

ZHULIAN CORPORATION BERHAD (415527-P)

Plot 42, Bayan Lepas Industrial Estate,
Phase IV, 11900 Penang, Malaysia.
Tel: 604-6162020 Fax: 604-6425989

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2018**

	Current Year To Date 31.08.2018 RM'000 (Unaudited)	As at Preceding Financial Year End 30.11.2017 RM'000 (Audited)
Assets		
Property, plant and equipment	129,686	137,294
Investment properties	23,689	24,124
Investment in an associate	217,748	222,720
Other investments-available for sale financial assets	-	1,854
Deferred tax assets	95	881
Total non-current assets	<u>371,218</u>	<u>386,873</u>
Inventories	54,828	52,008
Current tax assets	3,878	3,326
Receivables, deposits and prepayments	39,163	54,416
Cash and cash equivalents	158,148	124,644
Total current assets	<u>256,017</u>	<u>234,394</u>
Total assets	<u><u>627,235</u></u>	<u><u>621,267</u></u>
Equity		
Share capital	230,000	230,000
Reserves	355,628	350,550
Total equity	<u>585,628</u>	<u>580,550</u>
Liabilities		
Employee benefit	297	320
Deferred tax liabilities	37	540
Total non-current liabilities	<u>334</u>	<u>860</u>
Payables and accruals	38,858	33,832
Current tax liabilities	2,415	6,025
Total current liabilities	<u>41,273</u>	<u>39,857</u>
Total liabilities	<u>41,607</u>	<u>40,717</u>
Total equity and liabilities	<u><u>627,235</u></u>	<u><u>621,267</u></u>
Net assets per share (sen)	127.31	126.21

The selected explanatory notes form an integral part of, and should be read in conjunction with, this interim financial report.

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 AUGUST 2018**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.08.2018 RM'000 (Unaudited)	Preceding Year Quarter 31.08.2017 RM'000 (Unaudited)	Current Year To Date 31.08.2018 RM'000 (Unaudited)	Preceding Year To Date 31.08.2017 RM'000 (Unaudited)
Revenue	51,023	49,776	138,376	146,677
Results from operating activities	15,150	12,999	32,137	38,214
Share of profit of equity accounted investee, net of tax	4,812	4,227	16,768	13,909
Profit before tax	19,962	17,226	48,905	52,123
Income tax expense	(4,520)	(2,645)	(12,377)	(10,792)
Profit for the period	15,442	14,581	36,528	41,331
Other comprehensive income / (expenses), net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(71)	(172)	1,485	(51)
Fair value of available-for-sale financial assets	-	77	(524)	154
Share of other comprehensive income / (expense) of equity accounted investee, net of tax	1,736	7,051	(211)	6,952
Total other comprehensive income for the period, net of tax	1,665	6,956	750	7,055
Total comprehensive income for the period	17,107	21,537	37,278	48,386
Profit attributable to:				
Owners of the Company	15,442	14,581	36,528	41,331
Non-controlling interests	-	-	-	-
Profit for the period	15,442	14,581	36,528	41,331
Total comprehensive income attributable to:				
Owners of the Company	17,107	21,537	37,278	48,386
Non-controlling interests	-	-	-	-
Total comprehensive income for the period	17,107	21,537	37,278	48,386
<i>Weighted average number of shares in issue ('000)</i>	460,000	460,000	460,000	460,000
Basic earnings per share (sen)	3.36	3.17	7.94	8.99

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FOR THE PERIOD ENDED 31 AUGUST 2018**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.08.2018 RM'000 (Unaudited)	Preceding Year Quarter 31.08.2017 RM'000 (Unaudited)	Current Year To Date 31.08.2018 RM'000 (Unaudited)	Preceding Year To Date 31.08.2017 RM'000 (Unaudited)
Included in the Total Comprehensive Income for the period are the following:				
Interest income	(1,171)	(1,007)	(3,094)	(2,587)
Other income including investment income	-	-	-	-
Interest expense	-	-	-	-
Depreciation and amortisation	2,906	3,107	8,817	9,348
Provision /(Reversal of) for and write off of receivables	19	(1)	(7)	(1)
Provision / (Reversal of) for and write off of inventories	1,359	873	1,725	1,607
(Gain) / Loss on disposal of quoted / unquoted investments	-	-	(621)	-
(Gain) / Loss on disposal of properties	-	-	-	-
Impairment of assets	-	-	-	-
Foreign exchange (gain) or loss	(3,240)	(7,021)	(253)	(4,771)
(Gain) or Loss on derivatives	-	-	-	-

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 AUGUST 2018**

	Share Capital RM'000	Non- distributable Translation Reserve RM'000	Non- distributable Fair Value Reserve RM'000	Non- distributable Capital Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
At 1 December 2016	230,000	35,693	392	-	287,840	553,925
Foreign currency translation differences for foreign operations	-	(51)	-	-	-	(51)
Fair value of available-for-sale financial assets	-	-	154	-	-	154
Share of other comprehensive income of equity accounted investee, net of tax	-	6,952	-	-	-	6,952
Total other comprehensive income for the period	-	6,901	154	-	-	7,055
Profit for the period	-	-	-	-	41,331	41,331
Total comprehensive income for the period	-	6,901	154	-	41,331	48,386
Redemption of preference share	-	-	-	1,700	(1,700)	-
Dividends to owners of the Company	-	-	-	-	(20,700)	(20,700)
At 31 AUGUST 2017	230,000	42,594	546	1,700	306,771	581,611

	Share Capital RM'000	Non- distributable Translation Reserve RM'000	Non- distributable Fair Value Reserve RM'000	Non- distributable Capital Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
At 1 December 2017	230,000	36,978	524	1,800	311,248	580,550
Foreign currency translation differences for foreign operations	-	1,485	-	-	-	1,485
Fair value of available-for-sale financial assets	-	-	(524)	-	-	(524)
Share of other comprehensive income of equity accounted investee, net of tax	-	(211)	-	-	-	(211)
Total other comprehensive income / (expense) for the period	-	1,274	(524)	-	-	750
Profit for the period	-	-	-	-	36,528	36,528
Total comprehensive income for the period	-	1,274	(524)	-	36,528	37,278
Dividends to owners of the Company	-	-	-	-	(32,200)	(32,200)
Reclassification	-	(1,685)	-	-	1,685	-
At 31 AUGUST 2018	230,000	38,252	-	1,800	315,576	585,628

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 AUGUST 2018**

	Current Year To Date 31.08.2018 RM'000 (Unaudited)	Preceding Year To Date 31.08.2017 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	48,905	52,123
Adjustments for		
Non-cash items	(8,970)	(3,949)
Non-operating items	(3,094)	(2,587)
Operating profit before working capital changes	36,841	45,587
Changes in working capital	10,136	8,605
Cash generated from operating activities	46,977	54,192
Tax paid	(14,064)	(8,528)
Dividends received from associate	19,737	-
<i>Net cash from operating activities</i>	52,650	45,664
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other investments	(26)	(31)
Proceeds from disposal of other investments	1,977	-
Capital expenditure	(1,099)	(1,269)
Interest received	3,094	2,587
Additional investment in Associate	-	(4,363)
<i>Net cash from / (used in) investing activities</i>	3,946	(3,076)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid to owners of the Company	(23,000)	(13,800)
<i>Net cash used in financing activity</i>	(23,000)	(13,800)
Net increase in cash and cash equivalents	33,596	28,788
Cash and cash equivalents at 1 December	124,644	103,459
Effects of exchange rates on cash and cash equivalents	(92)	1
Cash and cash equivalents at 31 AUGUST (Note 1)	158,148	132,248
NOTE 1:		
Cash and cash equivalents consist of :-		
	RM'000	RM'000
Short term deposits with licensed banks	146,230	111,930
Cash and bank balances	11,918	20,318
Total cash and cash equivalents	158,148	132,248

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2018

1. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) and effective for this financial year:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The adoptions of these standards, amendments and interpretations have no material impact to these interim financial statements.

2. Auditors’ Qualification

Not applicable. No qualification on the audit report of the preceding annual audited financial statements of Zhulian Corporation Berhad.

3. Seasonal or Cyclical Factors

The Group’s performance is not affected by any seasonal or cyclical factors.

4. Exceptional Items

There were no material exceptional items affecting assets, liabilities, equity, net income, or cash flows for the financial period under review due to their nature, size or incidence.

5. Changes in Estimates

There was no material changes in estimates of amounts reported in prior financial year.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2018 (cont'd)**

6. Debt and Equity Securities

There was no issuance and repayment of debt and equity, shares buy-backs, shares cancellations, shares held as treasury shares and resale of treasury shares for the current financial year to date.

7. Dividends Paid

Since the end of previous financial year, the Company paid :

- i) A fourth interim dividend of 1.5 sen and a special dividend of 1.5 sen per ordinary share, totalling RM13,800,000 in respect of financial year ended 30 Nov 2017 on 9 March 2018. The total dividend paid by the Company for the year ended 30 November 2017 was 7.5 sen per ordinary share; and
- ii) A first interim dividend of 2 sen per ordinary share, totalling RM9,200,000 in respect of financial year ending 30 November 2018 on 10 June 2018; and
- iii) A second interim dividend of 2 sen per ordinary share, totalling RM9,200,000 in respect of financial year ending 30 November 2018 on 12 September 2018.

8. Segment Revenue and Results

The Group is principally confined to the manufacturing and sale of costume jewellery and consumer products on a direct sales basis. Operating segment information has therefore not been prepared as the Group's revenue and operating profit before tax are mainly confined to one operating segment.

9. Revaluation of Property, Plant and Equipment

No revaluation policy was adopted for property, plant and equipment of the Group.

10. Material Post Balance Sheet Events

There were no material events subsequent to the end of period under review which have not been reflected in this interim financial report.

11. Changes in Group's Composition

There were no changes in the composition of the Group during the current period.

12. Changes in Contingent Liabilities and Assets and Changes in Material Litigations

There were no contingent liabilities and assets and no changes in material litigations as at the end of the reporting period.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2018 (cont'd)****13. Review of Group's Performance****Financial review for current quarter and financial year to date:**

	Individual Period		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Quarter		Current Year To-date	Preceding Year Corresponding Period	
	31.08.2018 RM'000	31.08.2017 RM'000		31.08.2018 RM'000	31.08.2017 RM'000	
Revenue	51,023	49,776	3%	138,376	146,677	-6%
Operating Profit	15,150	12,999	17%	32,137	38,214	-16%
Share of profit of equity accounted investee, net of tax	4,812	4,227	14%	16,768	13,909	21%
Profit Before Tax	19,962	17,226	16%	48,905	52,123	-6%
Profit After Tax	15,442	14,581	6%	36,528	41,331	-12%
Profit Attributable to Owners of the Company	15,442	14,581	6%	36,528	41,331	-12%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The Group's revenue for the period under review of RM138.376 million was lower by RM8.301 million, a drop of 6% as compared to the revenue in last year corresponding period of RM146.677 million. The drop in revenue was mainly due to the drop in market demands from Thailand and local market, offset with increase in market demand from Myanmar.

The Group recorded a lower profit before tax of RM48.905 million for the period under review, a drop of RM3.218 million (6%) from those of RM52.123 million in the last year corresponding period. This was in line with the drop in revenue.

The Group's other comprehensive expense for the period under review was RM0.750 million, mainly consist of the foreign currency translations for overseas subsidiaries.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2018 (cont'd)**

13. Review of Group's Performance (continued)

Consolidated Statement of Financial Position

The Group's total assets as at 31 August 2018 was RM627.235 million, an increase of RM5.968 million as compared to last financial year ended 30 November 2017 of RM621.267 million. The increase was mainly contributed by the net increase in cash and cash equivalents of RM33.596 million offset by the drop in receivables balance which was in line with the drop in revenue, coupled with the drop in investment balance in associate as this balance was reduced by the dividend received from associate.

The Group's total liabilities as at 31 August 2018 was RM41.607 million, a slight increase of RM0.890 million as compared to last financial year ended 30 November 2017 of RM40.717 million. This was mainly due to dividend payable of RM 9.2 million as at 31 August 2018, offset by the drop in tax liability resulting from settlement of tax.

The Group's total equity registered at RM585.628 million, an increase of RM5.078 million as compared to last financial year ended 30 November 2017 of RM580.550 million.

The Group's net asset per share was maintained at RM1.27.

Consolidated Statement of Cash flow

The Group's cash and cash equivalents as at 31 August 2018 was RM158.148 million, recorded a net increase of RM33.596 million from RM124.644 million of cash and cash equivalents as at 30 November 2017.

The net cash from the operating activities was RM 52.650 million, including the net dividend received from associate of RM19.737 million.

The net cash from the investing activities was RM3.946 million, mainly from the proceeds on disposal of other investments of RM1.977 million and the interest income received of RM3.094 million, offset by purchase of capital expenditure of RM1.099 million.

The dividend paid during the period amounted to RM 23 million.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2018 (cont'd)****14. Material Change in Profit Before Taxation reported as compared with the immediate preceding quarter****Financial review for current quarter compared with immediate preceding quarter:**

	Current Quarter	Immediate Preceding Quarter	Changes
	31.08.2018	31.05.2018	
	RM'000	RM'000	
Revenue	51,023	44,017	16%
Operating Profit	15,150	10,469	45%
Share of profit of equity accounted investee, net of tax	4,812	7,075	-32%
Profit Before Tax	19,962	17,544	14%
Profit After Tax	15,442	12,068	28%
Profit Attributable to Owners of the Company	15,442	12,068	28%

The revenue for the current quarter under review of RM51.023 million was 16% higher than the immediate preceding quarter's revenue of RM44.017 million, mainly contributed by the increase in revenue to Thailand and local market, contributed by the increase in local consumers' purchasing power during the SST transition period.

The current quarter's profit before tax of RM19.962 million was increased by 14% as compared to the immediate preceding quarter's profit before tax of RM17.544 million, which was contributed by the increased revenue during the period.

15. Current year prospects

The Group is expecting a more challenging business environment for year 2018 that is influenced by various factors such as the weak consumer sentiment in the regional markets and the fluctuating currency. The Group's performance has been affected by the strengthening or weakening of Ringgit Malaysia against USD as all the export revenue are transacted in USD. With the notification order made by the Ministry of Commerce Myanmar ("MOC") on 18 September 2018 prohibiting the business of multi-level marketing ("MLM") in Myanmar, export sales to Myanmar may be affected in the fourth quarter 2018. Nevertheless, efforts have been stepped up by the master agent to engage with MOC in exploring alternatives. Barring any unforeseen circumstances, export sales to Myanmar has no material effect on the Group's overall turnover for the financial year ending 30 November 2018. Generally, the market will continue to remain competitive.

Despite a challenging environment, the Group will continue to uphold its healthy business practices to strive for the business sustainability and to safeguard the Group's profitability. The Group will take steps to ensure that quantitative targets are well supported, concentrating both on brand building and network strengthening strategy in order to maintain its market positions in both local and overseas regions. The Group will use social media channel more extensively and also prompt more visibility of its brand through numerous channels.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2018 (cont'd)**

The Group will continue with its effort to further improve the operational efficiency and productivity for its products to achieve satisfactory financial performance in year 2018.

16. Variance of Actual Profit from Forecast Profit

Not applicable.

17. Taxation

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.08.2018 RM'000 (Unaudited)	Preceding Year Quarter 31.08.2017 RM'000 (Unaudited)	Current Year To date 31.08.2018 RM'000 (Unaudited)	Preceding Year To date 31.08.2017 RM'000 (Unaudited)
-Current Year	4,489	3,941	12,174	12,088
-Prior Year	<u>31</u>	<u>(1,296)</u>	<u>203</u>	<u>(1,296)</u>
Total	<u><u>4,520</u></u>	<u><u>2,645</u></u>	<u><u>12,377</u></u>	<u><u>10,792</u></u>

The effective tax rate is higher due to losses of certain subsidiaries were not available to be set off.

18. Status of Corporate Proposals

There was no corporate proposal being announced during the year.

19. Group Borrowings

There were no borrowings as at the end of the period under review.

20. Off Balance Sheet Financial Instruments

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

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2018 (cont'd)****21. Trade Receivables**

The ageing analysis of the trade receivables (included under Receivables, deposits and prepayments category in Statement of Financial Position) for 31 August 2018 is as follows:

	RM'000	%
Not past due	27,287	90.41%
Past due 1-30 days	2,800	9.28%
Past due 31-120 days	91	0.30%
Past due >120 days	3	0.01%
	<u>30,181</u>	<u>100.00%</u>

The Group did not impair the past due trade receivables as the Group is satisfied that the recovery of the amount is possible.

22. Dividend Declared

A third interim dividend of 2 sen per ordinary share, totalling RM9,200,000 in respect of financial year ending 30 November 2018 has been declared on 17 October 2018.

In respect of deposited securities, entitlement to the interim dividend will be determined based on shareholders registered in the record of depositors as at 7 November 2018. The payment date is 28 November 2018.

23. Capital Commitments

Capital commitments not provided in the interim financial statement as at 31 August 2018 were as follows:

	RM'000
Contracted but not provided for:	
Property, Plant and Equipment	110

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2018 (cont'd)****24. Basic Earnings per Share**

The basic earnings per share are computed based on the Group's net profit for the period divided by the weighted average number of shares in issue:

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
	31.08.2018	31.08.2017	31.08.2018	31.08.2017
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net profit for the period (RM'000)	<u>15,442</u>	<u>14,581</u>	<u>36,528</u>	<u>41,331</u>
<i>Number of shares in issue ('000)</i>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>
Basic earnings per share (sen)	<u>3.36</u>	<u>3.17</u>	<u>7.94</u>	<u>8.99</u>

There is no diluted earnings per share as the Group does not have any convertible financial instruments.

By Order of the Board

Ch'ng Lay Hoon (MAICSA 0818580)
Company Secretaries
17 October 2018
Penang