

# ES CERAMICS TECHNOLOGY BHD

Registration No: 200301024697 (627117-P)

(Incorporated in Malaysia)

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 29 FEBRUARY 2020

### 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 2019.

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 2019, 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 for annual periods beginning on or after</b>
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
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 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
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
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019
<ul style="list-style-type: none"><li>• Amendments to MFRS 3 <i>Previously Held Interest in a Joint Operation</i></li><li>• Amendments to MFRS 11 <i>Previously Held Interest in a Joint Operation</i></li><li>• Amendments to MFRS 112 <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i></li><li>• Amendments to MFRS 123 <i>Borrowing Costs Eligible for Capitalisation</i></li></ul>	

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.

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### **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 2019 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.

### **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**

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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 29 FEBRUARY 2020**

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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 THIRD QUARTER ENDED 29 FEBRUARY 2020

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

#### B1. Review of Performance

	29-Feb-20	28-Feb-19	Variance	9 Months 29-Feb-20	9 Months 28-Feb-19	Variance
	(RM)	(RM)	%	(RM)	(RM)	%
Revenue	8,949,822	8,326,229	7.49	26,651,428	23,102,851	15.36
Operating Profit	1,064,368	(154,443)	789.17	3,978,721	1,080,309	268.29
Profit Before Interest and Tax	656,294	(578,654)	213.42	2,705,931	(81,807)	3407.70
Profit Before Tax	653,413	(582,343)	212.20	2,696,433	(89,352)	3117.76
Profit After Tax	653,191	(582,604)	212.12	2,695,753	(88,986)	3129.41
Profit Attributable to Ordinary Equity Holders of the Parent	653,191	(582,604)	212.12	2,695,753	(88,986)	3129.41

For the current quarter ended 29 February 2020, the Group recorded revenue of RM8.95 million, represents an increase of 7.49% as compared to revenue of RM8.33 million for the corresponding quarter of the preceding year.

The Group achieved a profit before taxation of approximately RM0.65 million for the current quarter. This represents an increase of 212.20% from the loss before taxation of approximately RM0.58 million registered in the corresponding quarter of the preceding year. This was in tandem with the increase in revenue.

For the nine (9) months ended 28 February 2020, the Group generated total revenue of approximately RM26.65 million which represents an increase of approximately 15.36% as compared to RM23.10 million achieved in the corresponding period of the preceding year.

For the same period, the Group achieved a profit before tax of approximately RM2.70 million which represents an increase of 3117.76% as compared to a loss before tax of approximately RM0.09 million registered in the corresponding period of the preceding year. The higher losses recorded in the corresponding period of the preceding year was mainly due to higher production operating cost and labour cost incurred.

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

	Current Quarter 29.02.2020 RM	Immediate preceding Quarter 30.11.2019 RM	Changes %
Revenue	8,949,822	8,948,764	0.01
Operating Profit	1,064,368	1,462,940	(27.24)
Profit Before Interest and Tax	656,294	1,040,230	(36.91)
Profit Before Tax	653,413	1,036,953	(36.99)
Profit After Tax	653,191	1,036,731	(37.00)
Profit Attributable to Ordinary Equity Holders of the Parent	653,191	1,036,731	(37.00)

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## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 29 FEBRUARY 2020

Revenue registered in the current quarter of RM8.95 million represents a slightly increase of 0.01% as compared to the revenue recorded in the immediate preceding quarter.

The Group's current quarter profit before taxation of approximately RM0.65 million has decreased by 37.00% as compared in the immediate preceding quarter. The decrease was mainly due to higher operating costs.

### B3. Commentary on Prospect for the Current Financial Year

The COVID-19 pandemic will negatively impact the global business environment including the essential services industry and together with the Movement Control Order ('MCO') imposed by the Government of Malaysia will indeed have significant impact on the company's performance outlook for the financial year which remain uncertain and challenging.

However, the Company will continue to adjust and take the necessary steps to mitigate the potential risk posed including prudent cash flow management to meet its financial commitments and obligations.

### 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 30.11.2019</b>	<b>Current year to date 30.11.2019</b>
	<b>RM</b>	<b>RM</b>
Current year	222	680
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.

On 26 February 2020, TA Securities Holdings Berhad on behalf of the Board of Directors of ES Ceramics announced that the Company proposes to undertake the following:

1. Subscription of 20 new ordinary shares for RM20 and a 1st tranche of 1,300,000 new redeemable non-convertible preference shares for RM1,300,000 in Lasseters Properties Sdn Bhd by the Company's wholly-owned subsidiary, Focus Maxwell Sdn Bhd;
2. Proposed subscription of a 2nd tranche of up to 11,000,000 new redeemable non-convertible preference shares for up to RM11,000,000 in Lasseters Properties Sdn Bhd by Focus Maxwell Sdn Bhd; and
3. Proposed diversification of business to include property development and investment.

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### B7. Borrowings and Debt Securities

The Group's borrowings as at 29 February 2020 are as follows:

	At end of current quarter 29 February 2020 (RM)		
	Short term Borrowings	Long term borrowings	Total Borrowings
<b>Secured:</b>			
Hire Purchase	36,874	123,471	160,345
Term Loan	22,344	205,737	228,081
	<u>59,218</u>	<u>329,208</u>	<u>388,426</u>

### 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:

The trial continued and proceeded on 30 October 2019, 27 November 2019, 2 & 3 December 2019 and Easy Sun Sdn. Bhd., the Company's wholly-owned subsidiary had finished calling its witnesses and that its case had closed. The decision date was originally fixed on 26 March 2020.

The Court has vacated the Decision date of 26 March 2020 due to the closure of court premises during the period of 18 March 2020 – 12 May 2020, as a result of the Movement Control Order.

### B10. Dividend

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

### B11. Earnings Per Share

	Current Quarter Ended 29.02.20	Current Year To Date 29.02.20
Net profit attributable to owner of the Company (RM'000)	653	2,696
Weighted average number of ordinary shares in issue ('000)	205,515	205,515
Basic earnings per share (sen)	0.3	1.3

There was no dilution in earnings per share as there was no dilutive potential ordinary shares as at 29 February 2020.

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### B12. Profit Before Taxation

	Current Quarter 30.11.19 RM'000	Current Year To Date 30.11.19 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Interest income	(88)	(201)
Other income including investment income	-	-
Interest expense	3	9
Depreciation and amortization	496	1,474
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)	(96)	(147)
Gain/(loss) on derivatives	-	-
Exceptional items	-	-