

**GE-SHEN CORPORATION BERHAD**  
(Incorporated in Malaysia)

**Interim Financial Statements**

**Second Quarter Results**  
**Period ended**  
**30 June 2021**

**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 2021**

	Notes	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
		<b>3 Months Ended 30 Jun 2021 RM'000</b>	<b>3 Months Ended 30 Jun 2020 RM'000</b>	<b>6 Months Ended 30 Jun 2021 RM'000</b>	<b>6 Months Ended 30 Jun 2020 RM'000</b>
Revenue		65,625	30,516	130,687	67,983
Other income		1,959	(930)	3,696	725
Share of results in associate		183	10	256	(80)
Changes in inventories of finished goods and work-in-progress		2,058	703	1,425	(959)
Raw materials used		(40,320)	(14,417)	(80,860)	(34,599)
Employee benefits		(13,872)	(7,602)	(26,673)	(18,957)
Depreciation and amortisation		(3,117)	(2,907)	(6,120)	(5,847)
Other operating expenses		(6,294)	(3,840)	(11,700)	(10,694)
Finance costs		(1,098)	(1,291)	(2,177)	(2,621)
Profit / (Loss) before tax		5,124	242	8,534	(5,049)
Tax (expenses) / income	B6	(1,270)	1	(1,822)	4
Profit / (Loss) for the period		3,854	243	6,712	(5,045)
Other Comprehensive Income:					
Exchange differences on translating foreign operations		29	(21)	519	216
Share of other comprehensive income of associate		-	-	-	-
Total Comprehensive Income / (Loss) for the period		3,883	222	7,231	(4,829)
<b>Profit / (Loss) after tax attributable to:</b>					
Owners of the Company		3,705	492	6,393	(4,425)
Non-Controlling Interest		149	(249)	319	(620)
		3,854	243	6,712	(5,045)
<b>Total Comprehensive Income / (Loss) attributable to:</b>					
Owners of the Company		3,734	471	6,912	(4,209)
Non-Controlling Interest		149	(249)	319	(620)
		3,883	222	7,231	(4,829)
<b>Earnings / (Loss) per share (Sen)</b>					
Basic	B14	3.38	0.46	5.83	(4.14)
Diluted	B14	3.38	0.46	5.83	(4.13)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 2021**

	Notes	<u>Unaudited</u> As at 30 Jun 2021 RM'000	<u>Audited</u> As at 31 Dec 2020 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investment in an associate		1,293	1,038
Property, plant and equipment		103,773	95,908
Right-of-use assets		26,042	27,412
Goodwill on consolidation		31,195	31,195
		<u>162,303</u>	<u>155,553</u>
<b>Current Assets</b>			
Inventories		42,104	38,828
Trade receivables		41,076	39,700
Other receivables, deposits and prepayments		4,092	5,232
Current tax assets		1,253	1,703
Fixed deposits with licensed banks		2,616	2,834
Cash and bank balances		9,846	8,845
		<u>100,987</u>	<u>97,142</u>
<b>Total Assets</b>		<u><u>263,290</u></u>	<u><u>252,695</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		61,421	59,381
Treasury shares		(262)	(1,843)
Reserves		44,720	37,808
<b>Total Equity Attributable to Owners of the Company</b>		<u>105,879</u>	<u>95,346</u>
Non-controlling interests		5,015	4,696
		<u>110,894</u>	<u>100,042</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	B10	48,858	49,343
Deferred taxation		2,832	2,838
		<u>51,690</u>	<u>52,181</u>
<b>Current Liabilities</b>			
Trade payables		28,705	36,895
Other payables and accruals		24,448	19,651
Tax payables		923	-
Short-term borrowings	B10	36,582	36,532
Bank overdraft		10,048	7,394
		<u>100,706</u>	<u>100,472</u>
<b>Total Liabilities</b>		<u>152,396</u>	<u>152,653</u>
<b>Total Equity and Liabilities</b>		<u><u>263,290</u></u>	<u><u>252,695</u></u>
Net Assets per Ordinary Share Attributable to Owners of the Company (RM)		0.97	0.89

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 2021**

	<b>6 Months Ended 30 Jun 2021 RM'000</b>	<b>6 Months Ended 30 Jun 2020 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before tax	8,534	(5,049)
Adjustments for:		
Depreciation and amortisation	4,809	4,136
Property, plant and equipment written off	-	129
Amortisation of right-of-use asset	1,311	1,711
Interest expense	2,177	2,621
(Gain) on foreign exchange - unrealised	(1,019)	(453)
Share of results of an associate	(256)	80
(Gain) on disposal of property, plant and equipment	(146)	(3)
(Gain) on disposal of right-of-use asset	(63)	-
Interest income	(42)	(50)
Inventories written down	1,084	-
Operating profit before working capital changes	16,389	3,122
Net changes in inventories	(4,360)	(2,109)
Net changes in trade and other receivables	648	5,833
Net changes in trade and other payables	(3,921)	(767)
<b>CASH FLOWS FROM OPERATIONS</b>	<b>8,756</b>	<b>6,079</b>
Tax paid	(456)	(293)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>8,300</b>	<b>5,786</b>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Interest received	42	50
Decrease in pledged of fixed deposits with licensed bank	221	496
Proceeds from disposal of property, plant and equipment	155	39
Proceeds from disposal of right-of-use asset	208	-
Purchase of property, plant and equipment	(7,655)	(1,367)
Purchase of right-of-use asset	(421)	(735)
Proceeds from sales of treasury shares	3,621	-
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<b>(3,829)</b>	<b>(1,517)</b>

**GE-SHEN CORPORATION BERHAD**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2021 - CONTINUED**

	<b>6 Months Ended 30 Jun 2021 RM'000</b>	<b>6 Months Ended 30 Jun 2020 RM'000</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Interest paid	(2,177)	(2,608)
Net repayment of term loan	(5,243)	(3,066)
Net drawdown of multi currency trade loan	123	3,256
Net drawdown of invoice financing	1,771	-
Drawdown of bankers' acceptance	21,354	10,810
Repayment of bankers' acceptance	(18,205)	(8,987)
Net repayment of revolving credit	(1,588)	(1,353)
Repayment of lease liabilities	(2,764)	(1,871)
<b>NET CASH FOR FINANCING ACTIVITIES</b>	<b>(6,729)</b>	<b>(3,818)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,258)</b>	<b>451</b>
Effect of changes in exchange rates	605	(553)
<b>CASH AND CASH EQUIVALENT AS AT BEGINNING OF PERIOD</b>	<b>1,451</b>	<b>(1,594)</b>
<b>CASH AND CASH EQUIVALENT AS AT END OF PERIOD</b>	<b>(202)</b>	<b>(1,696)</b>

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

	<b>30 Jun 2021 RM'000</b>	<b>30 Jun 2020 RM'000</b>
Fixed deposits with licensed banks	2,616	5,943
Cash and bank balances	9,846	8,520
Less: Bank overdrafts	(10,048)	(13,316)
Less: FD pledged to licensed banks	(2,616)	(2,843)
	<b>(202)</b>	<b>(1,696)</b>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

	←		Non-Distributable			→		Total Attributable to Owners of the Company	Non- Controlling Interests	Total Equity
	Share Capital	Treasury Shares	Shares Option Reserve	Redeemable Convertible Preference Shares ("RCPS")	Foreign Exchange Translation Reserve	Retained Earnings				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 1 January 2021</b>	59,381	(1,843)	2,450	-	1,830	33,528	95,346	4,696	100,042	
<b>Profit for the period</b>	-	-	-	-	-	6,393	6,393	319	6,712	
<b>Other comprehensive income:</b>										
- Foreign currency translation - differences	-	-	-	-	519	-	519	-	519	
- Share of an associate's other comprehensive income	-	-	-	-	-	-	-	-	-	
<b>Contributions by and distributions to owners of the Company:</b>										
- Issuance of shares under the ESOS	-	-	-	-	-	-	-	-	-	
- Conversion of treasury share to share capital	-	-	-	-	-	-	-	-	-	
- Share options to employees	-	-	-	-	-	-	-	-	-	
- Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	
- Employee' share options reserve	-	-	-	-	-	-	-	-	-	
- Resale of treasury shares	2,040	1,581	-	-	-	-	3,621	-	3,621	
<b>As at 30 June 2021</b>	<b>61,421</b>	<b>(262)</b>	<b>2,450</b>	<b>-</b>	<b>2,349</b>	<b>39,921</b>	<b>105,879</b>	<b>5,015</b>	<b>110,894</b>	

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SECOND QUARTER ENDED 30 JUNE 2021 - CONTINUED**

	←		Non-Distributable			→		Total Attributable to Owners of the Company	Non- Controlling Interests	Total Equity
	Share Capital	Treasury Shares	Shares Option Reserve	Redeemable Convertible Preference Shares ("RCPS")	Foreign Exchange Translation Reserve	Retained Earnings				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 1 January 2020</b>	45,643	(1,843)	2,450	13,738	1,982	31,397	93,367	5,506	98,873	
<b>Loss for the period</b>	-	-	-	-	-	(4,425)	(4,425)	(620)	(5,045)	
<b>Other comprehensive income:</b>										
- Foreign currency translation - differences	-	-	-	-	216	-	216	-	216	
<b>Contributions by and distributions to owners of the Company:</b>									-	
- Conversion of treasury share to share capital	15,000	-	-	(13,738)	-	(1,262)	-	-	-	
<b>As at 30 June 2020</b>	<b>60,643</b>	<b>(1,843)</b>	<b>2,450</b>	<b>-</b>	<b>2,198</b>	<b>25,710</b>	<b>89,158</b>	<b>4,886</b>	<b>94,044</b>	

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and accompanying explanatory notes attached to the interim financial statements.

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**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 2020. 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 2020.

**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 2020.
- (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:

<b>MFRSs and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
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 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds Before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvement to MFRS Standards 2018-2020	1 January 2022

**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.

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

Besides the Covid-19 situation as elaborated in the Additional Information section, there were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.



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**PART A - EXPLANATORY NOTES IN ACCORDANCE WITH MFRS 134 (CONTINUED)****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**

	<b>Malaysia RM'000</b>	<b>Vietnam RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>As at 30 June 2021</b>				
Revenue				
- sales to external parties	58,615	7,010	-	65,625
- inter-segment sales	387	-	(387)	-
Total revenue	59,002	7,010	(387)	65,625
Segment results	6,038	199	(15)	6,222
Finance costs				(1,098)
Profit before taxation				5,124

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

	<b>Malaysia RM'000</b>	<b>Vietnam RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>As at 31 March 2021</b>				
Revenue				
- sales to external parties	59,243	5,819	-	65,062
- inter-segment sales	124	-	(124)	-
Total revenue	59,367	5,819	(124)	65,062
Segment results	4,670	(168)	(13)	4,489
Finance costs				(1,079)
Profit before taxation				3,410

**Preceding Year Corresponding Quarter**

	<b>Malaysia RM'000</b>	<b>Vietnam RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>As at 30 June 2020</b>				
Revenue				
- sales to external parties	25,156	5,360	-	30,516
- inter-segment sales	504	-	(504)	-
Total revenue	25,660	5,360	(504)	30,516
Segment results	1,472	76	(15)	1,533
Finance costs				(1,291)
Profit before taxation				242

**(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.

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**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 2021.

**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.

**A11. Capital Commitments**

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

	<u>Unaudited</u> 30 Jun 2021 RM'000	<u>Audited</u> 31 Dec 2020 RM'000
<b>Approved and contracted for:</b>		
Purchase of property, plant and equipment	9,839	7,081

**A12. Related Party Transactions**

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

	Individual Quarter ended		Cumulative Quarter ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000
Transaction with related parties:				
Purchase of components	863	86	1,326	467
Rental of hostels	7	6	14	12
Rental of premises	45	-	90	39
Research and development	-	66	73	175
Sales of goods	1,191	381	1,719	584
Technical fee	-	13	-	46

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**PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS****B1. Review of Group's Results for the Quarter Ended 30 June 2021**

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	3 Months Ended 30 Jun 2021 RM'000	3 Months Ended 30 Jun 2020 RM'000	Changes %	6 Months Ended 30 Jun 2021 RM'000	6 Months Ended 30 Jun 2020 RM'000	Changes %
Revenue	65,625	30,516	115.1	130,687	67,983	92.2
Operating Profit / (Loss)	6,039	1,523	296.5	10,455	(2,348)	545.3
Profit / (Loss) Before Interest and Tax	6,222	1,533	305.9	10,711	(2,428)	541.1
Profit / (Loss) Before Tax	5,124	242	2,017.4	8,534	(5,049)	269.0
Profit / (Loss) After Tax	3,854	243	1,486.0	6,712	(5,045)	233.0
Profit / (Loss) Attributable to Owners of the Company	3,705	492	653.0	6,393	(4,425)	244.5
EBITDAF	8,809	5,028	75.2	15,305	3,122	390.2

i. Quarter Ended 30 June 2021 compared to Quarter Ended 30 June 2020

For the second quarter of 2021, the Group was able to build on the momentum of the improvement in operating environment from the first quarter with better customers' orders and run rate, the Group continued to experience operational improvements in our manufacturing facilities before the rude interruption of the Covid-19 induced total lock down in June 2021. Stronger customer pipeline due to the reopening of the Western economies as well as a few new projects entering mass production stage have enabled the Group to record RM65.63 million in sales revenue for the second quarter of this year, an improvement of over 115% from the RM30.52 million recorded for the second quarter of 2020.

It is perhaps not a good comparison as 2020's second quarter was very much impacted by the onset of Covid-19 disruption with the imposition of Movement Control Order (MCO) and other restrictions being brought in to try to deal with Covid-19. Second quarter are slower quarters, somehow for this quarter, the Group was on track to challenge the fourth quarter of 2020 as the highest ever quarterly sales revenue until the Covid-19 infection numbers spiraled out of control and the total lock down phase was initiated by the Malaysian Government as an attempt to control the infection.

Operationally, this is really a story of two halves, as the first two months saw strong operations and revenue contribution from all the facilities. In particular, the Penang and Johor Bharu (JB) plastic facilities enjoyed strong customers' orders due to the reopening of Western economies. The commissioning of the new clean room and control room plus the additions of new injection moulding machines added to the operational capacity for the JB plastics facility which came in handy for the increase in sales. The month of June saw a precipitous decline in sales due to capacity restrictions not just on our manufacturing site but also that of the customers' sites as well. Meanwhile the Vietnam and the JB metal facilities saw a more moderated approach in its sales trajectory for the quarter, with a more sustainable demand pattern and therefore didn't hurt as much in the month of June.

Nevertheless, it is worth pointing out that besides the total lockdown measures in Malaysia impacting on the Group's operations, supply side issues was also a major factor in exerting some measure of demand moderation. The supply of raw materials such as plastic resins as well as sheet metal is not just being challenged by price increases but also availability as well as long lead times. Meanwhile the short supply of semiconductors is impacting on our customers' operations all over the world and this is another major factor which affected our sales revenue this quarter and possibly a bit longer too.

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**PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS  
(CONTINUED)**

Notwithstanding missing out on the record for quarterly sales, the profitability of the Group continued to show a good recovery as the consolidated profit before tax of the Group came in at RM5.12 million, an improvement of an order of magnitude of over 20 times over the corresponding quarter last year, again the unfair comparison to be noted. The consolidated profit after tax for the Group came in at RM3.85 million, a 10 times improvement from the second quarter of 2020. In terms of operational cash generation, the EBITDAF for the second quarter of RM8.81 million was in fact a record high as it surpassed that of the fourth quarter of 2020. This improvement in cashflow from operations allowed the Group to continue to optimise the asset liability mix a bit more and allows the ability to undertake selective capex in order to increase the scale of the operations. The clean and control room project in the JB plastic plant as well as the renovation of the Penang plant to accommodate the addition of a few more injection moulding machines being case in point. This improved liquidity position allowed the Group not to seek moratorium during the recent Pemulihan Loan Moratorium scheme announced by the Government.

ii. Six Months Ended 30 June 2021 compared to Six Months Ended 30 June 2020

The narrative for the cumulative six months reflects the similar sentiment as discussed earlier but nonetheless the scale of the improvement is brought out by the figures of revenue for the first six months of 2021 coming in at RM130.69 million a near 100% improvement over the RM67.98 million of the disrupted period last year. Profit before tax was RM8.53 million against a loss of RM5.05 million and the Group's profit after tax of RM6.71 million is a significant improvement over the RM5.05 million loss of the previous year's first six months.

Likewise, the cashflow generated from operations (EBITDAF) is a healthy RM15.31 million against RM3.12 million of the similar period last year. Notwithstanding the unfair comparison with the hugely disrupted first six months of the past year, the results were, on its own merits highly commendable and it was due to the dedication and hard work of all our colleagues from the floor workers, the supervisors and the Heads of Departments. This has been a period of unprecedented disruption and Management is grateful to all in Team Ge-Shen.

**B2. Variation of Results Against Preceding Quarter**

	<b>INDIVIDUAL QUARTER</b>		<b>Changes %</b>
	<b>3 Months Ended 30 Jun 2021 RM'000</b>	<b>3 Months Ended 31 Mar 2021 RM'000</b>	
Revenue	65,625	65,062	0.9
Operating Profit	6,039	4,416	36.8
Profit Before Interest and Tax	6,222	4,489	38.6
Profit Before Tax	5,124	3,410	50.3
Profit After Tax	3,854	2,858	34.8
Profit Attributable to Owners of the Company	3,705	2,688	37.8
EBITDAF	8,809	6,496	35.6

The comparison with the preceding quarter on the revenue side while not showing much difference as the second quarter was marginally ahead with RM65.63 million against RM65.06 million of the first quarter, the profitability was much better as profit after tax in the second quarter was RM3.85 million against RM2.86 million in the first quarter, an improvement of 35%. This can be explained by the higher volumes in the month of April and May allowed for better absorption of overheads and other costs, hence the improvement in margin.

Likewise operational cash flow as measured by EDITDAF coincidentally also showed a similar degree of improvement (plus 36%) of RM8.81 million for the second quarter against the RM6.50 million for the first quarter. This demonstrates that profitability is non-linear and higher volumes is a prerequisite for margin expansion.

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**PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS  
(CONTINUED)****B3. Prospects of the Group**

Our 3 factories in Malaysia, being in the essential category under the Ministry of International Trade and Industries (MITI) have been operating at a capped 60% headcount capacity since the start of the National Recovery Plan (NRP) or Full Movement Control Order (FMCO) on 1 June 2021. With the subsequent Phase 2 announcement for Penang, we were able to increase to a capped 80% in our Penang plant. However, the 2 Johor plants still remain restricted and capped 60% at the time of writing. Despite surging number of cases in Vietnam, there is currently no capping of headcount in our Hanoi facility but attendance is a challenge due to specific local lockdowns.

The prospect for the immediate short term remains pretty much determined by Covid-19 situation. The Management foresee that these disruptions will remain with us as a key operational challenge for most of the third quarter. Unexpected factory closures to break the chain of infection will result in disrupted production and sales, resulting in further pushout of orders to later months. Hopefully we can come back stronger in the fourth quarter. Besides factory floor operational disruptions, we have yet to see the supply side disruption coming to an end soon, particular the semiconductor side as well as the supply of labour, but hopefully for other raw materials, the hope for normalization will be soon.

Domestically while we wait anxiously for the effect of vaccination programme to take roll back the country's infection rate, we are nonetheless having to be cautious in terms of workplace safety. We have encouraged all our employees to be vaccinated to mitigate the impact of Covid-19 and reduce infection. As of latest update, 26.9% of employees in Malaysia have received first dose and 27.9% have had second dose, with the remaining 45.2% hopefully vaccinated in the third quarter. Unfortunately for our Hanoi facility, we have yet to have visibility of the government's vaccination program at the time of writing.

The JB sheet metal facility has been working on several new projects which may translate into better revenue going forward but the starting date cannot be determined due to this present round of Covid-19 disruption. Similarly, the Vietnam plastic facility is having a bipolar moment with strong demand indications from customers clashing with the reality of a fast-rising Covid-19 infection rate in that country. In the JB plastic facility, several new customers are likely to provide better order visibility. Our Penang facility has also obtained the "FDA Registered facility" status, with an aim to obtain more medical & life-sciences customer in the United States and globally. In general, the Management is hopeful that when the Covid-19 situation is under control, the order backlog will underpin sales while we push harder on the business development side for new projects to sustain 2022's revenue growth.

Looking further beyond the Covid-19 situation, the longer-term trend of transferring of projects out of China remains a supportive trend for our business. The Management is also optimistic that a resurgence in global economic activity upon the reopening of the global economies borders well for the manufacturing sector as this will translate into more demand. However, the challenge of conducting business development activities without international travel is a unique challenge that we may have to live with a bit longer.

On a different note and turning to the sustainability agenda, the Group have signed up to install solar panels on the rooftop for all three Malaysian facilities but the date in which we are able to flick the switch is still some time away as the vendor have not been able to access our site due to Covid-19 restrictions. Otherwise, the Group is not anticipating major capex requirements over the coming months as we work to fill up the additional capacity that has been installed over the past twelve months. Nevertheless, incremental capex will continuously be considered to optimize production flow and also debottleneck certain manufacturing processes.

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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 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
In respect of the current period :				
Income tax	1,274	-	1,829	-
Deferred tax	(4)	(1)	(7)	(4)
Tax expenses / (income)	<u>1,270</u>	<u>(1)</u>	<u>1,822</u>	<u>(4)</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 were no corporate proposals during the quarter.

**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:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short term borrowings:</b>		
Bankers' acceptance	11,859	8,709
Term loans	8,263	11,165
Revolving credit	3,671	5,220
Multi currency trade loan	3,530	3,408
Invoice Financing	5,185	3,414
	<u>32,508</u>	<u>31,916</u>
<b>Long term borrowings:</b>		
Term loans	40,821	40,152
	<u>40,821</u>	<u>40,152</u>
<b>Lease liabilities</b>		
Current liabilities	4,074	4,616
Non-Current Liabilities	8,037	9,191
	<u>12,111</u>	<u>13,807</u>
	<u>85,440</u>	<u>85,875</u>

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

**B13. Dividend Proposed**

There was no dividend declared or proposed by the company for the current quarter ended 30 June 2021.

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

	<u>Individual Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	<u>30 Jun 2021</u>	<u>30 Jun 2020</u>	<u>30 Jun 2021</u>	<u>30 Jun 2020</u>
Profit / (Loss) attributable to ordinary shareholders (RM'000)	3,705	492	6,393	(4,425)
	<u>3,705</u>	<u>492</u>	<u>6,393</u>	<u>(4,425)</u>
Weighted average number of shares in issue ('000)*	109,579	106,927	109,579	106,927
Basic EPS (Sen)	<u>3.38</u>	<u>0.46</u>	<u>5.83</u>	<u>(4.14)</u>

**Diluted earnings / (loss) earnings per share**

	<u>Individual Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	<u>30 Jun 2021</u>	<u>30 Jun 2020</u>	<u>30 Jun 2021</u>	<u>30 Jun 2020</u>
Profit / (Loss) attributable to ordinary shareholders (RM'000)	3,705	492	6,393	(4,425)
Interests on RCPS (RM'000)	-	-	-	9
	<u>3,705</u>	<u>492</u>	<u>6,393</u>	<u>(4,416)</u>
Weighted average number of shares in issue ('000)*	109,579	106,927	109,579	106,927
Weighted average number of new ordinary shares, assumption on conversion of the remaining:-				
- RCPS ('000)	-	-	-	-
	<u>109,579</u>	<u>106,927</u>	<u>109,579</u>	<u>106,927</u>
Diluted EPS (Sen)	<u>3.38</u>	<u>0.46</u>	<u>5.83</u>	<u>(4.13)</u>

Note:

\* Upon deducting 439,600 (2020: 3,092,000) treasury shares held by the company as at end of the quarter under review.

\*\* The potential conversion of ESOS are anti-dilutive as the exercise price is higher than the average market price of the Company's ordinary shares during the current financial year. Accordingly, the exercise of ESOS has been ignored in the calculation of dilutive EPS.



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**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 2020 was not subject to any qualification.

**B16. Notes to the Statement of Comprehensive Income**

	Individual Quarter ended		Cumulative Quarter ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000
Profit / (Loss) before taxation is arrived at after crediting:				
Interest income	(25)	(33)	(42)	(50)
Gain / (Loss) on foreign exchange				
- realised	579	(294)	587	(407)
- unrealised	597	1,375	1,535	(69)
Gain on disposal of property, plant and equipment	-	(3)	(146)	(3)
Gain on disposal of right-of-use asset	(63)	-	(63)	-
and after charging:				
Depreciation and amortisation	3,117	2,907	6,120	5,847
Interest expenses	1,098	1,291	2,177	2,621
(Gain) / Loss on foreign exchange				
- realised	672	33	871	384
- unrealised	338	(741)	516	(384)
Property, plant and equipment written off	-	-	-	129
Inventories written down	941	-	1,084	-

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.