

GE-SHEN CORPORATION BERHAD
(Incorporated in Malaysia)

Interim Financial Statements

Third Quarter Results
Period ended
30 September 2019

GE-SHEN CORPORATION BERHAD

Company No. 633814-X

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	Notes	<u>INDIVIDUAL</u>		<u>CUMULATIVE</u>	
		3 Month Ended 30 Sep 2019 RM'000	3 Month Ended 30 Sep 2018 RM'000	9 Month Ended 30 Sep 2019 RM'000	9 Month Ended 30 Sep 2018 RM'000
Revenue		44,194	50,788	116,924	159,171
Other income		539	407	1,216	1,659
Share of results in associate		40	62	187	78
Changes in inventories of finished goods and work-in-progress		760	(334)	1,678	1,659
Raw materials used		(20,742)	(23,713)	(56,053)	(77,055)
Employee benefits		(12,332)	(13,147)	(35,585)	(39,593)
Depreciation and amortisation		(2,783)	(2,333)	(7,677)	(6,898)
Other operating expenses		(9,133)	(8,889)	(24,015)	(28,436)
Finance costs		(1,335)	(1,108)	(3,505)	(3,206)
(Loss) / Profit before tax		(792)	1,733	(6,830)	7,379
Tax expenses	B6	103	(813)	29	(2,759)
(Loss) / Profit for the period		(689)	920	(6,801)	4,620
Other Comprehensive (Loss) / Income					
Exchange differences on translating foreign operations		75	6	59	(56)
Total Comprehensive (Loss) / Income for the period		(614)	926	(6,742)	4,564
(Loss) / Profit after tax attributable to:					
Owners of the Company		(958)	775	(6,522)	4,526
Non-Controlling Interest		269	145	(279)	94
		(689)	920	(6,801)	4,620
Total Comprehensive (Loss) / Income attributable to:					
Owners of the Company		(883)	781	(6,463)	4,470
Non-Controlling Interest		269	145	(279)	94
		(614)	926	(6,742)	4,564
(Loss) / Earnings per share (Sen)					
Basic	B14	(1.25)	1.01	(9.12)	5.24
Diluted	B14	(0.88)	0.76	(6.04)	4.34

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 SEPTEMBER 2019**

	Notes	Unaudited As at 30 Sep 2019 RM'000	Audited As at 31 Dec 2018 RM'000
ASSETS			
Non-Current Assets			
Investment in an associate		1,261	1,074
Property, plant and equipment		117,046	97,989
Prepaid lease payments		3,393	3,874
Right-of-use assets		1,599	-
Goodwill on consolidation		31,195	31,195
		<u>154,494</u>	<u>134,132</u>
Current Assets			
Inventories		28,995	22,023
Trade receivables		32,011	31,593
Other receivables, deposits and prepayments		4,403	5,380
Current tax assets		3,626	2,676
Fixed deposits with licensed banks		3,375	3,032
Cash and bank balances		6,409	12,100
		<u>78,819</u>	<u>76,804</u>
Total Assets		<u><u>233,313</u></u>	<u><u>210,936</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		45,643	45,643
Treasury shares		(1,843)	(1,843)
Reserves		51,858	58,084
Total Equity Attributable to Owners of the Company		<u>95,658</u>	<u>101,884</u>
Non-controlling interests		5,559	5,838
		<u>101,217</u>	<u>107,722</u>
Non-Current Liabilities			
Long term borrowings	B10	51,443	40,011
Lease liabilities		1,025	-
Redeemable convertible preference shares		763	1,195
Deferred taxation		3,524	3,555
		<u>56,755</u>	<u>44,761</u>
Current Liabilities			
Trade payables		21,598	19,375
Other payables and accruals		15,264	10,573
Lease liabilities		613	-
Short-term borrowings	B10	30,914	25,338
Bank overdraft		6,952	3,167
		<u>75,341</u>	<u>58,453</u>
Total Liabilities		<u>132,096</u>	<u>103,214</u>
Total Equity and Liabilities		<u><u>233,313</u></u>	<u><u>210,936</u></u>
Net Assets per Ordinary Share Attributable to Owners of the Company (RM)		1.24	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 THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	9 Month Ended 30 Sep 2019 RM'000	9 Month Ended 30 Sep 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before tax	(6,830)	7,379
Adjustments for:		
Depreciation and amortisation	7,230	6,898
Property, plant and equipment written off	-	568
Amortisation of right-of-use asset	447	-
Amortisation of prepaid lease payment	-	796
Employee benefits expense	247	740
Interest expense	3,505	3,206
Gain on foreign exchange – unrealised	(370)	(1,187)
Share of results of an associate	(187)	(78)
Gain on disposal of property, plant and equipment	(166)	(93)
Interest income	(85)	(86)
Operating profit before working capital changes	3,791	18,143
Net changes in inventories	(6,971)	889
Net changes in trade and other receivables	756	12,074
Net changes in trade and other payables	5,085	(16,027)
CASH FLOWS FROM OPERATIONS	2,661	15,079
Tax paid	(2,269)	(4,835)
Tax refunded	1,320	158
NET CASH FROM OPERATING ACTIVITIES	1,712	10,402
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	85	86
(Increase)/decrease in pledged fixed deposits with licensed bank	(344)	1,177
Proceeds from disposal of property, plant and equipment	241	907
Purchase of property, plant and equipment	(8,376)	(11,398)
NET CASH FOR INVESTING ACTIVITIES	(8,394)	(9,228)

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

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

	9 Month Ended 30 Sep 2019 RM'000	9 Month Ended 30 Sep 2018 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(3,442)	(3,094)
Net repayment of term loan	(2,732)	(1,606)
Net (repayment)/drawdown of hire purchase obligations	(3,626)	4,782
Net drawdown/(repayment) of other short-term bank borrowings	7,032	(1,895)
Repayment of lease liabilities	(421)	-
NET CASH FOR FINANCING ACTIVITIES	(3,189)	(1,813)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,871)	(639)
Effect of changes in exchange rates	394	70
CASH AND CASH EQUIVALENT AS AT BEGINNING OF PERIOD	8,934	8,536
CASH AND CASH EQUIVALENT AS AT END OF PERIOD	(543)	7,967

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

	30 Sep 2019 RM'000	30 Sep 2018 RM'000
Fixed deposits with licensed banks	3,375	2,347
Cash and bank balances	6,409	10,857
Less: Bank overdrafts	(6,952)	(3,494)
Less: FD pledged to licensed banks	(1,791)	(1,743)
Less: FD with maturity more than 3 months	(1,584)	-
	(543)	7,967

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 THIRD QUARTER ENDED 30 SEPTEMBER 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	-	-	-	-	-	-	(6,522)	(6,522)	(279)	(6,801)
Other comprehensive income:										
- Foreign currency translation - differences	-	-	-	-	-	59	-	59	-	59
- 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 September 2019	45,643	-	(1,843)	2,451	13,738	2,097	33,572	95,658	5,559	101,217

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

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

	← Non-Distributable →						Distributable			
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Shares Option Reserve RM'000	Redeemable 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	-	-	-	-	-	-	4,526	4,526	94	4,620
Other comprehensive income:										
- Foreign currency translation - differences	-	-	-	-	-	(56)	-	(56)	-	(56)
- 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 September 2018	45,643	-	(1,843)	2,204	13,738	2,119	40,129	101,990	5,913	107,903

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 Cyclical Factors

The Group's operations experience certain seasonality or cyclical factors 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 September 2019				
Revenue				
- sales to external parties	35,973	8,221	-	44,194
- inter-segment sales	18	-	(18)	-
Total revenue	35,991	8,221	(18)	44,194
Segment results	1,295	(740)	(12)	543
Finance costs				(1,335)
Loss before taxation				(792)

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 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)

Preceding Year Corresponding Quarter

	Malaysia RM'000	Vietnam RM'000	Elimination RM'000	Consolidated RM'000
As at 30 September 2018				
Revenue				
- sales to external parties	44,884	5,904	-	50,788
- inter-segment sales	13	-	(13)	-
Total revenue	44,897	5,904	(13)	50,788
Segment results	4,316	(1,462)	(13)	2,841
Finance costs				(1,108)
Profit before taxation				1,733

(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 September 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 RM124.82 million to subsidiary companies and RM81.73 million was utilised as at 30 September 2019.

A11. Capital Commitments

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

	<u>Unaudited</u> 30 Sep 2019 RM'000	<u>Audited</u> 31 Dec 2018 RM'000
Approved and contracted for:		
Purchase of property, plant and equipment	10,183	15,696
Approved but not contracted for:		
Purchase of property, plant and equipment	6,427	1,414

A12. Related Party Transactions

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

	Individual Quarter ended		Cumulative Quarter ended	
	30 Sep 2019 RM'000	30 Sep 2018 RM'000	30 Sep 2019 RM'000	30 Sep 2018 RM'000
Transaction with related parties:				
Purchase of components	680	836	1,611	2,047
Transport charges	-	-	-	-
Rental of premises	45	45	136	168
Technical fee	33	31	99	90
Sales of goods	718	486	2,163	1,393
Research and development	110	-	328	-

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 September 2019**

	<u>INDIVIDUAL</u>			<u>CUMULATIVE</u>		
	3 Month Ended 30 Sep 2019 RM'000	3 Month Ended 30 Sep 2018 RM'000	Changes %	9 Month Ended 30 Sep 2019 RM'000	9 Month Ended 30 Sep 2018 RM'000	Changes %
Revenue	44,194	50,788	(13.0)	116,924	159,171	(26.5)
Operating (Loss) / Profit	503	2,779	(81.9)	(3,512)	10,507	(133.4)
(Loss) / Profit Before Interest and Tax	543	2,841	(80.9)	(3,325)	10,585	(131.4)
(Loss) / Profit Before Tax	(792)	1,733	(145.7)	(6,830)	7,379	(192.6)
(Loss) / Profit After Tax	(689)	920	(174.9)	(6,801)	4,620	(247.2)
(Loss) / Profit Attributable to Owners of the Company	(958)	775	(223.6)	(6,522)	4,526	(244.1)
EBITDAF	3,306	4,618	(28.4)	4,282	17,023	(74.8)

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

For the current quarter, the Group's revenue fell by 13% to RM44.2 million compared to RM50.8 million registered during the corresponding quarter of the preceding financial period which then resulted in a loss before tax of RM0.8 million in the current quarter as compared to the profit before tax of RM1.7 million for the corresponding quarter of the preceding financial period.

The deteriorating global macroeconomic situation have continued to be a negative factor for companies in the manufacturing industries which resulted in unfavourable unit volume being shipped out to existing customers. However, there is some mitigating factor seen in that the rate of declined have started to level out a bit. This improvement is largely attributable to the efforts of various business development initiatives which is resulting in better shipment volumes. This has been particularly true in two of the subsidiaries which actually managed to achieve higher sales revenue when compared to the corresponding quarter of the previous year.

Despite registering a consolidated overall loss before tax of RM0.8million for the quarter, the Group nonetheless managed to register a positive EBITDAF (Earnings before Interest, Taxation, Depreciation, Amortization and Foreign exchange gain/loss) of RM3.3 million for the current quarter in comparison to a EBITDAF of RM4.6 million for the corresponding quarter of the preceding financial period.

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

The revenue of the Group for the nine months ended 30 September 2019 declined by RM42.3 million to RM116.9 million from RM159.2 million in the preceding financial period due to a slowdown in global economies as described earlier.

For the nine months period, the group recorded a Loss Before Tax, of RM6.8 million for the financial period ended 30 September 2019 as compared to preceding financial period with profit before tax of RM 7.4 million. The comparison between the nine months results has been made particularly unfavorable due to the fact that the first two quarters of the previous year have recorded fairly good revenue numbers before the deterioration of the global economic and the trade war while the first two quarters of this year have seen some of the most savage decline in sales volume in recent history. However as explained earlier for the quarter on quarter results, the Group have started to see a bottoming out of the revenue decline.

As a result of the lower profit, EBITDAF decreased from RM17.0 million for the nine months ended 30 September 2018 to RM4.3 million for the nine months ended 30 September 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		
	3 Month Ended 30 Sep 2019 RM'000	3 Month Ended 30 Jun 2019 RM'000	Changes %
Revenue	44,194	38,464	14.9
Operating Profit / (Loss)	503	(899)	156.0
Profit / (Loss) Before Interest and Tax	543	(927)	158.6
Loss Before Tax	(792)	(2,074)	61.8
Loss After Tax	(689)	(2,157)	68.1
Loss Attributable to Owners of the Company	(958)	(1,945)	50.7
EBITDAF	3,306	1,371	(141.1)

The Group's revenue for the current quarter has increased by 15% or RM5.7 million from RM38.5 million in the preceding quarter to RM44.2 million due to seasonal higher revenue trend in the third quarter and commencement of new projects.

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 before tax of RM2.1 million in the preceding quarter to a loss before tax of RM0.8 million for the current period. The result of earlier business development initiatives is a factor in this better result as the Group is generally seeing the gradual ramping up of production for new customers and new models for existing customers. Management have instituted lean manufacturing initiatives across its various facilities to improve on operational efficiencies and cut down on waste as well as the cost of quality.

Cash earnings from operations as measured by EBITDAF improved from RM1.4million for the three months ended 30 June 2019 to RM3.3 million for the three months ended 30 September 2019.

B3. Prospects of the Group

The prospects of the Group in the coming quarters is really defined by the continued uncertainty of the global economy as a result of the trade war as well as the continued deterioration of the general global economic situation. Balanced against the global uncertainties is the slightly brighter outlook in the gradual ramping up of production for some of the customers that the business development initiatives have brought in over the past twelve months. The ability of the production teams to deliver on purchase orders in quality that is expected from our customers will define the volumes that can be shipped out to these few newer and higher volume customers.

By and large capex requirements have been made in most of the facilities and we foresee a slightly less hectic buildup of facilities and machinery investment, though in general there could still be quite fair bit of incremental capex that may be required in some plants as we may need to invest to debottleneck certain processes in order to secure more customer orders. Meanwhile business development initiatives are still being actively pursued and the nature of some of the potential leads especially those that arise out of the dislocation of the global supply chain means that we may still need to make further capex investment in order to secure the business.

Notwithstanding the slightly more optimistic outlook, the challenges of ever-increasing operational overhead is still present as we await the details of the proposed increase in minimum wage next year. Management is looking to continuously invest in better cost control initiatives as well as investment into the education of our skilled workforce in order to improve productivity. Investments into robotics and improvements in our facilities is also actively looked at to improve on manufacturing capability as these continues to be key building blocks for the future of the company. In concluding, the management is cautiously optimistic for the prospects of the Group in the coming few months for higher sales, while longer term, the realignment of the global supply chain may continue to offer opportunities to Malaysian manufacturers and the management is continuously putting in effort to forge ahead with these opportunities.

GE-SHEN CORPORATION BERHAD

Company No. 633814-X
(Incorporated in Malaysia)

**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 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
In respect of the current period :				
Income tax	(96)	824	-	2,794
Deferred tax	(7)	(11)	(29)	(35)
Tax expenses	<u>(103)</u>	<u>813</u>	<u>(29)</u>	<u>2,759</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 had been completed as at 31 October 2019, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report:

The following corporate proposal had been completed on 23 October 2019.

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.

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 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 Sep 2019 RM'000	<u>Audited</u> 31 Dec 2018 RM'000
Short term borrowings:		
Bankers' acceptance	8,984	8,019
Hire purchase payables	3,712	3,614
Term loans	6,585	8,139
Revolving credit	8,429	5,230
Multi currency trade loan	3,204	336
	<u>30,914</u>	<u>25,338</u>
 Long term borrowings:		
Hire purchase payables	9,839	6,357
Term loans	41,604	33,654
	<u>51,443</u>	<u>40,011</u>
	<u>82,357</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 September 2019.

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

	<u>Individual Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	<u>30 Sep 2019</u>	<u>30 Sep 2018</u>	<u>30 Sep 2019</u>	<u>30 Sep 2018</u>
(Loss) / Profit attributable to ordinary shareholders (RM'000)	(958)	775	(6,522)	4,526
Dividends on RCPS (RM'000)	-	-	(495)	(495)
	<u>(958)</u>	<u>775</u>	<u>(7,017)</u>	<u>4,031</u>
Weighted average number of shares in issue ('000)*	<u>76,927</u>	<u>76,926</u>	<u>76,927</u>	<u>76,926</u>
Basic EPS (Sen)	<u>(1.25)</u>	<u>1.01</u>	<u>(9.12)</u>	<u>5.24</u>

Diluted (loss) / earnings per share

	<u>Individual Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	<u>30 Sep 2019</u>	<u>30 Sep 2018</u>	<u>30 Sep 2019</u>	<u>30 Sep 2018</u>
(Loss) / Profit attributable to ordinary shareholders (RM'000)	(958)	775	(6,522)	4,526
Interests on RCPS (RM'000)	18	35	63	112
	<u>(940)</u>	<u>810</u>	<u>(6,459)</u>	<u>4,638</u>
Weighted average number of shares in issue ('000)*	<u>76,927</u>	<u>76,926</u>	<u>76,927</u>	<u>76,926</u>
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>106,926</u>	<u>106,927</u>	<u>106,926</u>
Diluted EPS (Sen)	<u>(0.88)</u>	<u>0.76</u>	<u>(6.04)</u>	<u>4.34</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 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
(Loss) / Profit before taxation is arrived at after crediting:				
Interest income	(26)	(27)	(85)	(86)
Gain on foreign exchange				
- realised	(49)	(2)	(288)	(67)
- unrealised	(309)	(299)	(393)	(1,187)
Gain on disposal of property, plant and equipment	(74)	(2)	(166)	(84)
and after charging:				
Depreciation and amortisation	2,783	2,333	7,677	6,898
Interest expenses	1,335	1,108	3,505	3,206
Loss on foreign exchange				
- realised	77	254	588	794
- unrealised	(59)	-	23	-
Property, plant and equipment written off	-	566	-	568
Provision for and write off of inventories	61	-	91	-
Loss on disposal of property, plant and equipment	-	81	-	84

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.