

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 28 FEBRUARY 2019**

	Current Year To Date 28.02.2019 RM'000 (Unaudited)	As at Preceding Financial Year End 30.11.2018 RM'000 (Audited)
Assets		
Property, plant and equipment	124,889	127,298
Investment properties	23,492	23,718
Investment in an associate	234,725	224,735
Deferred tax assets	4,058	4,240
Total non-current assets	387,164	379,991
Inventories	52,466	54,990
Current tax assets	3,415	3,735
Receivables, deposits and prepayments	31,882	36,291
Cash and cash equivalents	160,789	149,165
Total current assets	248,552	244,181
Total assets	635,716	624,172
Equity		
Share capital	230,000	230,000
Reserves	361,135	364,965
Total equity	591,135	594,965
Liabilities		
Employee benefit	317	317
Deferred tax liabilities	-	-
Total non-current liabilities	317	317
Payables and accruals	42,011	25,939
Current tax liabilities	2,253	2,951
Total current liabilities	44,264	28,890
Total liabilities	44,581	29,207
Total equity and liabilities	635,716	624,172
Net assets per share (sen)	128.51	129.34

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 28 FEBRUARY 2019**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 28.02.2019 RM'000 (Unaudited)	Preceding Year Quarter 28.02.2018 RM'000 (Unaudited)	Current Year To Date 28.02.2019 RM'000 (Unaudited)	Preceding Year To Date 28.02.2018 RM'000 (Unaudited)
Revenue	39,454	43,336	39,454	43,336
Results from operating activities	7,505	6,518	7,505	6,518
Share of profit of equity accounted investee, net of tax	5,934	4,881	5,934	4,881
Profit before tax	13,439	11,399	13,439	11,399
Income tax expense	(2,648)	(2,381)	(2,648)	(2,381)
Profit for the period	10,791	9,018	10,791	9,018
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	98	1,580	98	1,580
Fair value of available-for-sale financial assets	-	(524)	-	(524)
Share of other comprehensive income / (expense) of equity accounted investee, net of tax	3,681	(7)	3,681	(7)
Total other comprehensive income for the period, net of tax	3,779	1,049	3,779	1,049
Total comprehensive income for the period	14,570	10,067	14,570	10,067
Profit attributable to:				
Owners of the Company	10,791	9,018	10,791	9,018
Non-controlling interests	-	-	-	-
Profit for the period	10,791	9,018	10,791	9,018
Total comprehensive income attributable to:				
Owners of the Company	14,570	10,067	14,570	10,067
Non-controlling interests	-	-	-	-
Total comprehensive income for the period	14,570	10,067	14,570	10,067
<i>Weighted average number of shares in issue ('000)</i>	460,000	460,000	460,000	460,000
Basic earnings per share (sen)	2.35	1.96	2.35	1.96

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 28 FEBRUARY 2019**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
	28.02.2019	28.02.2018	28.02.2019	28.02.2018
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Included in the Total Comprehensive Income for the period are the following:

Interest income	(1,084)	(912)	(1,084)	(912)
Other income including investment income	-	-	-	-
Interest expense	-	-	-	-
Depreciation and amortisation	2,786	2,970	2,786	2,970
Provision / (Reversal of) for and write off of receivables	(10)	(6)	(10)	(6)
Provision / (Reversal of) for and write off of inventories	(24)	78	(24)	78
(Gain) / Loss on disposal of quoted / unquoted investments	-	(621)	-	(621)
(Gain) / Loss on disposal of properties	-	-	-	-
Impairment of assets	-	-	-	-
Foreign exchange (gain) or loss	(3,348)	2,205	(3,348)	2,205
(Gain) or Loss on derivatives	-	-	-	-

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 28 FEBRUARY 2019**

	Current Year To Date 28.02.2019 RM'000 (Unaudited)	Preceding Year To Date 28.02.2018 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	13,439	11,399
Adjustments for		
Non-cash items	(3,524)	(3,803)
Non-operating items	(1,084)	(913)
Operating profit before working capital changes	8,831	6,683
Changes in working capital	4,814	14,175
Cash generated from operating activities	13,645	20,858
Tax paid	(2,844)	(7,703)
<i>Net cash from operating activities</i>	10,801	13,155
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other investments	-	(26)
Proceeds from disposal of other investments	-	1,977
Capital expenditure	(262)	(174)
Interest received	1,084	912
Dividend received	-	-
Proceeds from disposal of plant & machineries/properties	4	-
<i>Net cash generated from investing activities</i>	826	2,689
Net increase in cash and cash equivalents	11,627	15,844
Cash and cash equivalents at 1 December	149,165	124,644
Effects of exchange rates on cash and cash equivalents	(3)	(93)
Cash and cash equivalents at 30 November (Note 1)	160,789	140,395
NOTE 1:		
Cash and cash equivalents consist of :-		
	RM'000	RM'000
Short term deposits with licensed banks	134,639	115,840
Cash and bank balances	26,150	24,555
Total cash and cash equivalents	160,789	140,395

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

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2019**

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”) but have not been adopted by the Group.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

MFRS 9, *Financial Instruments (2014)*

MFRS 15, *Revenue from Contracts with Customers*

Clarifications to MFRS 15, *Revenue from Contracts with Customers*

IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Long-term Interests in Associates and Joint Ventures*

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2019 (cont'd)

1 Basis of Preparation (Continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations in the respective financial years when the abovementioned accounting standards, amendments and interpretations become effective.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group except as mentioned below :

(i) **MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group has performed the necessary assessments and concluded that there is no material impact that may arise from the adoption of MFRS 9.

(ii) **MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group has performed the necessary assessments and concluded that there is no material impact that may arise from the adoption of MFRS 15.

(iii) **MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2019 (cont'd)

1. Basis of Preparation (Continued)

MFRS 16, Leases (continued)

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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.

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 period to date.

7. Dividends Paid

Since the end of previous financial year, the Company paid a fourth interim dividend of 2 sen and a special dividend of 2 sen per ordinary share, totalling RM18,400,000 in respect of financial year ended 30 November 2018 on 6 March 2019. Total dividend paid by the Company for the year ended 30 November 2018 was 10 sen per ordinary share.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2019 (cont'd)**

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.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2019 (cont'd)**

13. **Review of Group's Performance**

Financial review for current quarter and financial period to date:

	Individual Period		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Quarter		Current Year To-date	Preceding Year Corresponding Period	
	28.02.2019 RM'000	28.02.2018 RM'000		28.02.2019 RM'000	28.02.2018 RM'000	
Revenue	39,454	43,336	-9%	39,454	43,336	-9%
Operating Profit	7,505	6,518	15%	7,505	6,518	15%
Share of profit of equity accounted investee, net of tax	5,934	4,881	22%	5,934	4,881	22%
Profit Before Tax	13,439	11,399	18%	13,439	11,399	18%
Profit After Tax	10,791	9,018	20%	10,791	9,018	20%
Profit Attributable to Owners of the Company	10,791	9,018	20%	10,791	9,018	20%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The Group's revenue for the period under review was RM39.4 million, a 9% drop or RM3.9 million lower than last year corresponding period of RM43.3 million. The drop in revenue was mainly due to incentive paid to customers amounting to RM3.6 million netted off with revenue in compliance with MFRS15 which requires it to be treated as a reduction of transaction price. In the same manner, the cost of sales also reduced by the same quantum. Isolating the reclassification resulting from adoption of MFRS15, actual revenue dropped slightly by approximately 1%. However there was no impact on the profit generated during the period. There was an increase in local sales and sales to Thailand whereas sales to Myanmar dropped since Myanmar government prohibited the business of multi-level marketing ("MLM") in Myanmar since 18 September 2018.

The Group recorded a higher profit before tax of RM13.4 million for the period under review, an increase of RM2 million (18%) from RM11.4 million in the last year corresponding period. This was made possible with tighter control on operating costs as well as increase in share of profit from the associate.

Consolidated Statement of Financial Position

The Group's total assets as at 28 February 2019 was RM635.7 million, an increase of RM11.5 million as compared to last financial year ended 30 November 2018 of RM624.2 million. The increase was mainly attributable to increase in cash & cash equivalents of RM11.6 million and investment in associate of RM10 million.

The Group's total liabilities as at 28 February 2019 was RM44.6 million, an increase of RM15.4 million as compared to last financial year ended 30 November 2018 of RM29.2 million. This was mainly due to dividends of RM18.4 million which remained unpaid as at 28 February 2019.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2019 (cont'd)**

13 Review of Group's Performance (continued)

The Group's total equity registered at RM591.1 million, a decrease of RM3.8 million as compared to last financial year ended 30 November 2018 of RM594.9 million.

The Group's net asset per share was at RM1.29.

Consolidated Statement of Cash flow

The Group's cash and cash equivalents as at 28 February 2019 was RM160.8 million, representing a net increase of RM20.5 million from RM140.3 million of cash and cash equivalents as at 30 November 2018.

The net cash from the operating activities was RM10.8 million.

The net cash from the investing activities was RM826,000, mainly from interest income received of RM1.1 million, offset by capital expenditure of RM262,000.

14. Material Changes 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
	28.02.2019 RM'000	30.11.2018 RM'000	
Revenue	39,454	45,030	-12%
Operating Profit	7,505	11,975	-37%
Share of profit of equity accounted investee, net of tax	5,934	1,511	293%
Profit Before Tax	13,439	13,486	0.3%
Profit After Tax	10,791	15,834	-32%
Profit Attributable to Owners of the Company	10,791	15,834	-32%

Revenue for the current quarter under review of RM39 million was 12% lower than the immediate preceding quarter's revenue of RM45 million, mainly resulted from the decrease in sales to Thailand and Myanmar markets. Isolating the RM3.3 million (another RM0.3 million was netted off with sales to Indonesia) local incentive which was netted off with local sales during current quarter, there was actually an increase of sales in the local market amounting to approximately RM1.2 million (14%).

Current quarter's profit before tax of RM13.4 million represented a slight drop of 0.3% compared to the immediate preceding quarter's profit before tax of RM13.5 million.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2019 (cont'd)**

14. Material Change in Profit Before Taxation reported as compared with the immediate preceding quarter(continued)

There was a drop in the Group's profit after tax for current quarter of RM5 million, i.e. 32% drop compared to immediate preceding quarter. This is mainly due to lower tax expense for the immediate preceding quarter resulting from recognition of deferred tax assets for certain subsidiaries.

15. Current year prospects

The Group's business is closely linked to the sentiments of general consumer market and the fluctuating currency. Strengthening or weakening of Ringgit Malaysia against USD will have an impact on the Group's performance as all the export revenue are transacted in USD. As reported in 4th quarter 2018, export sales to Mynmar has been temporarily halted due to Mynmar government prohibiting direct selling activities. The ban has not been lifted yet.

Based on a report published by *FocusEconomics* on 19 February 2019, the regional economy of 2019 is expected to be quite favourable, supported by strong consumption growth and a solid manufacturing sector. This reputable source of analysis on global economy forecasted that Cambodia market will expand 6.7% whereas the growth for Indonesia will be 5.1%, Malaysia 4.5% and Thailand 3.7%. The Group is committed to take advantage of the positive market sentiments so as to be more competitive in the MLM market both locally and abroad.

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 2019.

16. Variance of Actual Profit from Forecast Profit

Not applicable.

17. Taxation

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 28.02.2019 RM'000 (Unaudited)	Preceding Year Quarter 28.02.2018 RM'000 (Unaudited)	Current Year To date 28.02.2019 RM'000 (Unaudited)	Preceding Year To date 28.02.2018 RM'000 (Unaudited)
-Current Year	2,648	2,381	2,648	2,381
-Prior Year	-	-	-	-
Total	<u>2,648</u>	<u>2,381</u>	<u>2,648</u>	<u>2,381</u>

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

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2019 (cont'd)****18. Status of Corporate Proposals**

There was no corporate proposal being announced during the period.

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.

21. Trade Receivables

The ageing analysis of the trade receivables (included under Receivables, deposits and prepayments category in Statement of Financial Position) for 28 February 2019 is as follows:

	RM'000	%
Not past due	25,146	99.57%
Past due 1-30 days	27	0.11%
Past due 31-120 days	82	0.32%
Past due >120 days	-	-
	<u>25,255</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 first interim single tier dividend of 2 sen per ordinary share, totalling RM9,200,000 in respect of financial year ending 30 November 2019 has been declared on 17 April 2019.

In respect of deposited securities, entitlement to the first interim dividend will be determined based on shareholders registered in the record of depositors as at 15 May 2019. The payment date is 12 June 2019.

23. Capital Commitments

Capital commitments not provided in the interim financial statement as at 28 February 2019 were as follows:

	RM'000
Contracted but not provided for:	
Property, Plant and Equipment	11

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2019 (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 28.02.2019 RM'000 (Unaudited)	Preceding Year Quarter 28.02.2018 RM'000 (Unaudited)	Current Year To Date 28.02.2019 RM'000 (Unaudited)	Preceding Year To Date 28.02.2018 RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>10,791</u>	<u>9,018</u>	<u>10,791</u>	<u>9,018</u>
Number of shares in issue ('000)	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>
Basic earnings per share (sen)	<u>2.35</u>	<u>1.96</u>	<u>2.35</u>	<u>1.96</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 April 2019
Penang