.11.2018 RM	Immediate preceding Quarter 31.08.2018 RM	Changes %
Revenue	7,416,612	7,360,010	0.77
Operating Profit	442,446	792,306	(44.16)
Profit Before Interest and Tax	48,692	448,155	(89.14)
Profit Before Tax	46,286	446,705	(89.64)
Profit After Tax	46,025	447,593	(89.72)
Profit Attributable to Ordinary Equity Holders of the Parent	46,025	447,593	(89.72)

Revenue registered in the current quarter of RM7.42 million represents a slightly increase of 0.77% as compared to the revenue of RM7.36 million recorded in the immediate preceding quarter.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2018**

The Group's current quarter profit before taxation of approximately RM0.05 million has decreased by 89.64% as compared to the immediate preceding quarter. The decrease was mainly due to writeback of the impairment losses on trade receivables in the immediate preceding quarter and additional levy paid during the 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 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

	Current quarter 30.11.2018	Current year to date 30.11.2018
	RM	RM
Current year	261	(627)
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

Save as disclosed below, there was no other corporate proposal announced but not completed as at the date of this report.

Refer to the earlier announcements dated 3 April 2018, 16 April 2018 and 23 April 2018.

On 3 September 2018, on behalf of the Board of Directors of ESCERAM, UOB Kay Hian Securities (M) Sdn Bhd announced that the effective date for the LTIP is 3 September 2018, being the date of full compliance with Rule 6.44 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2018**

B7. Borrowings and Debt Securities

The Group's borrowings as at 30 November 2018 are as follows:

**At end of current quarter 30 November 2018
(RM)**

	Short term Borrowings	Long term borrowings	Total Borrowings
Secured:			
Hire Purchase	44,156	59,727	103,883
Term Loan	14,796	144,998	159,794
	58,952	204,725	263,677

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.

On 30 August 2018, further to the announcement made on 18 May 2018, the Company announced that Kong Ah Choo's appeal to the Court of Appeal against the decision of the learned High Court Judge Datin Zalita Binti Dato' Zaidan given on 18 May 2018 dismissing Kong Ah Choo's appeal against the Sessions' Court's decision to strike out his claim against its wholly-owned subsidiary, namely Easy Sun Sdn Bhd came up for case management on 30 August 2018 before the Registrar of the Court of Appeal who adjourned the appeal for further case management on 23 October 2018 pending the Appellant, Kong Ah Choo obtaining the grounds of judgment of the learned High Court Judge. On 23 October 2018, the appeal is fixed for hearing on 27 February 2019.

B10. Dividend

No interim dividend has been declared for the current quarter under review.

B11. Earnings Per Share

	Current Quarter Ended 30.11.18	Current Year To Date 30.11.18
Net profit attributable to owner of the Company (RM'000)	46	494
Weighted average number of ordinary shares in issue ('000)	205,515	205,515
Basic earnings per share (sen)	0.02	0.24

There was no dilution in earnings per share as there was no dilutive potential ordinary shares as at 30 November 2018.

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(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2018**

B12. Profit Before Taxation

	Current Quarter	Current Year To Date
	30.11.18	30.11.18
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):		
Interest income	(75,915)	(183,389)
Other income including investment income	-	-
Interest expense	2,406	3,856
Depreciation and amortization	469,669	921,294
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)	9	67
Gain/(loss) on derivatives	-	-
Exceptional items	-	-