

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 28 FEBRUARY 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 28-Feb-19	CORRESPONDING QUARTER ENDED 28-Feb-18	CURRENT YEAR TO DATE ENDED 28-Feb-19	CORRESPONDING YEAR TO DATE ENDED 28-Feb-18
	RM	RM	RM	RM
Revenue	<u>8,326,229</u>	<u>6,768,445</u>	<u>23,102,851</u>	<u>19,284,210</u>
Operating (loss) / profit	(154,443)	520,087	1,080,309	2,175,461
Finance costs	(3,689)	(911)	(7,545)	(3,105)
Depreciation and amortisation	(473,140)	(546,253)	(1,394,434)	(1,635,195)
Interest income	48,929	98,523	232,318	346,643
(Loss) / Profit before taxation	<u>(582,343)</u>	<u>71,446</u>	<u>(89,352)</u>	<u>883,804</u>
Taxation	(261)	(306)	366	(941)
(Loss) / Profit for the period	<u>(582,604)</u>	<u>71,140</u>	<u>(88,986)</u>	<u>882,863</u>
Other comprehensive income :				
Foreign exchange translation difference	242,423	(170,854)	439,382	118,117
Total comprehensive income for the period	<u>(340,181)</u>	<u>(99,714)</u>	<u>350,396</u>	<u>1,000,980</u>
(Loss) / Profit Attributable to :				
Equity holders of the parent	(582,604)	71,140	(88,986)	882,863
Non-Controlling Interest	-	-	-	-
	<u>(582,604)</u>	<u>71,140</u>	<u>(88,986)</u>	<u>882,863</u>
Total comprehensive income attributable to:				
Equity holders of the parent	(340,181)	(99,714)	350,396	1,000,980
Non-Controlling Interest	-	-	-	-
	<u>(340,181)</u>	<u>(99,714)</u>	<u>350,396</u>	<u>1,000,980</u>
Earnings per share (sen)				
- Basic	<u>(0.28)</u>	<u>0.03</u>	<u>(0.04)</u>	<u>0.43</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
Company No. 627117-P
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2019

	AS AT 28-Feb-19 (UNAUDITED)	AS AT 31-May-18 (AUDITED)
	RM	RM
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	18,967,813	18,669,560
Intangible Assets	1,098,887	1,141,353
	<u>20,066,700</u>	<u>19,810,913</u>
Current Assets		
Inventories	4,350,747	3,628,416
Trade & Other Receivables	8,874,705	6,867,750
Current Tax Asset	20,840	352,018
Cash and Cash Equivalents	17,181,896	22,743,673
	<u>30,428,188</u>	<u>33,591,857</u>
TOTAL ASSETS	<u><u>50,494,888</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	4,727,220	4,287,838
Retained Profit	19,634,304	20,956,381
	<u>47,988,515</u>	<u>48,871,210</u>
Non-controlling interest	-	-
TOTAL EQUITY	<u><u>47,988,515</u></u>	<u><u>48,871,210</u></u>
LIABILITIES		
Non-Current Liabilities		
Hire Purchase Payables	30,355	77,449
Employee Benefit Obligation	36,881	36,297
Term Loan	217,727	-
	<u>284,963</u>	<u>113,746</u>
Current Liabilities		
Trade and Other Payables	2,156,870	4,369,309
Hire Purchase Payables	42,196	48,505
Term Loan	22,344	-
	<u>2,221,410</u>	<u>4,417,814</u>
TOTAL LIABILITIES	<u><u>2,506,373</u></u>	<u><u>4,531,560</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>50,494,888</u></u>	<u><u>53,402,770</u></u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u><u>23</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		-	-	439,382	(88,986)	350,396
Dividends paid					(1,233,091)	(1,233,091)
Balance at 28 February 2019	20,551,510	2,359,801	715,680	4,727,220	19,634,304	47,988,515

For the Corresponding Quarter Ended 28 February 2018

	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		-	-	118,117	882,863	1,000,980
Dividends paid					(1,233,091)	(1,233,091)
Balance at 28 February 2018	20,551,510	2,359,801	715,680	4,667,560	21,605,481	49,900,032

(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 28 FEBRUARY 2019

	CURRENT QUARTER ENDED 28-Feb-19	PRECEDING YEAR QUARTER ENDED 28-Feb-18
	RM	RM
Cash flows from operating activities		
Profit before taxation	(89,352)	883,804
Adjustments for :-		
Depreciation, amortisation and impairment losses	1,394,434	1,635,195
Interest income and expenses	(224,773)	(343,538)
Other non-cash items	(424,000)	647,209
Operating profit before changes in working capital	656,309	2,822,670
Changes in working capital:		
Net change in inventories	(722,331)	(476,208)
Net change in receivables	(625,055)	1,792,662
Net change in payables	(3,157,808)	(1,183,042)
Cash flow from operations	(3,848,885)	2,956,082
Finance costs	(7,545)	(3,105)
Income tax refunded/(paid)	87,056	73,004
Net cash flows from operating activities	(3,769,374)	3,025,981
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,210,346)	(2,170,104)
Interest income	232,318	346,643
Proceeds from disposal of property, plant and equipment	77,268	-
Net cash used in investing activities	(900,760)	(1,823,461)
Cash flows from financing activities		
Dividends paid	(1,233,091)	(1,233,091)
Drawdown / (Repayment) of term loan	240,071	-
Drawdown / (Repayment) of hire purchase	(53,403)	(21,262)
Net cash flows from financing activities	(1,046,423)	(1,254,353)
Net increase / (decrease) in cash and cash equivalents	(5,716,557)	(51,833)
Cash and cash equivalents at beginning of the year	22,743,673	23,692,932
Effect of changes in foreign exchange rates	154,780	27,653
Cash and cash equivalents at end of period	17,181,896	23,668,752

(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 THIRD QUARTER ENDED 28 FEBRUARY 2019**

**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 THIRD QUARTER ENDED 28 FEBRUARY 2019**

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

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 2019**

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 THIRD QUARTER ENDED 28 FEBRUARY 2019**

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

B1. Review of Performance

	28-Feb-19	28-Feb-18	Variance	9 Months 28-Feb-19	9 Months 28-Feb-18	Variance
	(RM)	(RM)	%	(RM)	(RM)	%
Revenue	8,326,229	6,768,445	23.02	23,102,851	19,284,210	19.80
Operating Profit	(154,443)	520,087	(129.70)	1,080,309	2,175,461	(50.34)
Profit Before Interest and Tax	(578,654)	72,357	(899.72)	(81,807)	886,909	(109.22)
Profit Before Tax	(582,343)	71,446	(915.08)	(89,352)	883,804	(110.11)
Profit After Tax	(582,604)	71,140	(918.95)	(88,986)	882,863	(110.08)
Profit Attributable to Ordinary Equity Holders of the Parent	(582,604)	71,140	(918.95)	(88,986)	882,863	(110.08)

For the current quarter ended 28 February 2019, the Group recorded revenue of RM8.33 million, represents an increase of 23.02% as compared to revenue of RM6.77 million for the corresponding quarter of the preceding year.

Despite the increase in revenue, the Group current quarter loss before taxation is approximately RM0.58 million compared to a profit before taxation position of approximately RM0.07 million for the corresponding quarter of the preceding year. The losses were due to higher employment cost and increase in operating costs such as LPG and raw material price increase.

For the nine (9) months ended 28 February 2019, the Group generated total revenue of approximately RM23.10 million which represents an increase of approximately 19.80% as compared to RM19.28 million achieved in the corresponding period of the preceding year.

For the same period, the Group suffered a loss before taxation of approximately RM0.09 million for the current quarter. This represents a decrease of 110% from the profit before taxation of approximately RM0.88 million registered in the corresponding quarter of the preceding year due to higher production operating costs such as increases in the cost of labour and raw materials.

B2. Comparison with Preceding Quarter's Results

	Current Quarter 28.02.2019 RM	Immediate preceding Quarter 30.11.2018 RM	Changes %
Revenue	8,326,229	7,416,612	12.26
Operating Profit	(154,443)	442,446	(>100)
Profit Before Interest and Tax	(578,654)	48,692	(>100)
Profit Before Tax	(582,343)	46,286	(>100)
Profit After Tax	(582,604)	46,025	(>100)
Profit Attributable to Ordinary Equity Holders of the Parent	(582,604)	46,025	(>100)

Revenue registered in the current quarter of RM8.33 million represents a increase of 12.26% as compared to the revenue of RM7.42 million recorded in the immediate preceding quarter.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2019**

The Group registered a loss before taxation of approximately RM0.58 million against a profit before taxation of approximately RM0.05 million as compared to the immediate preceding quarter. The decrease was mainly due to higher employment and operating costs.

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 28.02.2019	Current year to date 28.02.2019
	RM	RM
Current year	261	(366)
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 28 February 2019 are as follows:

	At end of current quarter 28 February 2019 (RM)		
	Short term Borrowings	Long term borrowings	Total Borrowings
Secured:			
Hire Purchase	42,196	30,355	72,551
Term Loan	22,344	217,727	240,071
	64,540	248,082	312,622

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2019**

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 27 February 2019, further to the announcement made on 23 October 2018, the Company announced that the Court of Appeal has allowed Kong Ah Choo's appeal against the decision of the learned High Court Judge Datin Zalita Binto 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. and the Court of Appeal further ordered that Kong Ah Choo's claim be tried and fixed 25 March 2019 for mention.

On 1 April 2019, the Company announced that the suit filed by Kong Ah Choo against its wholly-owned subsidiary, namely Easy Sun Sdn. Bhd. via Shah Alam Sessions Court Suit no. B52NCVC-155-07/2015 came up for case management on 1 April 2019 before the learned Sessions Court Judge Dato' Ishak Bin Bakri who fixed the suit for full trial hearing on 9 May 2019 and 10 May 2019.

B10. Dividend

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

B11. Earnings Per Share

	Current Quarter Ended 28.02.19	Current Year To Date 28.02.19
Net profit attributable to owner of the Company (RM'000)	(583)	(89)
Weighted average number of ordinary shares in issue ('000)	205,515	205,515
Basic earnings per share (sen)	(0.28)	(0.04)

There was no dilution in earnings per share as there was no dilutive potential ordinary shares as at 28 February 2019.

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(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2019**

B12. Profit Before Taxation

	Current Quarter	Current Year To Date
	28.02.19	28.02.19
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):		
Interest income	(48,929)	(232,318)
Other income including investment income	-	-
Interest expense	3,689	7,545
Depreciation and amortization	473,140	1,394,434
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)	(27)	40
Gain/(loss) on derivatives	-	-
Exceptional items	-	-