

12. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



28 July 2004

The Board of Directors
Ge-Shen Corporation Berhad
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Dear Sirs,

1 INTRODUCTION

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of Ge-Shen Corporation Berhad (hereinafter referred to as "GSCB" or "The Company") to be dated 4 August 2004 in connection with the Public Issue of 15,698,400 new ordinary shares of RM0.50 each in GSCB at an issue price of RM0.95 per ordinary share ("Issue Shares") and offer for sale of 5,014,000 ordinary shares of RM0.50 each in GSCB at an offer price of RM0.95 per ordinary share ("Offer Shares") and the listing of and quotation for the entire issued and fully paid-up share capital of GSCB comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

2 GENERAL INFORMATION

2.1 INCORPORATION

The Company was incorporated as a public company in Malaysia under the Companies Act, 1965 on 8 November 2003 under the name of Ge-Shen Corporation Berhad.

2.2 PRINCIPAL ACTIVITIES

The Principal activity of the Company is investment holding.

2.3 RESTRUCTURING AND FLOTATION SCHEME

As an integral part of the listing of and quotation for its entire enlarged issued and paid-up ordinary share capital on the Second Board of the Bursa Securities, GSCB implemented a restructuring and flotation scheme which were approved by the Ministry of International Trade and Industry ("MITI") on 3 March 2004, Securities Commission ("SC") on 7 May 2004 and Foreign Investment Committee ("FIC") on 7 May 2004 involving the following:

- (a) Share split of GCSB's existing issued and paid-up share capital of two (2) ordinary shares of RM1.00 each into four (4) ordinary shares of RM0.50 each.

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12. ACCOUNTANTS' REPORT *(cont'd)*



- (b) Acquisitions of the following companies by GSCB:
- (i) the entire equity interest in Ge-Shen Plastic (M) Sdn Bhd ("Ge-shen") comprising 5,642,000 ordinary shares of RM1.00 each for a total purchase consideration of RM27,948,800 satisfied wholly by the issuance of 55,897,600 GSCB Shares at an issue price of RM0.50 per GSCB Share;
 - (ii) the entire equity interest in GWJ Precision Mould (M) Sdn Bhd ("GWJ") comprising 1,650,000 ordinary shares of RM1.00 each for a total purchase consideration of RM732,998 satisfied wholly by the issuance of 1,465,996 GSCB Shares at an issue price of RM0.50 per GSCB Share; and
 - (iii) the entire equity interest in Ezec Technology (M) Sdn Bhd ("Ezec") comprising 100,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,469,000 satisfied wholly by the issuance of 6,938,000 GSCB Shares at an issue price of RM0.50 per GSCB Share.

(Collectively known as the "Acquisitions")

- (c) The public issue and offer for sale are as follow:
- (i) Offer for sale of 5,014,000 Offer Shares of RM0.50 each made available for application by the Malaysian public at an offer price of RM0.95 per ordinary share;
 - (ii) Public issue of 15,698,400 Issue Shares of RM0.50 each at an issue price of RM0.95 per ordinary share comprising of:
 - 3,014,000 Issue Shares for subscription by eligible directors, employees and business associates of GSCB and its subsidiaries;
 - 986,000 Issue Shares for application by the Malaysian public;
 - 7,231,000 Issue Shares by way of private placement to Bumiputera Investors approved by the MITI; and
 - 4,467,400 Issue Shares by way of private placement to identified investors
- (d) Listing of and quotation for the entire issued and fully paid-up share capital of GCSB, comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of the Bursa Securities.

(Collectively known as the "IPO")

12. ACCOUNTANTS' REPORT (cont'd)**2.4 SHARE CAPITAL**

The Company was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each. On 17 May 2004, the authorised share capital was subdivided into 200,000 ordinary shares of RM0.50 each and subsequently on 27 May 2004, the authorised share capital was increased from RM100,000 to RM50,000,000 comprising 100,000,000 ordinary shares of RM0.50 each.

The present issued and paid-up share capital of the Company is RM32,150,800 comprising 64,301,600 ordinary shares of RM0.50 each. Upon completion of the Public Issue, the issued and paid-up share capital of the Company will be enlarged to RM40,000,000 comprising 80,000,000 ordinary shares of RM0.50 each.

Detail of changes in the issued and fully paid-up share capital of the Company since its incorporation are as follows:

Date of Allotment	No. of ordinary shares issued	Par value RM	Consideration/Type of issue	Cumulative total issued and paid-up share capital RM
8.11.2003	2	1.00	Subscribers' shares	2
17.5.2004	4	0.50	Share split	2
31.5.2004	64,301,596	0.50	Issued pursuant to the Acquisitions	32,150,800

2.5 PRINCIPAL ACTIVITIES OF THE SUBSIDIARIES

The subsidiaries and the respective principal activities as at the date of this report are as follows:

Name of Company	Date of Incorporation	Effective Equity Interest (%)	Principal Activities
Ge-Shen	28.12.1995	100	Manufacturing of all kinds of plastic moulded products and components.
Ezec	04.09.2000	100	Manufacturing of plastic mould, tools and die.
GWJ	25.08.2001	100	Manufacturing of plastic mould, tools and die.

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12. ACCOUNTANTS' REPORT *(cont'd)*



2.6 FINANCIAL STATEMENTS AND AUDITORS

We, Messrs Horwath, have acted as auditors of Ge-Shen, Ezeq and GWJ since the four (4) months period ended 30 April 2004. Prior to that, Messrs Horwath Wong & Co were the auditors of Ge-Shen since the financial year ended 31 December 2000 and were auditors of Ezeq and GWJ since their incorporation. The financial statements of Ge-Shen for the financial year ended 31 December 1999 were audited by another firm of auditors.

We have acted as auditors of GSCB since the date of incorporation.

The auditors' reports on the financial statements of GSCB and its subsidiaries for the respective financial years/period under review were not subject to any qualification.

The financial statements of GSCB and its subsidiaries for the respective financial years/period under review have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued and adopted by the Malaysian Accounting Standards Board ("MASB").

2.7 ACCOUNTING POLICIES

There were no changes in accounting policies and accounting estimates by the Proforma Group for the relevant financial years/period under review.

12. ACCOUNTANTS' REPORT (cont'd)**3. SUMMARISED INCOME STATEMENT****3.1 The Proforma Group**

We set out below the proforma consolidated financial results of GSCB and its subsidiaries (hereinafter referred to as "the Proforma Group") for the past five (5) financial years ended 31 December 1999 to 2003 and four (4) months period ended 30 April 2004 after making such adjustments and reclassifications to conform with the latest period of accounts presentation in accordance with MASB. The proforma consolidated results are provided for illustrative purpose only, based on the assumption that the Proforma Group had been in existence throughout the financial years/period under review.

	Proforma Group					4 months period ended 30 April 2004 RM'000
	Financial years ended 31 December					
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Turnover	31,845	55,091	64,957	70,709	65,323	21,646
Profit before depreciation, interest and taxation	3,936	9,969	12,157	13,048	13,778	4,309
Depreciation	(1,202)	(1,814)	(2,240)	(3,108)	(3,495)	(1,283)
Interest Expense	(720)	(756)	(622)	(495)	(413)	(135)
Profit before taxation	2,014	7,399	9,295	9,445	9,870	2,891
Taxation	(6)	(2,090)	(3,413)	(2,179)	(1,523)	(563)
Profit after taxation	2,008	5,309	5,882	7,266	8,347	2,328
Minority Interest	-	-	-	(8)	-	-
Profit after taxation and minority interest	2,008	5,309	5,882	7,258	8,347	2,328
Number of ordinary shares assumed to be in issue ('000)*	64,302	64,302	64,302	64,302	64,302	64,302
Gross earnings per share (sen)	3.13	11.51	14.46	14.69	15.35	N/A
Net earnings per share (sen)	3.12	8.26	9.15	11.29	12.98	N/A

Notes:

- * The number of ordinary shares assumed in issue throughout the financial years/period under review is the number of ordinary shares in issue after the Acquisitions being 64,301,600 ordinary shares of RM0.50 each.

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- (i) *The proforma consolidated results for the five (5) financial years ended 31 December 2003 and the four (4) months period ended 30 April 2004 were prepared on the basis that the Proforma Group had been effective throughout the years/period under review. The proforma consolidated results for these years/period have been prepared based on the adjusted audited financial statements of its subsidiaries. The proforma consolidated results have been prepared based on accounting policies consistent with those previously adopted in the preparation of the adjusted audited financial statements of the individual subsidiaries.*
- (ii) *The gross earnings per share of the Proforma Group was calculated based on the profit before taxation and the number of ordinary shares of GSCB assumed to be in issue, being 64,301,600 ordinary shares of RM0.50 each.*
- (iii) *The net earnings per share of the Proforma Group was calculated based on the profit after taxation and minority interest and the number of ordinary shares of GSCB assumed to be in issue, being 64,301,600 ordinary shares of RM0.50 each.*
- (vi) *There were no exceptional or extraordinary items during the financial years/period under review.*

12. ACCOUNTANTS' REPORT *(cont'd)***3.2 GSCB**

The following summarised income statement of GSCB is based on the audited financial statements of GSCB for the period ended 31 December 2003 and 30 April 2004.

	Financial period from 8 November 2003 (date of incorporation) to 31 December 2003 RM'000	4 months period ended 30 April 2004 RM'000
Turnover	-	-
Loss before depreciation, interest and taxation	(10)	(9)
Depreciation	-	-
Interest Expense	-	-
Loss before taxation	(10)	(9)
Taxation	-	-
Loss after taxation	(10)	(9)
Weighted average number of ordinary shares of RM1.00 each	2	2
Gross loss per share (RM)	(5,000)	N/A
Net loss per share (RM)	(5,000)	N/A

Notes:

- (i) There were no exceptional and extraordinary items during the financial periods under review.*
- (ii) The gross loss per share is calculated based on loss before taxation while the net loss per share is calculated based on loss after taxation and the weighted average number of ordinary shares in issue during the financial periods under review.*
- (iii) The income statements of GSCB for the financial periods under review represent preliminary and pre-operating expenses.*
- (iv) The principal activity of the company is investment holding. The company has not commenced operation since its incorporation.*

12. ACCOUNTANTS' REPORT (cont'd)**3.3 Ge-Shen**

The following summarised income statements of Ge-Shen are based on the adjusted audited financial statements of Ge-Shen after making adjustments for the past five (5) financial years ended 31 December 1999 to 2003 and four (4) months period ended 30 April 2004 as shown below:

	Financial year ended 31 December					4
	1999	2000	2001	2002	2003	months
	RM'000	RM'000	RM'000	RM'000	RM'000	period
Turnover	31,845	55,091	64,957	70,704	65,313	ended
Profit before depreciation, interest and taxation	3,936	9,969	11,917	12,478	12,895	30 April
Depreciation	(1,202)	(1,814)	(2,082)	(2,778)	(3,061)	2004
Interest Expense	(720)	(756)	(611)	(490)	(409)	RM'000
Profit before taxation	2,014	7,399	9,224	9,210	9,425	3,100
Taxation	(6)	(2,090)	(3,386)	(2,108)	(1,430)	(552)
Profit after taxation	2,008	5,309	5,838	7,102	7,995	2,548
Weighted average number of ordinary shares in issue ('000)	1,000	1,552	2,642	5,469	5,642	5,642
Gross earnings per share (RM)	2.01	4.77	3.49	1.68	1.67	N/A
Net earnings per share (RM)	2.01	3.42	2.21	1.30	1.42	N/A

Notes:

- (i) *There were no exceptional or extraordinary items during the years/period under review.*
- (ii) *The gross earnings per share is calculated based on profit before taxation while the net earnings per share is calculated based on profit after taxation and the weighted average number of ordinary shares in issue during the financial years/period under review.*

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12. ACCOUNTANTS' REPORT (cont'd)**3.3 Ge-Shen (Cont'd)**

(iii) In preparing this report, certain adjustments were made to ensure consistency of presentation of information for comparison purposes. The details of the adjustments made are set out in the following paragraphs:

	Financial Year Ended 31 December					4
	1999	2000	2001	2002	2003	months period ended 30 April 2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit after tax - per account	1,937	6,218	6,970	5,061	7,995	2,548
Adjustment (a)	71	-	-	-	-	-
Adjustment (b)	-	(909)	(1,132)	2,041	-	-
Profit after profits - restated	<u>2,008</u>	<u>5,309</u>	<u>5,838</u>	<u>7,102</u>	<u>7,995</u>	<u>2,548</u>

(a) Included in profit after tax were payments made to a director which were wrongly taken up as loan interest payments. These amounts have been adjusted as amounts owing to directors.

(b) Prior year adjustment made to under provision of taxation in relation to years 2000 and 2001.

12. ACCOUNTANTS' REPORT *(cont'd)***3.4 Ezec**

The following summarised income statements of Ezec are based on the audited financial statements of Ezec for the sixteen (16) months period ended 31 December 2001, financial years ended 31 December 2002 to 2003 and four (4) months period ended 30 April 2004 as shown below:

	16 months period ended 30 December 2001 RM'000	Financial years ended 31 December 2002 2003 RM'000 RM'000		4 months period ended 30 April 2004 RM'000
Turnover	998	1,680	3,900	694
Profit before depreciation, interest and taxation	94	316	797	267
Depreciation	-	(112)	(152)	(53)
Interest Expense	-	-	-	(7)
Profit before taxation	94	204	645	207
Taxation	(27)	(59)	(105)	(11)
Profit after taxation	67	145	540	196
Weighted average number of ordinary shares in issue ('000)	*	75	100	100
Gross earnings per share (RM)	17,537 [#]	2.73	6.45	N/A
Net earnings per share (RM)	12,627 [#]	1.94	5.40	N/A

Notes:

* Represents four (4) ordinary shares of RM1.00 each.

Annualised.

(i) There were no exceptional or extraordinary items during the period/years under review.

(ii) The gross earning per share is calculated based on profit before taxation while the net earnings per share was calculated based on profit after taxation and the weighted average number of ordinary shares in issue during the financial period/years under review.

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12. ACCOUNTANTS' REPORT (cont'd)**3.5 GWJ**

The following summarised income statements of GWJ are based on the audited financial statements of GWJ for the four (4) months period ended 31 December 2001, financial years ended 31 December 2002 to 2003 and four (4) months period ended 30 April 2004 as shown below:

	4 months period ended 31 December 2001 RM'000	Financial years ended 31 December 2002 RM'000	2003 RM'000	4 months period ended 30 April 2004 RM'000
Turnover	902	2,971	3,915	1,192
Profit before depreciation, interest and taxation	146	254	96	500
Depreciation	(158)	(218)	(282)	(92)
Interest Expense	(11)	(5)	(4)	(1)
Profit/(loss) before taxation	(23)	31	(190)	(407)
Taxation	-	(12)	12	-
Profit/(loss) after taxation	(23)	19	(178)	(407)
Weighted average number of ordinary shares in issue ('000)	281	1,650	1,650	1,650
Gross earnings/(loss) per share (sen)	(24.23) [#]	1.91	(11.52)	N/A
Net earnings/(loss) per share (sen)	(24.23) [#]	1.18	(10.79)	N/A

Notes:

[#] Annualised.

(i) There were no exceptional or extraordinary items during the period/years under review.

(ii) The gross earning/(loss) per share was calculated based on profit/(loss) before taxation while the net earnings/(loss) per share was calculated based on profit/(loss) after taxation and the total weighted average number of ordinary shares in issue during the financial period/years under review.

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12. ACCOUNTANTS' REPORT (cont'd)**4. DIVIDENDS**

The Company has not paid or declared any dividends since the date of incorporation.

The details of interim tax exempt dividends declared or paid by the subsidiary, Ge-Shen in respect of all the financial years/period under review are as follows:-

Years/Period Ended	Issued and Paid-up Share Capital RM	Dividend Rate %	Gross/Net Dividend RM
Ge-Shen			
31.12.2001	2,642,000	20.06	530,000
31.12.2001	2,642,000	11.35	300,000
31.12.2002	2,642,000	75.70	2,000,000
31.12.2003	5,642,000	123.96	6,993,904

No dividend has been paid or declared by GSCB and its subsidiaries during the financial years/period under review.

5. SUMMARISED BALANCE SHEETS

The balance sheets of the GSCB and its subsidiaries based on the adjusted audited financial statements after making adjustments and reclassifications for the relevant financial years/period under review, where applicable, are summarised below for comparative purposes. As the Acquisitions have been accounted for using the acquisition method of accounting, it is therefore impractical to present the proforma consolidated balance sheet of the Proforma Group throughout the years under review. Accordingly, the proforma consolidated balance sheet of the Proforma Group has only been presented by way of the Proforma Statement of Assets and Liabilities of the Proforma Group as at 30 April 2004 based on the latest audited financial statement of GSCB and its subsidiaries as at 30 April 2004. In addition, the balance sheets as set out below were not significantly affected by transaction and balances between the corporations to which they relate except to the extent stated in the notes as set out below.

12. ACCOUNTANTS' REPORT (cont'd)



5.1 GSCB

	As at 31 December 2003 RM'000	As at 30 April 2004 RM'000
CURRENT ASSETS	389	389
CURRENT LIABILITIES⁺²	(399)	(408)
NET CURRENT LIABILITIES	<u>(10)</u>	<u>(19)</u>
FINANCED BY :-		
Share capital	^{*1}	^{*1}
Accumulated losses	(10)	(19)
SHAREHOLDERS' EQUITY DEFICIT	<u>(10)</u>	<u>(19)</u>
NTA	(10)	(19)
NTA per ordinary share (RM)	<u>(5,000)</u>	<u>(9,500)</u>

Notes:

^{*1} Represents RM2.00⁺² Included under current liabilities for the years under review are amounts due to related companies of the Proforma Group as follows:-

	As at 31 December 2003 RM'000	As at 30 April 2004 RM'000
Current liabilities		
Ge-shen	<u>399</u>	<u>407</u>

12. ACCOUNTANTS' REPORT (cont'd)



5.2 Ge-Shen

	As at 31 December					As at 30
	1999	2000	2001	2002	2003	April
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
ASSETS						
Property, plant and equipment	10,831	14,830	15,768	22,409	24,041	27,045
CURRENT ASSETS ^{*3}	8,084	16,016	24,470	26,789	21,097	23,338
CURRENT LIABILITIES ^{*4}	12,163	17,174	17,377	19,177	14,896	16,652
NET CURRENT (LIABILITIES)/ASSETS	(4,079)	(1,158)	7,093	7,612	6,201	6,686
	6,752	13,672	22,861	30,021	30,242	33,731
FINANCED BY :-						
Share capital	1,000	2,642	2,642	5,642	5,642	5,642
Share application money	-	-	3,000	-	-	-
Retained profits	3,100	8,409	13,417	18,519	19,520	22,069
SHAREHOLDERS' EQUITY	4,100	11,051	19,059	24,161	25,162	27,711
LONG TERM AND DEFERRED LIABILITIES	2,652	2,621	3,802	5,860	5,080	6,020
	6,752	13,672	22,861	30,021	30,242	33,731
NTA	4,100	11,051	19,059	24,161	25,162	27,711
NTA per ordinary share (RM) ^{*1}	4.10	4.18	7.21	4.28	4.46	4.91

Notes:

^{*1} The NTA per ordinary share is calculated based on the total number of ordinary shares in issue as at the date of the financial years/period under review.

^{*2} In preparing this report, certain adjustments and reclassification were made to ensure consistency of presentation of information for comparison purposes. The details of the adjustments and reclassification made are set out in the following paragraphs:

	As at 31 December					As at
	1999	2000	2001	2002	2003	30 April
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
(i) Current assets - per account	7,724	16,016	24,470	26,789	21,097	23,338
Adjustment (a)	360	-	-	-	-	-
Current assets - restated	8,084	16,016	24,470	26,789	21,097	23,338

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12. ACCOUNTANTS' REPORT (cont'd)



5.2 Ge-Shen (Cont'd)

Notes:-

	As at 31 December					As at 30
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	April 2004 RM'000
(ii) Current liabilities - per accounts	12,256	16,265	15,336	19,177	14,896	16,652
Adjustment (b)	(93)	-	-	-	-	-
Adjustment (c)	-	909	2,041	-	-	-
Current liabilities - restated	12,163	17,174	17,377	19,177	14,896	16,652
(iii) Retained profits - per accounts	2,647	9,318	15,458	18,519	19,520	22,069
Adjustment (a)	360	-	-	-	-	-
Adjustment (c)	-	(909)	(2,041)	-	-	-
Adjustment (b)	93	-	-	-	-	-
Retained profits - restated	3,100	8,409	13,417	18,519	19,520	22,069

(a) Unrealised gain on foreign exchange (non-trade) of receivables omitted previously being reinstated.

(b) Included in retained profits were payments made to a director which were wrongly taken up as loan interest payments. These amounts have been adjusted as amounts owing to directors.

(c) Prior year adjustment made to under provision of taxation in relation to years 2000 and 2001.

³ Included under current assets as at years/period under review are amounts due by related companies of the Proforma Group as follows:-

Current assets	As at 31 December					As at 30
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	April 2004 RM'000
Ezec	-	-	-	-	373	-
GWJ	-	-	296	95	1	99
GSCB	-	-	-	-	399	407
	-	-	296	95	773	506

⁴ Included under current liabilities as at years/period under review are amounts due to related companies of the Proforma Group as follows:-

Current liabilities	As at 31 December					As at 30
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	April 2004 RM'000
Ezec	-	-	998	491	675	267
GWJ	-	-	-	69	205	-
	-	-	998	560	880	267

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12. ACCOUNTANTS' REPORT (cont'd)



5.3 Ezec

	As at 31 December			As at 30
	2001 RM'000	2002 RM'000	2003 RM'000	April 2004 RM'000
ASSETS				
Plant and equipment	-	1,004	1,255	1,307
CURRENT ASSETS^{*2}	1,097	570	1,046	505
CURRENT LIABILITIES^{*3}	930	1,254	1,359	520
NET CURRENT ASSETS/(LIABILITIES)	167	(684)	(313)	(15)
	167	320	942	1,292
FINANCED BY :-				
Share capital	#	100	100	100
Share application money	100	-	-	-
Retained profits	67	212	753	948
SHAREHOLDERS' EQUITY	167	312	853	1,048
LONG TERM AND DEFERRED LIABILITIES	-	8	89	244
	167	320	942	1,292
NTA	167	312	853	1,048
NTA per ordinary share (RM) ^{*1}	41,836	3.12	8.53	10.48

Notes:

Represents RM4.00.

*¹ The NTA per ordinary share is calculated based on the total number of ordinary shares in issue as at the date of the financial period/years under review.*² Included under current assets as at years/period under review are amounts due by related companies of the Proforma Group as follows:-

Current assets	As at 31 December			As at 30
	2001 RM'000	2002 RM'000	2003 RM'000	April 2004 RM'000
Ge-shen	998	491	675	311
GWJ	-	-	21	34
	998	491	696	345

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12. ACCOUNTANTS' REPORT (cont'd)**5.3 Ezec (Cont'd)**

Notes:-

*³ Included under current liabilities as at years/period under review are amounts due to related companies of the Proforma Group as follows:-

Current liabilities	As at 31 December			As at 30
	2001	2002	2003	April
	RM'000	RM'000	RM'000	2004
				RM'000
Ge-shen	-	-	373	44
GWJ	902	180	110	109
	<u>902</u>	<u>180</u>	<u>483</u>	<u>153</u>

5.4 GWJ

ASSETS	As at 31 December			As at 30
	2001	2002	2003	April
	RM'000	RM'000	RM'000	2004
				RM'000
Plant and equipment	1,356	1,737	2,086	2,065
CURRENT ASSETS* ²	<u>1,205</u>	<u>506</u>	<u>528</u>	<u>355</u>
CURRENT LIABILITIES* ³	<u>891</u>	<u>552</u>	<u>1,125</u>	<u>1,344</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>314</u>	<u>(46)</u>	<u>(597)</u>	<u>(989)</u>
	<u>1,670</u>	<u>1,691</u>	<u>1,489</u>	<u>1,076</u>
FINANCED BY :-				
Share capital	1,650	1,650	1,650	1,650
Retained profits	(23)	(3)	(181)	(589)
SHAREHOLDERS' EQUITY	<u>1,627</u>	<u>1,647</u>	<u>1,469</u>	<u>1,061</u>
LONG TERM AND DEFERRED LIABILITIES	<u>43</u>	<u>44</u>	<u>20</u>	<u>15</u>
	<u>1,670</u>	<u>1,691</u>	<u>1,489</u>	<u>1,076</u>
NTA	1,627	1,647	1,469	1,061
NTA per ordinary share (RM)* ¹	<u>0.99</u>	<u>1.00</u>	<u>0.89</u>	<u>0.64</u>

Notes:

*¹ The NTA per ordinary share is calculated based on the total number of ordinary shares in issue as at the date of the financial period/years under review.

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12. ACCOUNTANTS' REPORT (cont'd)**5.4 GWJ (Cont'd)**

Notes:

^{*2} Included under current assets as at years/period under review are amounts due by related companies of the Proforma Group as follows:-

Current assets	As at 31 December			As at 30
	2001	2002	2003	April
	RM'000	RM'000	RM'000	2004
				RM'000
Ge-shen	-	69	205	-
Ezec	902	180	110	109
	<u>902</u>	<u>249</u>	<u>315</u>	<u>109</u>

^{*3} Included under current liabilities as at years/period under review are amounts due to related companies of the Proforma Group as follows:-

Current liabilities	As at 31 December			As at 30
	2001	2002	2003	April
	RM'000	RM'000	RM'000	2004
				RM'000
Ge-shen	296	95	1	99
Ezec	-	-	21	34
	<u>296</u>	<u>95</u>	<u>22</u>	<u>133</u>

12. ACCOUNTANTS' REPORT (cont'd)



6. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of GSCB and the Proforma Group which are prepared for illustrative purposes are based on the audited financial statements of GSCB and its subsidiaries as at 30 April 2004 and on the assumption that the restructuring and flotation scheme of GSCB Group, Public Issue as stated in Section 2.3 and the utilisation of the proceeds had been effected on 30 April 2004 and should be read in conjunction with the notes thereon.

	Note	The Company	The Proforma Group		
		RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
ASSETS					
Property, plant and equipment	7.5	-	30,417	30,417	39,617
Goodwill on consolidation		-	2,330	2,330	2,330
			32,747	32,747	41,947
CURRENT ASSETS					
Inventories	7.6	-	4,119	4,119	4,119
Trade receivables	7.7	-	11,063	11,063	11,063
Other receivables, deposits and prepayments	7.8	389	2,371	2,371	2,371
Fixed deposits with licensed financial institutions	7.9	-	1,896	1,896	1,896
Cash and bank balances	7.10	*	4,178	19,091	8,141
		389	23,627	38,540	27,590
CURRENT LIABILITIES					
Trade payables	7.11	-	10,210	10,210	10,210
Other payables and accruals	7.12	408	3,064	3,064	3,064
Amount owing to directors	7.13	-	1,045	1,045	1,045
Hire purchase payable	7.14	-	751	751	751
Bank borrowings – secured	7.15	-	1,392	1,392	1,392
Dividend payables		-	1,500	1,500	1,500
		408	17,962	17,962	17,962
NET CURRENT (LIABILITIES)/ASSETS					
		(19)	5,665	20,578	9,628
		(19)	38,412	53,325	51,575
FINANCED BY :-					
Share capital	7.16	*	32,151	40,000	40,000
Share premium		-	-	7,064	5,314
Accumulated losses		(19)	(19)	(19)	(19)
SHAREHOLDERS' EQUITY (DEFICIT)					
		(19)	32,132	47,045	45,295
LONG TERM AND DEFERRED LIABILITIES					
Hire purchase payable	7.14	-	1,384	1,384	1,384
Bank borrowings – secured	7.15	-	2,937	2,937	2,937
Deferred taxation	7.17	-	1,959	1,959	1,959
		-	6,280	6,280	6,280
		(19)	38,412	53,325	51,575
NTA per ordinary share (RM)		(9.500)	0.46	0.56	0.54

* Represents RM2.00

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12. ACCOUNTANTS' REPORT *(cont'd)*



7. NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES

7.1 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Proforma Group made up to 30 April 2004.

A subsidiary is defined as a company in which the parent company holds directly or indirectly more than 50% of equity share capital and has control over the financial and operating policies. Investment in subsidiary is stated at cost unless in the opinion of the directors there has been a permanent diminution in value, in which case allowance is made for the diminution in value.

The subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition up to the date of disposal. At the date of acquisition, fair value of the subsidiaries' net asset is determined and this value is reflected in the consolidated financial statements.

Intragroup transactions, balances and unrealised gains on transactions are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Proforma Group.

7.2 FINANCIAL RISK MANAGEMENT POLICIES

The Proforma Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Proforma Group's business whilst managing its currency, interest rate, market, credit, liquidity and cash flow risks.

7.2.1 CURRENCY RISK

The Proforma Group is exposed to foreign exchange risk on sales and purchases that are denominated in foreign currencies as detailed in note 7.19 to the accountants' report. It manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

7.2.2 INTEREST RATE RISK

The Proforma Group obtains financing through bank borrowings and hire purchase. Its policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

7.2.3 MARKET RISK

The Proforma Group does not have any quoted investments and hence is not exposed to market risks.

12. ACCOUNTANTS' REPORT *(cont'd)*



7.2.4 CREDIT RISK

The Proforma Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from cash deposits and receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the accountants' report reduced by the effects of any netting arrangements with counterparties.

The Proforma Group does not have any major concentration of credit risks related to any individual customer or counterparty except for 85 % of total trade debts owing by five major customers.

7.2.5 LIQUIDITY AND CASH FLOW RISKS

The Proforma Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practices prudent liquidity risks management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

7.3 BASIS OF PREPARATION OF THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The Proforma statement of assets and liabilities of the Proforma Group and of the company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with the applicable approved accounting standards of the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965 and on the following accounting policies which are consistent with those adopted in the preparation of the audited financial statements of the individual subsidiary.

12. ACCOUNTANTS' REPORT *(cont'd)***7.4. SIGNIFICANT ACCOUNTING POLICIES****7.4.1 FINANCIAL INSTRUMENTS**

Financial instruments are recognised in the accountants' report when the Proforma Group has become a party to the contractual provision of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holder of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Proforma Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the accountants' report are disclosed in the individual policy statement associated with each item.

7.4.2 INVESTMENTS

Investments in subsidiaries, which are eliminated on consolidation, are stated in the Proforma Group's financial statements at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

7.4.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

No depreciation is provided on freehold land. Depreciation is calculated under the straight line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Factory buildings	2%
Motor vehicles	20%
Office equipment, furniture and fittings	10%
Plant and machinery	10%

7.4.4 GOODWILL ON CONSOLIDATION

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of the subsidiary at the date of acquisition.

The goodwill on consolidation is being amortised over the period of 20 years from the date of acquisition.

12. ACCOUNTANTS' REPORT *(cont'd)***7.4.5 IMPAIRMENT OF ASSETS**

The carrying amounts of assets, other than those to which MASB Standard 23 Impairment of Assets does not apply, are reviewed at 30 April 2004 for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

7.4.6 INVENTORIES

Inventories are valued at the lower of cost or net realisable value. The cost of raw materials comprise the original purchase price plus cost incurred in bringing the inventories to their present location and condition. The costs of finished goods and work-in progress comprise the cost of raw materials, direct labour and a proportion of overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

7.4.7 TRADE AND OTHER RECEIVABLES

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at 30 April 2004.

7.4.8 TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

7.4.9 EQUITY INSTRUMENTS

Ordinary shares are classified as equity.

12. ACCOUNTANTS' REPORT *(cont'd)***7.4.10 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with licensed bank, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7.4.11 ASSETS UNDER HIRE-PURCHASE ARRANGEMENTS

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in note 7.4.3 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

7.4.12 INCOME TAX

Income tax on the profit or loss for the financial period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial period and is measured using the tax rates that have been enacted at the balances sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at 30 April 2004 between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is possible that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an assets or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or liability is settled, based on tax rates that have been enacted or substantively enacted at 30 April 2004. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is on acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

7.4.13 REVENUE RECOGNITION

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

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12. ACCOUNTANTS' REPORT (cont'd)**7.4.14 FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies during the period are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at 30 April 2004 are translated into Ringgit Malaysia at rates of exchange approximating those ruling at that date. All exchange gains or losses are dealt with in the income statement.

7.4.15 SHORT TERM EMPLOYEE BENEFITS

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Proforma Group. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulated compensated absences such as sick leave are recognised when the absences occur.

7.4.16 DEFINED CONTRIBUTION PLANS

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

7.4.17 SEGMENTAL INFORMATION

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of properties, plant and equipment (net of accumulated depreciation, where applicable), inventories, receivables and cash and bank balances.

Segment revenues, expenses and results include transfers between segments. The price charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

7.5 PROPERTY, PLANT AND EQUIPMENT**The Proforma Group after the Acquisitions and after (I) and IPO**

	Cost RM'000	Accumulated Depreciation RM'000	NBV RM'000
Freehold lands	2,745	-	2,745
Factory buildings	4,737	377	4,360
Motor vehicles	1,007	753	254
Office equipment, furniture and fittings	5,346	1,617	3,729
Plant and machinery	31,369	12,040	19,329
Total	45,204	14,787	30,417

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12. ACCOUNTANTS' REPORT (cont'd)**7.5 PROPERTY, PLANT AND EQUIPMENT (CON'T)**

The Proforma Group after (II) and the utilisation of proceeds from the Public Issue

	Cost RM'000	Accumulated Depreciation RM'000	NBV RM'000
Freehold lands	3,245	-	3,245
Factory buildings	6,237	377	5,860
Motor vehicles	1,007	753	254
Office equipment, furniture and fittings	5,346	1,617	3,729
Plant and machinery	38,569	12,040	26,529
Total	54,404	14,787	39,617

The net book value of property, plant and equipment of the Proforma Group which have been pledged to financial institutions for banking facilities are as follows:

	RM'000
Freehold lands	2,745
Factory buildings	4,360
Plant and machinery	1,040
Total	8,145

Included in the net book value of property, plant and equipment is motor vehicles of RM226,913 which are held under the name of certain directors and employees of the Proforma Group.

7.5a ASSETS HELD UNDER HIRE PURCHASE AGREEMENT

Included in the property, plant and equipment of the Proforma Group are assets held under hire purchase agreements as follows:-

	Cost RM'000	Accumulated depreciation RM'000	NBV RM'000	Depreciation for the period RM'000
Plant and machinery	2,411	171	2,240	102
Motor vehicles	347	161	186	23
Total	2,758	332	2,426	125

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12. ACCOUNTANTS' REPORT (cont'd)**7.6 INVENTORIES**

Inventories consist of the following:-

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
At Cost:-				
Raw materials	-	850	850	850
Packing materials	-	464	464	464
Work-in-progress	-	1,140	1,140	1,140
Finished goods	-	1,665	1,665	1,665
	-	4,119	4,119	4,119

7.7 TRADE RECEIVABLES

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Trade receivables	-	11,295	11,295	11,295
Less : Allowance for doubtful debts	-	(232)	(232)	(232)
	-	11,063	11,063	11,063

The Proforma Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of trade receivables is as follows

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Singapore Dollar	-	390	390	390
United States Dollar	-	3,544	3,544	3,544
	-	3,934	3,934	3,934

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12. ACCOUNTANTS' REPORT *(cont'd)***7.8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Other receivables	389	496	496	496
Deposits	-	332	332	332
Prepayments	-	723	723	723
Tax recoverable	-	820	820	820
	<u>389</u>	<u>2,371</u>	<u>2,371</u>	<u>2,371</u>

7.9 FIXED DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

Included in the fixed deposits are the following amounts which have been pledged to licensed financial institutions :

- (i) Fixed deposits of RM90,000 and RM360,000 have been pledged for banker's guarantee issued on behalf of the Proforma Group in favour of Jabatan Kastam dan Eksais Diraja and Tenaga Nasional Berhad respectively.
- (ii) Fixed deposits of RM100,000 have been pledged as a security for bank borrowings as disclosed in note 7.15 to the accountants' report.

The fixed deposits bear effective interest rate at 3.7% per annum and have maturities of 12 months.

12. ACCOUNTANTS' REPORT *(cont'd)***7.10 CASH AND BANK BALANCES**

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Cash and bank balances as at 30 April 2004	*	4,178	4,178	4,178
Proceeds from Public Issue	-	-	14,913	14,913
Utilisation of proceeds:				
Estimated listing expenses	-	-	-	(1,750)
Capital expenditure	-	-	-	(9,200)
	<u>*</u>	<u>4,178</u>	<u>19,091</u>	<u>8,141</u>

* Represents cash and bank balances of RM2.00

7.11 TRADE PAYABLES

The normal trade credit terms granted to the Proforma Group range from 60 to 105 days.

The foreign currency exposure profile of trade payables is as follows:-

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Singapore Dollar	-	468	468	468
United States Dollar	-	2,096	2,096	2,096
	<u>-</u>	<u>2,564</u>	<u>2,564</u>	<u>2,564</u>

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12. ACCOUNTANTS' REPORT (cont'd)**7.12 OTHER PAYABLES AND ACCRUALS**

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Other payables	407	2,007	2,007	2,007
Payroll liabilities	-	907	907	907
Accrued expenses	1	150	150	150
	<u>408</u>	<u>3,064</u>	<u>3,064</u>	<u>3,064</u>

The foreign currency exposure profile of trade payables is as follows:-

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Singapore Dollar	<u>-</u>	<u>58</u>	<u>58</u>	<u>58</u>

7.13 AMOUNT OWING TO DIRECTORS

These represent amount owing to directors which are unsecured, interest free and not subject to fixed terms of repayment.

12. ACCOUNTANTS' REPORT (cont'd)



7.14 HIRE PURCHASE PAYABLE

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Minimum hire purchase payments:				
- not later than one year	-	889	889	889
- later than one year and not later than five years	-	1,481	1,481	1,481
	-	2,370	2,370	2,370
Less: Future finance charges	-	(235)	(235)	(235)
Present value of hire purchase liabilities	-	2,135	2,135	2,135
Current:				
- not later than one year	-	751	751	751
Non-current:				
- later than one year and not later than five years	-	1,384	1,384	1,384
	-	2,135	2,135	2,135

The effective interest rates of hire purchase payables at 30 April 2004 range from 7.51% to 10.69% per annum.

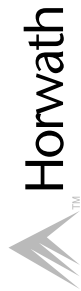
12. ACCOUNTANTS' REPORT (cont'd)



7.15 BANK BORROWINGS – SECURED (CONT'D)

Loan facilities RM'000	Term of loan	Securities	The Proforma Group			
			The Company RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (I) and the utilisation of proceeds from the Public Issue (III) RM'000
	Balance brought forward		-	1,883	1,883	1,883
534	36 monthly instalments and bears interest at 8.5% per annum, calculated on monthly rest basis.	A specific debenture over the Proforma Group's plant and machinery and jointly and severally guaranteed by certain directors and shareholders of the Proforma Group.	-	270	270	270
2,000	60 monthly instalments and bears interest at 4.18% per annum calculated on monthly rest basis.	A fixed charge on the Proforma Group's landed properties, and jointly and severally guaranteed by certain directors and shareholders of the Proforma Group.	-	1,849	1,849	1,849
356	36 monthly instalments and bears interest at 8.5% per annum calculated on monthly rest basis	A specific debenture over the Proforma Group's plant and machinery and jointly and severally guaranteed by certain directors and shareholders of the Proforma Group.	-	327	327	327
Term loan			-	4,329	4,329	4,329
Less : Portion repayable within twelve months			-	(1,392)	(1,392)	(1,392)
Portion repayable after twelve months			-	2,937	2,937	2,937

12. ACCOUNTANTS' REPORT (cont'd)



7.15 BANK BORROWINGS – SECURED (CONT'D)

Loan facilities RM'000	Term of loan	Securities	The Proforma Group			
			The Company RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
	Balance brought forward		-	1,883	1,883	1,883
534	36 monthly instalments and bears interest at 8.5% per annum, calculated on monthly rest basis.	A specific debenture over the Proforma Group's plant and machinery and jointly severally guaranteed by certain directors and shareholders of the Proforma Group.	-	270	270	270
2,000	60 monthly instalments and bears interest at 4.18% per annum calculated on monthly rest basis.	A fixed charge on the Proforma Group's landed properties, and jointly and severally guaranteed by certain directors and shareholders of the Proforma Group.	-	1,849	1,849	1,849
356	36 monthly instalments and bears interest at 8.5% per annum calculated on monthly rest basis	A specific debenture over the Proforma Group's plant and machinery and jointly and severally guaranteed by certain directors and shareholders of the Proforma Group.	-	327	327	327
Term loan			-	4,329	4,329	4,329
Less : Portion repayable within twelve months			-	(1,392)	(1,392)	(1,392)
Portion repayable after twelve months			-	2,937	2,937	2,937

12. ACCOUNTANTS' REPORT (cont'd)



7.15 BANK BORROWINGS – SECURED (CONT'D)

The Company	The Proforma Group		
	After the Acquisitions (I)	After (I) and IPO (II)	After (II) and the utilisation of proceeds from the Public Issue (III)
RM'000	RM'000	RM'000	RM'000
-	1,392	1,392	1,392
-	1,180	1,180	1,188
-	1,757	1,757	1,757
-	4,329	4,329	4,329

Details of the term loans outstanding are as follows :-

Within one year

Between one to two years

Between two to five years

12. ACCOUNTANTS' REPORT (cont'd)**7.16 SHARE CAPITAL**

	Par value	No. of shares	RM
AUTHORISED:			
Upon incorporation	RM1.00	100,000	100,000
Share split	RM0.50	100,000	-
After share split	RM0.50	200,000	100,000
Creation during the period	RM0.50	99,800,000	49,900,000
	RM0.50	<u>100,000,000</u>	<u>50,000,000</u>
ISSUED AND FULLY PAID:			
Upon incorporation	RM1.00	2	2
Share split	RM0.50	2	-
After share split	RM0.50	4	2
Share issue for acquisitions of Ge-Shen, GWJ and Ezec	RM0.50	64,301,596	32,150,798
Before Public Issue	RM0.50	64,301,600	32,150,800
Public Issue	RM0.50	15,698,400	7,849,200
After Public Issue	RM0.50	<u>80,000,000</u>	<u>40,000,000</u>

7.17 DEFERRED TAXATION

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Balance at 1.1.2004	-	1,948	1,948	1,948
Transfer from income statements:-				
- for the current financial period	-	11	11	11
Balance at 30.4.2004	<u>-</u>	<u>1,959</u>	<u>1,959</u>	<u>1,959</u>

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai • Sungai Petani

12. ACCOUNTANTS' REPORT (cont'd)



7.17 DEFERRED TAXATION (CONT'D)

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
The deferred taxation arises as a result:				
Deferred tax liabilities				
An excess of carrying value of property, plant and equipment over tax base	-	2,024	2,024	2,024
Deferred tax assets				
Trade receivables	-	(65)	(65)	(65)
Net deferred tax liabilities	-	1,959	1,959	1,959

As at 30 April 2004, the subsidiary (GWJ) has the following potential deferred tax assets which have not been accounted for in the financial statements as the directors do not foresee the utilisation of the deferred tax assets in the foreseeable future:-

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
The deferred taxation arises as a result:				
Deferred tax liabilities				
An excess of carrying value of property, plant and equipment over tax base	-	211	211	211
Deferred tax assets				
Unutilised tax losses	-	(88)	(88)	(88)
Unutilised capital allowances	-	(261)	(261)	(261)
	-	(349)	(349)	(349)
Net deferred tax assets	-	(138)	(138)	(138)

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12. ACCOUNTANTS' REPORT (cont'd)**7.18 NUMBER OF EMPLOYEES**

	The Company	The Proforma Group		
		After the Acquisitions (I)	After (I) and IPO (II)	After (II) and the utilisation of proceeds from the Public Issue (III)
Number of employees at 30 April 2004	-	837	837	837

7.19 FOREIGN EXCHANGE RATES

The applicable closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of foreign currency balances at 30 April 2004 are as follows:-

	The Company	The Proforma Group		
	RM	After the Acquisitions (I) RM	After (I) and IPO (II) RM	After (II) and the utilisation of proceeds from the Public Issue (III) RM
Singapore Dollar	-	2.229	2.229	2.229
United States Dollar	-	3.800	3.800	3.800

7.20 CONTINGENT LIABILITIES

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
(a) Secured:- Banker's guarantees issued in favour of third parties	-	666	666	666

(b) The Proforma Group is currently involved in litigation cases whereby legal actions are being taken by two ex-employees for alleged wrongful dismissal. The amount of damages to be claimed by the ex-employees has not been reflected in the accountants' report as the outcome of the legal cases is still uncertain as at the date of this report. According to the Proforma Group's solicitors, the Proforma Group have a good ground of defence.

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12. ACCOUNTANTS' REPORT *(cont'd)***7.21 CAPITAL COMMITMENT**

As of period end, the Proforma Group has the following capital commitment in respect of purchase of machinery:-

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Approved and contracted for	-	515	515	515

7.22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities of the Proforma Group at 30 April 2004 approximate their fair values.

12. ACCOUNTANTS' REPORT (cont'd)



8. SEGMENTAL INFORMATION – PROFORMA GROUP

The Proforma Group operates principally in only one business segment. The relevant financial information has been appropriately presented in the financial statements.

By geographical market (secondary segments):-

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Segmental revenues from external customers				
Malaysia	-	17,325	17,325	17,325
Singapore	-	4,625	4,625	4,625
	<u>-</u>	<u>21,950</u>	<u>21,950</u>	<u>21,950</u>
Carrying amount of Segmental assets				
Malaysia	-	56,374	71,287	69,537
Singapore	-	-	-	-
	<u>-</u>	<u>56,374</u>	<u>71,287</u>	<u>69,537</u>
Addition to Non-current Segment assets				
Malaysia	-	6,678	6,678	15,878
Singapore	-	-	-	-
	<u>-</u>	<u>6,678</u>	<u>6,678</u>	<u>15,878</u>

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12. ACCOUNTANTS' REPORT (cont'd)**9. PROFORMA CONSOLIDATION CASH FLOW STATEMENT**

The proforma consolidated cash flow statements prepared for illustration purpose is based on the audited financial statements of Ge-Shen, Ezeq and GWJ for the four (4) months period ended 30 April 2004 and on the assumption that the Proforma Group has been in existence throughout the period ended 30 April 2004 and that the Public Issue referred to in Section 2.3 have been completed on 30 April 2004:

	Note	The Company	The Proforma Group		After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
		RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	(9)		2,891	2,891	2,891
Adjustment for :-					
Allowance for doubtful debts	-		107	107	107
Depreciation of property, plant and equipment	-		1,283	1,283	1,283
Loss on disposal on property, plant and equipment	-		14	14	14
Interest expenses	-		135	135	135
Interest income	-		(39)	(39)	(39)
Operating (loss)/profit before working capital changes	(9)		4,391	4,391	4,391
Increase in inventories	-		(1,330)	(1,330)	(1,330)
Decrease in trade and other receivables	-		376	376	376
Increase in trade and other payables	9		1,721	1,721	1,721
Increase in amount owing to directors	-		(639)	(639)	(639)
CASH FROM OPERATIONS	-		4,519	4,519	4,519
Interest paid	-		(135)	(135)	(135)
Tax paid	-		(783)	(783)	(783)
NET CASH FROM OPERATING ACTIVITIES	-		3,601	3,601	3,601

Horwath Offices in Malaysia:

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12. ACCOUNTANTS' REPORT (cont'd)



9. PROFORMA CONSOLIDATED CASH FLOW STATEMENT (CON'T)

	Note	The Company	The Proforma Group		After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
		RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	
CASH FLOWS FOR INVESTING ACTIVITIES					
Interest received		-	39	39	39
Purchases of property, plant and equipment	9.1	-	(2,522)	(2,522)	(11,722)
Proceeds from disposal of property, plant and equipment		-	14	14	14
NET CASH FOR INVESTING ACTIVITIES		-	(2,469)	(2,469)	(11,669)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Drawdown of term loans		-	356	356	356
Proceeds from public issues		-	-	14,913	14,913
Payment of listing expenses		-	-	-	(1,750)
Repayment of hire purchase payables		-	(172)	(172)	(172)
Repayment of term loans		-	(444)	(444)	(444)
NET CASH (FOR)/FROM FINANCING ACTIVITIES		-	(260)	14,653	12,903
NET INCREASE IN CASH AND CASH EQUIVALENTS		-	872	15,785	4,835
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		#	5,202	5,202	5,202
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	9.2	#	6,074	20,987	10,037

Note:-

Being RM2.00 comprising 2 ordinary shares of RM1.00 each

Horwath Offices in Malaysia:

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12. ACCOUNTANTS' REPORT (cont'd)**9.1 PURCHASES OF PROPERTY, PLANT AND EQUIPMENT**

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Purchases of property, plant and equipment	-	4,348	4,348	13,548
Amount financed through hire purchase	-	(1,826)	(1,826)	(1,826)
Cash disbursed for the purchases of property, plant and equipment	-	2,522	2,522	11,722

9.2 CASH AND CASH EQUIVALENTS

	The Company	The Proforma Group		
	RM'000	After the Acquisitions (I) RM'000	After (I) and IPO (II) RM'000	After (II) and the utilisation of proceeds from the Public Issue (III) RM'000
Fixed deposit with licensed financial institutions	-	1,896	1,896	1,896
Cash and bank balances	*	4,178	19,091	8,141
	*	6,074	20,987	10,037

* This represent RM2.00

10. PROFORMA NET TANGIBLE ASSETS COVER

Based on the proforma statement of assets and liabilities of the proforma Group as at 30 April 2004, the proforma net tangible assets (NTA) cover per ordinary share after incorporating the restructuring of the GSCB Group, Public Issue and estimated cost of flotation will be as follows:-

NTA of the Proforma Group as per statement of assets and liabilities as of 30 April 2004 (RM'000)	42,965
Number of ordinary shares of RM0.50 each assumed in issue ('000)	80,000
Proforma NTA cover per ordinary share of RM1.00 each (RM)	0.54

Horwath Offices in Malaysia:

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12. ACCOUNTANTS' REPORT *(cont'd)*



11. EVENT SUBSEQUENT TO 30 APRIL 2004

Based on the audited financial statements for the four (4) months period ended 30 April 2004, we are not aware of any subsequent event that has arisen which require disclosure or adjustment in this report.

Yours faithfully

A handwritten signature in black ink that reads "Horwath".

HORWATH
Firm No.: AF 1018
Chartered Accountants

A handwritten signature in black ink that reads "WONG TAK KEONG".

WONG TAK KEONG
Approval No: 1966/7/05 (J)
Partner of Firm

13. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



GE-SHEN CORPORATION BERHAD (633814-X)

No. 11, Jalan Riang 23, Taman Gembira, 81200 Johor Bahru, Johor, Malaysia.

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: 07-3357788
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Registered Office:
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Menara Landmark
Mail Box 172
No. 12, Jalan Ngee Heng
80000 Johor Bahru
Johor
28 July 2004

The Shareholders,
GE-SHEN CORPORATION BERHAD

Dear Sir/Madam

On behalf of the Directors of Ge-Shen Corporation Berhad ("GSCB"), I report after due inquiry that during the period from 30 April 2004 (being the date to which the last audited accounts of its subsidiaries of GSCB have been made) to 28 July 2004, (being a date not earlier than fourteen (14) days before the issue of this Prospectus):

- (a) the business of GSCB and its subsidiaries ("Group") has, in the opinion of the Directors, been satisfactorily maintained;
- (b) there have, in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the companies comprising the Group which have adversely affected the trading or the values of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;
- (e) there have been, since the last audited financial statements of the companies comprising the Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which I am aware of; and
- (f) save as disclosed in this Prospectus since the last audited financial statements of the companies comprising the Group, there have been no changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully
For and on behalf of the Board of Directors of
GE-SHEN CORPORATION BERHAD


WONG YEE KEH
Managing Director