

GE-SHEN CORPORATION BERHADCompany No. 633814-X
(Incorporated In Malaysia)**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2009**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTERS</u>	
	Current Quarter 30 Sept 2009 RM'000	Preceding Year Corresponding Quarter 30 Sept 2008 RM'000	Current Period To Date 30 Sept 2009 RM'000	Preceding Year Corresponding Period 30 Sept 2008 RM'000
Revenue	17,631	15,807	47,081	44,727
Other income	(38)	267	95	567
Change in inventories of finished goods and work-in-progress	466	(13)	(428)	795
Raw material used	(10,823)	(7,003)	(19,511)	(21,871)
Staff cost	(3,606)	(2,727)	(8,649)	(8,687)
Depreciation	(1,402)	(1,462)	(4,451)	(4,237)
Other operating expenses	(3,718)	(5,639)	(18,173)	(16,383)
Finance costs	(105)	(98)	(446)	(258)
Loss before tax	(1,595)	(868)	(4,482)	(5,347)
Tax income / (expense)	340	(111)	454	353
Loss after tax	(1,255)	(979)	(4,028)	(4,994)
Attributable to:				
Equity Holders of The Parent	(1,255)	(979)	(4,028)	(4,994)
Loss per share (sen)				
Basic (note B12)	(1.63)	(1.27)	(5.24)	(6.49)
Diluted (note B12)	(1.63)	(1.27)	(5.24)	(6.49)

(The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and accompanying explanatory notes attached to the interim financial statements)

GE-SHEN CORPORATION BERHADCompany No. 633814-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF 30 SEPTEMBER 2009**

	<u>Unaudited</u> As Of 30 Sept 2009 RM'000	<u>Audited</u> As Of 31 Dec 2008 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	37,739	41,659
Goodwill on consolidation	2,168	2,168
	39,907	43,827
CURRENT ASSETS		
Inventories	7,078	6,623
Trade receivables	12,909	11,156
Other receivables, deposits and prepayments	1,811	3,325
Tax recoverable	1,135	1,236
Fixed deposits with licensed banks	1,985	1,951
Cash and bank balances	6,712	4,332
	31,630	28,623
TOTAL ASSETS	71,537	72,450
EQUITY AND LIABILITIES		
EQUITY		
Share capital	40,000	40,000
Share premium	5,593	5,593
Treasury shares	(1,843)	(1,843)
(Accumulated losses)/Retained profits	(1,388)	2,640
Exchange translation reserve	296	20
	42,658	46,410
Equity Attributable to Equity Holders of the Parent	42,658	46,410
NON-CURRENT LIABILITIES		
Long term borrowings	3,698	4,456
Deferred taxation	2,146	2,789
	5,844	7,245
CURRENT LIABILITIES		
Trade payables	12,511	11,696
Other payables and accruals	3,012	2,406
Short term borrowings	7,512	4,475
Bank overdraft	-	218
	23,035	18,795
TOTAL LIABILITIES	28,879	26,040
TOTAL EQUITY AND LIABILITIES	71,537	72,450
Net Assets Per Ordinary Share Attributable to Equity Holders of the Parent (RM)	0.55	0.60

(The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and accompanying explanatory notes attached to the interim financial statements)

GE-SHEN CORPORATION BERHAD

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2009**

	Current Year To Date 30 Sept 2009 RM'000	Preceding Year Corresponding Period 30 Sept 2008 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Loss before tax	(4,482)	(5,347)
Adjustments for:-		
Non-cash items	7,207	4,275
Non-operating items	289	175
Operating profit /(loss) before changes in working capital	3,014	(897)
Net changes in current assets	(1,246)	1,000
Net changes in current liabilities	1,421	(686)
CASH FROM /(FOR) OPERATIONS	3,189	(583)
Interest paid	(326)	(190)
Tax paid	(87)	(253)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	2,776	(1,026)
NET CASH FOR INVESTING ACTIVITIES		
Interest received	37	14
Proceeds from disposal of plant and equipment	46	48
Purchases of plant and equipment	(2,781)	(4,480)
NET CASH FOR INVESTING ACTIVITIES	(2,698)	(4,418)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Net drawdown of other short-term bank borrowings	4,344	640
Repayments of hire purchase	(1,916)	(755)
Repayments of term loans	(150)	(140)
NET CASH FROM/(FOR) FINANCING ACTIVITIES	2,278	(255)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	2,356	(5,699)
EFFECT OF CHANGES IN EXCHANGE RATES	276	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	6,065	11,325
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	8,697	5,626
* Cash and cash equivalents included in the cashflow statements comprise of the following:		
	RM'000	RM'000
Fixed Deposits**	1,985	1,601
Cash and bank balances	6,712	4,524
Bank overdraft	-	(499)
	<u>8,697</u>	<u>5,626</u>

** Included in fixed deposits are RM1.0 million (2008: RM1.0 million) which have been pledged to licensed banks for banking facilities made available to the Group.

(The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and accompanying explanatory notes attached to the interim financial statements)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THIRD QUARTER ENDED 30 SEPTEMBER 2009

	← Attributable to Equity Holders of the Parent →		Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Non-distributable RM'000	Retained profits/ accumulated losses RM'000	
As at 1 January 2009	40,000	5,593	(1,843)	2,640	46,410
Exchange translation differences	-	-	276	-	276
Net loss for the financial period	-	-	-	(4,028)	(4,028)
As at 30 September 2009	40,000	5,593	(1,843)	(1,388)	42,658
As at 1 January 2008	40,000	5,593	(1,843)	8,645	52,415
Net loss for the financial period	-	-	-	(4,994)	(4,994)
As at 30 September 2008	40,000	5,593	(1,843)	3,651	47,421

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and accompanying explanatory notes attached to the interim financial statements)

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A. EXPLANATORY NOTES IN ACCORDANCE WITH FRS 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the third quarter ended 30 September 2009 have been prepared in accordance with Financial Reporting Standard ("FRS") 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2008.

The accounting policies and methods of computation adopted in these interim financial statements of the Company and its subsidiaries ("The Group") are consistent with those adopted for the annual financial statements for the financial year ended 31 December 2008.

At the date of authorization of these interim financial statements, the following FRSs, amendment to FRSs and interpretation were issued but not yet effective and have not been applied by the Group :-

<u>FRSs and Interpretations</u>	<u>Effective for financial periods beginning on or after</u>	
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosure	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statement	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 1 and FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 2	Vesting Conditions and Cancellations	1 January 2010
Amendment to FRS 7, FRS 132 FRS 139 and IC interpretation 9	Improvements to Accounting for Financial Instruments	1 January 2010
Amendments to FRSs	Annual Improvements to FRSs	
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS2: Group and Treasury Shares Transaction	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS19: The limit on a Defined Benefit Assets Minimum Funding Requirement and their interaction	1 January 2010

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A1. Basis of Preparation – Cont'd

The possible impacts of FRS 7, FRS 139, amendments to FRS 7, amendments to FRS 132, amendments to FRS 139 and amendments to IC Interpretation 9 on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

The adoption of FRS 101 only impacts the form and content of disclosures presented in the financial statements.

The possible impacts of FRS 123 on the financial statements upon its initial applications are not disclosed as the existing accounting policies of the Group are consistent with the requirements under this new standard.

IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

The others FRSs, amendment to FRSs and Interpretations are not relevant to the Group's operations.

A2. Seasonality or Cyclicity Factors

The Group's interim operations were not significantly affected by any seasonal or cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the quarter, there were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence.

A4. Change in Estimates

There were no changes in estimates of amounts reported in prior interim period that have a material effect on the results for the quarter.

A5. Issuance, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

During the quarter, there were no issuance and repayment of debts and equity securities, share buy-backs, shares cancellation, shares held as treasury shares and resale of treasury shares for the quarter under review.

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A6. Dividends Paid

There was no dividend paid during the quarter under review.

A7. Segmental Reporting*(A) BY BUSINESS SEGMENT*

No business segmental information has been presented as the Group is operating principally in one industry segment.

(B) BY GEOGRAPHICAL SEGMENT

	Malaysia RM'000	Vietnam RM'000	Elimination RM'000	Consolidated RM'000
As at 30 Sept 2009				
Revenue				
- Sales to external customer	39,590	7,491	-	47,081
- Inter-segment sales	-	34	(34)	-
Total revenue	39,590	7,525	(34)	47,081
Segment results	360	(4,329)	(67)	(4,036)
Finance cost				(446)
Loss before tax				(4,482)
As at 30 Sept 2008				
Revenue				
- Sales to external customer	44,155	572	-	44,727
- Inter-segment sales	-	-	-	-
Total revenue	44,155	572	-	44,727
Segment results	(200)	(3,256)	(1,633)	(5,089)
Finance cost				(258)
Loss before tax				(5,347)

A8. Material Events Subsequent to the End of the Quarter Under Review

There was no material event subsequent to the end of the quarter that has not been reflected in the interim financial statements.

A9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter.

A10. Changes in Contingent Liabilities or Contingent Assets

There were no changes in the contingent liabilities or contingent assets of the Group during the quarter.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1. Review of Group's Results for the Quarter Ended 30 Sept 2009

For the current quarter under review, the Group recorded a revenue of RM17.631 million and loss before tax at RM1.595 million as compared to revenue of RM15.807 million and loss before tax at RM0.868 million for the corresponding quarter in previous financial year.

For the current financial period to date, the Group recorded a revenue of RM47.081 million and loss before tax at RM4.482 million as compared to revenue of RM44.727 million and loss before tax at RM5.347 million for the corresponding period in previous financial year.

B2. Variation of Results Against Preceding Quarter

The Group achieved a loss before tax of RM1.595 million as compared to the preceding quarter of loss before tax of RM0.868 million.

B3. Prospects of the Group

The financial performance continued to be affected by the global slowdown and additional cost arising from changes in labour legislation. The Group is also reviewing the financial performance of a subsidiary, Ezeq Technology (M) Sdn. Bhd. to consider if there is any permanent impairment in the value of the goodwill of RM2.168million arising from its acquisition. The Group does not expect any significant improvement in its financial results over the next quarter.

B4. Profit Forecast

The Group did not publish any profit forecast during the quarter.

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B5. Tax Income / Expense

Tax income/expense comprises the following:-

	Individual quarter ended		Cumulative quarters ended	
	30 Sept 2009 RM'000	30 Sept 2008 RM'000	30 Sept 2009 RM'000	30 Sept 2008 RM'000
In respect of the current period:-				
Income tax	(15)	(122)	(195)	(122)
Deferred tax	96	(75)	293	329
	<u>81</u>	<u>(197)</u>	<u>98</u>	<u>207</u>
In respect of prior year income tax:-				
Income tax	7	-	7	60
Deferred tax	252	86	349	86
Tax income/(expense)	<u>340</u>	<u>(111)</u>	<u>454</u>	<u>353</u>

The effective tax rate for the current quarter is lower than its statutory tax rate mainly due to tax incentive enjoyed by its subsidiary.

For its Vietnam's subsidiary, the company is exempted from corporate income tax for 4 (four) years commencing from the first year having taxable income and shall be granted a 50% (fifty percent) reduction of corporate income tax for period of 7 (seven) subsequent years.

B6. Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments or properties during the quarter.

B7. Purchase and disposal of quoted and marketable securities

There was no purchase or disposal of quoted and marketable securities during the quarter.

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B8. Borrowings

The Group's borrowings, all are repayable in Ringgit Malaysia and secured, as of the end of the quarter are as follows:-

	Total RM'000
Short Term Borrowings	
Bankers' Acceptances	4,096
Term Loans	546
Hire Purchase Payables	<u>2,870</u>
	7,512
Long Term Borrowings	
Term Loans	667
Hire Purchase Payables	<u>3,031</u>
	3,698
Total	<u>11,210</u>

B9. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B10. Material Litigation

Other than the legal action initiated to recover costs and losses arising from the termination of the Technology Licence Agreement with Sansun (HK) Limited, the directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this announcement.

B11. Dividend

There were no dividend being declared or proposed by the Company for the quarter ended 30 September 2009.

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B12. Loss Per Share**Basic loss per share (LPS)**

	Individual quarter ended		Cumulative quarters	
	30 Sept 2009	30 Sept 2008	30 Sept 2009	30 Sept 2008
Loss for the period (RM'000)	(1,255)	(979)	(4,028)	(4,994)
Weighted average number of shares in issue ('000)#	76,908	76,908	76,908	76,908
Basic LPS (sen)	(1.63)	(1.27)	(5.24)	(6.49)

Note:

Upon deducting 3,092,000 treasury shares held by the Company as at end of the quarter under review.

Diluted LPS

Diluted LPS is equal to the basic LPS as there were no potential ordinary shares outstanding in both the previous and current financial years.

B13. Audit Report

The auditors' report of the Company for the financial year ended 31 December 2008 was not subject to any qualification.