

GE-SHEN CORPORATION BERHAD
(Incorporated in Malaysia)

Interim Financial Statements

Second Quarter Results
Period ended
30 June 2019

GE-SHEN CORPORATION BERHAD

Company No. 633814-X

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

	Notes	<u>INDIVIDUAL</u>		<u>CUMULATIVE</u>	
		3 Month Ended 30 Jun 2019 RM'000	3 Month Ended 30 Jun 2018 RM'000	6 Month Ended 30 Jun 2019 RM'000	6 Month Ended 30 Jun 2018 RM'000
Revenue		38,464	52,209	72,730	108,382
Other income		373	989	677	1,236
Share of results in associate		(28)	19	147	16
Changes in inventories of finished goods and work-in-progress		2,294	580	918	1,993
Raw materials used		(19,689)	(25,012)	(35,311)	(53,342)
Employee benefits		(12,006)	(13,181)	(23,253)	(26,446)
Depreciation and amortisation		(2,609)	(2,271)	(4,894)	(4,565)
Other operating expenses		(7,726)	(8,750)	(14,882)	(19,530)
Finance costs		(1,147)	(1,087)	(2,170)	(2,098)
(Loss) / Profit before tax		(2,074)	3,496	(6,038)	5,646
Tax expenses	B6	(83)	(747)	(74)	(1,946)
(Loss) / Profit for the period		(2,157)	2,749	(6,112)	3,700
Other Comprehensive Income / (Loss)		70	-	(16)	-
Exchange differences on translating foreign operations		-	85	-	(62)
Share of other comprehensive income of associate		-	-	-	-
Total Comprehensive (Loss) / Income for the period		(2,087)	2,834	(6,128)	3,638
(Loss) / Profit after tax attributable to:					
Owners of the Company		(1,945)	2,501	(5,564)	3,751
Non-Controlling Interest		(212)	248	(548)	(51)
		(2,157)	2,749	(6,112)	3,700
Total Comprehensive (Loss) / Income attributable to:					
Owners of the Company		(1,875)	2,586	(5,580)	3,689
Non-Controlling Interest		(212)	248	(548)	(51)
		(2,087)	2,834	(6,128)	3,638
(Loss) / Earnings per share (Sen)					
Basic	B14	(3.17)	3.25	(7.88)	4.88
Diluted	B14	(1.80)	2.37	(5.16)	3.58

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and accompanying explanatory notes attached to the interim financial statements.

GE-SHEN CORPORATION BERHAD

Company No. 633814-X

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Notes	Unaudited As at 30 Jun 2019 RM'000	Audited As at 31 Dec 2018 RM'000
ASSETS			
Non-Current Assets			
Investment in an associate		1,221	1,074
Property, plant and equipment		111,742	97,989
Prepaid lease payments		3,404	3,874
Right-of-use assets		1,755	-
Goodwill on consolidation		31,195	31,195
		<u>149,317</u>	<u>134,132</u>
Current Assets			
Inventories		24,735	22,023
Trade receivables		28,674	31,593
Other receivables, deposits and prepayments		5,151	5,380
Current tax assets		4,122	2,676
Fixed deposits with licensed banks		3,344	3,032
Cash and bank balances		7,091	12,100
		<u>73,117</u>	<u>76,804</u>
Total Assets		<u>222,434</u>	<u>210,936</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		45,643	45,643
Treasury shares		(1,843)	(1,843)
Reserves		52,742	58,084
Total Equity Attributable to Owners of the Company		<u>96,542</u>	<u>101,884</u>
Non-controlling interests		5,290	5,838
		<u>101,832</u>	<u>107,722</u>
Non-Current Liabilities			
Long term borrowings	B10	47,279	40,011
Lease liabilities		1,181	-
Redeemable convertible preference shares		745	1,195
Deferred taxation		3,531	3,555
		<u>52,736</u>	<u>44,761</u>
Current Liabilities			
Trade payables		20,024	19,375
Other payables and accruals		13,541	10,573
Lease liabilities		605	-
Short-term borrowings	B10	27,636	25,338
Bank overdraft		6,060	3,167
		<u>67,866</u>	<u>58,453</u>
Total Liabilities		<u>120,602</u>	<u>103,214</u>
Total Equity and Liabilities		<u>222,434</u>	<u>210,936</u>
Net Assets per Ordinary Share Attributable to Owners of the Company (RM)		1.25	1.32

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and accompanying explanatory notes attached to the interim financial statements.

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

	6 Month Ended 30 Jun 2019 RM'000	6 Month Ended 30 Jun 2018 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
(Loss) / Profit before tax	(6,038)	5,646
Adjustments for:		
Depreciation and amortisation	4,894	4,565
Property, plant and equipment written off	-	2
Amortisation of prepaid lease payment	59	658
Employee benefits expense	247	740
Interest expense	2,170	2,098
Gain on foreign exchange – unrealised	(94)	(888)
Share of results of an associate	(147)	(16)
Gain on disposal of property, plant and equipment	(92)	(78)
Interest income	(59)	(59)
Operating profit before working capital changes	940	12,668
Net changes in inventories	(2,712)	1,493
Net changes in trade and other receivables	3,217	13,860
Net changes in trade and other payables	(986)	(17,827)
CASH FLOWS FROM OPERATIONS	459	10,194
Tax paid	(1,676)	(2,938)
Tax refunded	133	120
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(1,084)	7,376
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	59	59
(Increase)/Decrease in pledged fixed deposits with licensed bank	(313)	1,193
Proceeds from disposal of property, plant and equipment	166	221
Purchase of property, plant and equipment	(5,671)	(10,142)
NET CASH FOR INVESTING ACTIVITIES	(5,759)	(8,669)

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019 - CONTINUED**

	6 Month Ended 30 Jun 2019 RM'000	6 Month Ended 30 Jun 2018 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(2,125)	(2,021)
Net (repayment)/drawdown of term loan	(1,199)	2,900
Net (repayment)/drawdown of hire purchase obligations	(2,227)	2,103
Net drawdown/(repayment) of other short-term bank borrowings	4,387	(3,604)
Repayment of lease liabilities	(320)	-
NET CASH FOR FINANCING ACTIVITIES	(1,484)	(622)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,327)	(1,915)
Effect of changes in exchange rates	424	(207)
CASH AND CASH EQUIVALENT AS AT BEGINNING OF PERIOD	8,934	8,536
CASH AND CASH EQUIVALENT AS AT END OF PERIOD	1,031	6,414

Cash and cash equivalents included in the cash flows statement comprise of the followings:

	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Fixed deposits with licensed banks	3,344	2,326
Cash and bank balances	7,091	10,750
Less: Bank overdrafts	(6,060)	(4,934)
Less: FD pledged to licensed banks	(1,775)	(1,130)
Less: FD with maturity more than 3 months	(1,569)	(598)
	1,031	6,414

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and accompanying explanatory notes attached to the interim financial statements.

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

	← Non-Distributable →						Distributable			
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Shares Option Reserve RM'000	Redeemable Convertible Preference Share RM'000	Foreign Exchange Translation Reserve RM'000	Retained Earnings RM'000	Total Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
As at 1 January 2019 (as previously stated)	45,643	-	(1,843)	2,204	13,738	2,038	40,104	101,884	5,838	107,722
- effect of adopting MFRS 16	-	-	-	-	-	-	(10)	(10)	-	(10)
As at 1 January 2019 (restated)	45,643	-	(1,843)	2,204	13,738	2,038	40,094	101,874	5,838	107,712
Loss for the period	-	-	-	-	-	-	(5,564)	(5,564)	(548)	(6,112)
Other comprehensive income:										
- Foreign currency translation - differences	-	-	-	-	-	(15)	-	(15)	-	(15)
- Share of an associate's other comprehensive income	-	-	-	-	-	-	-	-	-	-
Contributions by and distributions to owners of the Company:										
- Issuance of shares under the ESOS	-	-	-	-	-	-	-	-	-	-
- Share options to employees	-	-	-	247	-	-	-	247	-	247
- Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-
Employee' share options reserve	-	-	-	-	-	-	-	-	-	-
As at 30 June 2019	45,643	-	(1,843)	2,451	13,738	2,023	34,530	96,542	5,290	101,832

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2019 - CONTINUED**

	← Non-Distributable →						Distributable			
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Shares Option Reserve RM'000	Redeemable Convertible Preference Share RM'000	Foreign Exchange Translation Reserve RM'000	Retained Earnings RM'000	Total Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
As at 1 January 2018	45,643	-	(1,843)	1,464	13,738	2,175	35,603	96,780	5,819	102,599
Profit for the period	-	-	-	-	-	-	3,751	3,751	(51)	3,700
Other comprehensive income:										
- Foreign currency translation - differences	-	-	-	-	-	(62)	-	(62)	-	(62)
- Share of an associate's other comprehensive income	-	-	-	-	-	-	-	-	-	-
Contributions by and distributions to owners of the Company:										
- Issuance of shares under the ESOS	-	-	-	-	-	-	-	-	-	-
- Share options to employees	-	-	-	-	-	-	-	-	-	-
- Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-
Employee' share options reserve	-	-	-	740	-	-	-	740	-	740
As at 30 June 2018	45,643	-	(1,843)	2,204	13,738	2,113	39,354	101,209	5,768	106,977

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and accompanying explanatory notes attached to the interim financial statements.

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

PART A - EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134**A1. Basis of Preparation****Statement of compliance**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018 except for adoption of MFRS 16.

Significant accounting policies

- (a) The significant accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the preparation of the financial statements of the Group for the financial year ended 31 December 2018 except for adoption of MFRS 16.
- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:

MFRSs and Interpretations	Effective for financial periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The Group is in the process of making an assessment of the impact of the adoption of these standards and amendments to existing standards.

- (c) The accounting standards and interpretations that were issued by the Malaysian Accounting Standards Board (MASB) and effective for financial year beginning on or after 1 January 2019 have been adopted by the Group. None of these is expected to have a significant effect on the unaudited condensed financial statements of the Group, except the following set out below:

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

PART A - EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134**A1. Basis of Preparation - continued****Significant accounting policies - continued****MFRS 16 'Leases'**

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method.

The following table presents the impact of changes to the consolidated statement of financial position of the Group resulting from the adoption of MFRS 16 *Leases* as at 1 January 2019:

	As at 31 December 2018 RM'000	Changes RM'000	As at 1 January 2019 RM'000
Non-current assets			
Right-of-use assets	-	1,284	1,284
Non-current liabilities			
Lease liabilities	-	815	815
Deferred taxation	-	(3)	(3)
Current liabilities			
Lease liabilities	-	482	482
Equity			
Retained Earnings	-	(10)	(10)

The Group recognised right-of-use of assets for office and factory leases, except for short-term leases and leases of low-value assets. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rate of the Group.

Subsequent to initial recognition, the Group measure the lease liabilities by increasing the carrying value to reflect the interest on the lease liabilities, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

A2. Seasonality or Cyclicity Factors

The Group's operations experience certain seasonality or cyclicity that is common in the industry of which the Group operates in.

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

PART A - EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134 (CONTINUED)**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 significant changes in estimates 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.

A6. Dividend Paid

There was no dividend paid during the quarter under review.

A7. Segmental Reporting

The Group is organised into the two main geographical segments and operating in manufacturing of plastic moulded products, metal stamping products and components. The segmental information has been presented as follows:-

(a) By Geographical Segment**Current Quarter**

	Malaysia RM'000	Vietnam RM'000	Elimination RM'000	Consolidated RM'000
As at 30 June 2019				
Revenue				
- sales to external parties	30,622	7,842	-	38,464
- inter-segment sales	15	-	(15)	-
Total revenue	30,637	7,842	(15)	38,464
Segment results	(1,706)	795	(16)	(927)
Finance costs				(1,147)
Loss before taxation				(2,074)

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

PART A - EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134 (CONTINUED)**A7. Segmental Reporting - continued****(a) By Geographical Segment - continued****Preceding Quarter**

	Malaysia RM'000	Vietnam RM'000	Elimination RM'000	Consolidated RM'000
As at 31 March 2019				
Revenue				
- sales to external parties	28,351	5,915	-	34,266
- inter-segment sales	14	-	(14)	-
Total revenue	28,365	5,915	(14)	34,266
Segment results	(2,129)	(799)	(13)	(2,941)
Finance costs				(1,023)
Loss before taxation				(3,964)

Preceding Year Corresponding Quarter

	Malaysia RM'000	Vietnam RM'000	Elimination RM'000	Consolidated RM'000
As at 30 June 2018				
Revenue				
- sales to external parties	44,933	7,276	-	52,209
- inter-segment sales	13	-	(13)	-
Total revenue	44,946	7,276	(13)	52,209
Segment results	4,696	(99)	(14)	4,583
Finance costs				(1,087)
Profit before taxation				3,496

(b) By Industry Segment

Industrial segmental information is not applicable.

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 require disclosure or adjustments to the unaudited interim financial statements.

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

PART A - EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134 (CONTINUED)**A9. Changes in the Composition of the Group**

There are no material changes in the composition of the Group for the current financial period ended 30 June 2019.

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 except for the company provided corporate guarantee of RM112.40 million to subsidiary companies and RM69.16 million was utilised as at 30 June 2019.

A11. Capital Commitments

The amount of capital commitments not provided for in the interim financial statements are as follows:

	<u>Unaudited</u> 30 Jun 2019 RM'000	<u>Audited</u> 31 Dec 2018 RM'000
Approved and contracted for:		
Purchase of property, plant and equipment	14,533	15,696
Approved but not contracted for:		
Purchase of property, plant and equipment	6,666	1,414

A12. Related Party Transactions

Significant transactions between the Company and related parties are as follows:

	Individual Quarter ended		Cumulative Quarter ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Transaction with related parties:				
Purchase of components	486	627	931	1,211
Transport charges	-	-	-	-
Rental of premises	46	53	91	123
Technical fee	33	30	66	59
Sales of goods	365	427	1,445	907
Research and development	109	107	218	213

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**B1. Review of Group's Results for the Quarter Ended 30 June 2019**

	INDIVIDUAL			CUMULATIVE		
	3 Month Ended 30 Jun 2019 RM'000	3 Month Ended 30 Jun 2018 RM'000	Changes %	6 Month Ended 30 Jun 2019 RM'000	6 Month Ended 30 Jun 2018 RM'000	Changes %
Revenue	38,464	52,209	(26.3)	72,730	108,382	(32.9)
Operating Profit	(899)	4,563	(119.7)	(4,015)	7,728	(152.0)
(Loss) / Profit Before Interest and Tax	(927)	4,583	(120.2)	(3,868)	7,744	(149.9)
(Loss) / Profit Before Tax	(2,074)	3,496	(159.3)	(6,038)	5,646	(206.9)
(Loss) / Profit After Tax	(2,157)	2,749	(178.5)	(6,112)	3,700	(265.2)
(Loss) / Profit Attributable to Owners of the Company	(1,945)	2,501	(177.8)	(5,564)	3,751	(248.3)
EBITDAF	1,371	5,757	(76.2)	976	12,404	(92.1)

i. Quarter Ended 30 June 2019 compared to Quarter Ended 30 June 2018

For the current quarter, the Group's revenue decreased by 26% to RM38.5 million compared to RM52.2 million registered during the corresponding quarter of the preceding financial period which then resulted in a loss before tax of RM2.2 million in the current quarter as compared to the profit before tax of RM3.5 million for the corresponding quarter of the preceding financial period.

The drop in the Group's revenue is due to the significant slowdown in developed economies resulting in reduced demand for manufactured goods in general. Nevertheless against this backdrop, the management is encouraged by the continued improvement with the facility in Vietnam which saw an improvement in sales and also more significantly, it recorded a return to profitability for the first time since the commissioning of the new facility.

The profitability of the rest of the Group's facilities continued to be negatively impacted by the margin compression attributable to lower economies of scale and under absorption of overheads. Moreover, employment costs also increased as a result of the implementation of a higher minimum wage.

The Group registered a positive EBITDAF (Earnings before Interest, Taxation, Depreciation, Amortization and Foreign exchange gain/loss) of RM1.4 million for the current quarter in comparison to a EBITDAF of RM5.8 million for the corresponding quarter of the preceding financial period.

ii. Six Months Ended 30 June 2019 compared to Six Months Ended 30 June 2018

The revenue of the Group for the six months ended 30 June 2019 declined by RM35.7million to RM72.7million from RM108.4 million in the preceding financial period due to a slowdown in global economies as described earlier.

For the six month period, the group recorded a loss before tax of RM6.04 million for the financial period ended 30 June 2019 as compared to preceding financial period with profit before tax of RM 5.65 million. The loss before tax was attributable to lower sales from a weaker global economy which resulted in lower absorption of overhead costs, also contributing to the erosion in margin was the implementation of higher wages. Efforts at cost cutting did not result in sufficient improvements to the cost structure to counter the margin deterioration from the drop in sales.

As a result of the lower profit, EBITDAF decreased from RM12.4 million for the six months ended 30 June 2018 to RM1.0 million for the six months ended 30 June 2019.

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

**PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS
(CONTINUED)****B2. Variation of Results Against Preceding Quarter**

	INDIVIDUAL		Changes %
	3 Month Ended 30 Jun 2019 RM'000	3 Month Ended 31 Mar 2019 RM'000	
Revenue	38,464	34,266	12.3
Operating Profit	(899)	(3,116)	71.1
Loss Before Interest and Tax	(927)	(2,941)	68.5
Loss Before Tax	(2,074)	(3,964)	47.7
Loss After Tax	(2,157)	(3,955)	45.5
Loss Attributable to Owners of the Company	(1,945)	(3,619)	46.3
EBITDAF	1,371	(395)	447.1

The Group's revenue for the current quarter has increased by 12% or RM4.2 million from RM34.3 million in the preceding quarter to RM38.5 million due to seasonal higher revenue trend in the second quarter.

The improvement in the sales figure has enabled the Group to record a narrowing of its losses on the comprehensive income line from a loss of RM4.0 million in the preceding quarter to a loss of RM2.2 million for the current period. This reduction in loss is due to the better margins as a result of better overhead absorption from an increase in sales. Better operational efficiencies and cost control have also been a major factor in the improvement in margin as well. Management have instituted lean manufacturing initiatives across its various facilities to improve on operational efficiencies and cut down on the cost of quality.

Significantly for the Group is the fact that cash earnings from operations as measured by EBITDAF was a positive RM1.4mil which is a significant improvement from the negative RM0.4mil which was recorded for the preceding quarter period.

B3. Prospects of the Group

The global market for manufactured goods has faced a tremendous fall off in demand over the past six to nine months. The slowing global economy coupled with the fall off from the trade war have resulted in significantly lower volumes across the whole industry globally and in retrospect, the management with its concentration on business development efforts have done a commendable job as the Group have added a few significant customers. Management is now working diligently to fast track the qualification requirements of these new customers for them to be able to contribute to Group sales. While these new customers have not been contributing anything to the Group sales over the past six months, the management is hopeful that the stage of mass production is almost upon us and the Group should be looking forward to a gradual ramp up of the sales for the rest of the year.

In Vietnam, there might be a need for incremental capex being undertaken as the facility could be facing capacity constraint as enquiries is continuing to be quite strong, elsewhere within the Group, the programme of capex investment have almost finished and hence the requirement for future capex in the short term is lessened.

With the business at a point where overheads is currently just being met, there is strong operational leverage therefore any increase in sales will result in significantly reduced losses or even increased profitability. Therefore the management is cautiously optimistic for the prospects of the Group in the coming few months. Longer term, the realignment of the global supply chain may see great benefit to Malaysian manufacturers and the management is working very hard to forge ahead with these opportunities.

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**PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS
(CONTINUED)****B4. Profit Forecast**

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

B5. Explanation Note on Profit Forecast

Not Applicable.

B6. Tax Expense

Tax expense comprises of the followings:

	Individual Quarter ended		Cumulative Quarter ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
In respect of the current period :				
Income tax	96	758	96	1,970
Deferred tax	(13)	(11)	(22)	(24)
Tax expenses	<u>83</u>	<u>747</u>	<u>74</u>	<u>1,946</u>

B7. Sale of Unquoted Investments, or Properties

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

B8. Purchase or Disposal of Quoted and Marketable Securities

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

B9. Corporate Proposals

The following corporate proposal that was announced by the Company which has yet to complete as at 1 August 2019, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report:

Ge-Shen Plastic (M) Sdn Bhd's proposed acquisition of a piece of land held under H.S.(D) 6136, No. PT: lot 3929, Mukim Terbau, District of Johor Bahru, State of Johor Darul Takzim measuring approximately 0.383 hectare together with one (1) unit of detached factory erected thereon measuring approximately 25,755 square feet ("property") for the consideration of RM6,300,000.00.

The Proposed Acquisition is expected to be completed by the third quarter of 2019. It was previously announced to be completed by the third quarter of 2020. However, for commercial reasons, the Board has considered an earlier completion.

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS (CONTINUED)**B9. Corporate Proposals - continued**

The following corporate proposal that was announced by the Company had been completed on 27 June 2019.

Demand Options Sdn Bhd's proposed renting with option to purchase of all that piece of freehold land held under H.S.D 169007 PTD 91805, Mukim, Plentong, Daerah Johor Bahru measuring approximately 4,909.1147 square metres together with the building erected thereon bearing a postal address of No.12, Jalan Mahir 5, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, by Demand Options Sdn. Bhd. (446459-W), for a period of fifteen (15) months, as a monthly rental of RM23,000/- and purchase consideration of RM7,300,000/-.

B10. Borrowings (Secured)

The Group's borrowings, all are repayable in Ringgit Malaysia, United States Dollar and Vietnamese Dong secured, as of the end of the quarter are as follows:

	<u>Unaudited</u> 30 Jun 2019 RM'000	<u>Audited</u> 31 Dec 2018 RM'000
Short term borrowings:		
Bankers' acceptance	7,152	8,019
Hire purchase payables	3,264	3,614
Term loans	6,400	8,139
Revolving credit	8,349	5,230
Multi currency trade loan	2,471	336
	<u>27,636</u>	<u>25,338</u>
Long term borrowings:		
Hire purchase payables	7,295	6,357
Term loans	39,984	33,654
	<u>47,279</u>	<u>40,011</u>
	<u>74,915</u>	<u>65,349</u>

B11. Off Balance Sheet Financial Instrument

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

B12. Material Litigation

The directors do not have any knowledge of any proceedings pending or threatened against the Group as the date of this report.

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS (CONTINUED)**B13. Dividend Proposed**

There was no dividend declared or proposed by the company for the current quarter ended 30 June 2019.

B14. (Loss) / Earnings per share (Sen)**Basic (loss) / earnings per share**

	<u>Individual Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
(Loss) / Profit attributable to ordinary shareholders (RM'000)	(1,945)	2,501	(5,564)	3,751
Dividends on RCPS (RM'000)	(495)	-	(495)	-
	<u>(2,440)</u>	<u>2,501</u>	<u>(6,059)</u>	<u>3,751</u>
Weighted average number of shares in issue ('000)*	76,927	76,921	76,927	76,921
Basic EPS (Sen)	<u>(3.17)</u>	<u>3.25</u>	<u>(7.88)</u>	<u>4.88</u>

Diluted earnings per share

	<u>Individual Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
(Loss) / Profit attributable to ordinary shareholders (RM'000)	(1,945)	2,501	(5,564)	3,751
Interests on RCPS (RM'000)	18	35	45	77
	<u>(1,927)</u>	<u>2,536</u>	<u>(5,519)</u>	<u>3,828</u>
Weighted average number of shares in issue ('000)*	76,927	76,921	76,927	76,921
Weighted average number of new ordinary shares, assumption on conversion of the remaining:-				
- RCPS ('000)	30,000	30,000	30,000	30,000
- ESOS ('000)	-	-	-	-
	<u>106,927</u>	<u>106,921</u>	<u>106,927</u>	<u>106,921</u>
Diluted EPS (Sen)	<u>(1.80)</u>	<u>2.37</u>	<u>(5.16)</u>	<u>3.58</u>

Note:

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

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

**PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS
(CONTINUED)****B15. Audit Report**

The auditors' report of the company for the financial year ended 31 December 2018 was not subject to any qualification.

B16. Notes to the Statement of Comprehensive Income

	Individual Quarter ended		Cumulative Quarter ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
(Loss) / Profit before taxation is arrived at after crediting:				
Interest income	(30)	(31)	(59)	(59)
Gain on foreign exchange				
- realised	(142)	-	(239)	-
- unrealised	(33)	(1,128)	(84)	(888)
Gain on disposal of property, plant and equipment	(1)	-	(92)	-
and after charging:				
Depreciation and amortisation	2,609	2,271	4,894	4,565
Interest expenses	1,147	1,087	2,170	2,098
Loss on foreign exchange				
- realised	187	30	511	983
- unrealised	(28)	-	82	-
Property, plant and equipment written off	-	-	-	2
Provision for and write off of inventories	(2)	-	30	-
Loss on disposal of property, plant and equipment	-	-	-	-

Save as disclosed in the above, there were no gain/(loss) on disposal of quoted/unquoted investments, exceptional items, and other items required to be disclosed under the additional disclosure requirement for public listed companies that are listed on Main or Ace Markets of the Bursa Malaysia Securities Berhad.