

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 MAY 2019**

	Current Year To Date 31.05.2019 RM'000 (Unaudited)	As at Preceding Financial Year End 30.11.2018 RM'000 (Audited)
Assets		
Property, plant and equipment	122,756	127,298
Investment properties	23,429	23,718
Investment in an associate	246,072	224,735
Deferred tax assets	4,936	4,240
Total non-current assets	<u>397,193</u>	<u>379,991</u>
Inventories	49,095	54,990
Current tax assets	3,520	3,735
Receivables, deposits and prepayments	40,193	36,291
Cash and cash equivalents	159,287	149,165
Total current assets	<u>252,095</u>	<u>244,181</u>
Total assets	<u><u>649,288</u></u>	<u><u>624,172</u></u>
Equity		
Share capital	230,000	230,000
Reserves	376,943	364,965
Total equity	<u>606,943</u>	<u>594,965</u>
Liabilities		
Employee benefit	315	317
Deferred tax liabilities	587	-
Total non-current liabilities	<u>902</u>	<u>317</u>
Payables and accruals	27,857	25,939
Dividend payable	9,200	-
Current tax liabilities	4,386	2,951
Total current liabilities	<u>41,443</u>	<u>28,890</u>
Total liabilities	<u>42,345</u>	<u>29,207</u>
Total equity and liabilities	<u><u>649,288</u></u>	<u><u>624,172</u></u>
Net assets per share (sen)	131.94	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 31 MAY 2019**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.05.2019 RM'000 (Unaudited)	Preceding Year Quarter 31.05.2018 RM'000 (Unaudited)	Current Year To Date 31.05.2019 RM'000 (Unaudited)	Preceding Year To Date 31.05.2018 RM'000 (Unaudited)
Revenue	52,322	44,017	91,776	87,353
Results from operating activities	17,436	10,469	24,941	16,987
Share of profit of equity accounted investee, net of tax	6,812	7,075	12,746	11,956
Profit before tax	24,248	17,544	37,687	28,943
Income tax expense	(4,723)	(5,476)	(7,370)	(7,857)
Profit for the period	19,525	12,068	30,317	21,086
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	(699)	(24)	48	1,556
Fair value of available-for-sale financial assets	-	-	-	(524)
Share of other comprehensive income / (expense) of equity accounted in	5,533	(1,940)	9,214	(1,947)
Total other comprehensive income for the period, net of tax	4,834	(1,964)	9,262	(915)
Total comprehensive income for the period	24,359	10,104	39,579	20,171
Profit attributable to:				
Owners of the Company	19,525	12,068	30,317	21,086
Non-controlling interests	-	-	-	-
Profit for the period	19,525	12,068	30,317	21,086
Total comprehensive income attributable to:				
Owners of the Company	24,359	10,104	39,579	20,171
Non-controlling interests	-	-	-	-
Total comprehensive income for the period	24,359	10,104	39,579	20,171
<i>Weighted average number of shares in issue ('000)</i>	460,000	460,000	460,000	460,000
Basic earnings per share (sen)	4.24	2.62	6.59	4.58

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MAY 2019**

Individual Quarter		Cumulative Quarters	
Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
31.05.2019	31.05.2018	31.05.2019	31.05.2018
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	(1,089)	(1,011)	(2,173)	(1,923)
Other income including investment income	-	-	-	-
Interest expense	-	-	-	-
Depreciation and amortisation	2,778	2,941	5,564	5,911
Provision / (Reversal of) for and write off of receivables	(10)	(20)	(20)	(26)
Provision / (Reversal of) for and write off of inventories	99	288	75	366
(Gain) / Loss on disposal of quoted / unquoted investments	-	-	-	(621)
(Gain) / Loss on disposal of properties	-	-	-	-
Impairment of assets	-	-	-	-
Foreign exchange (gain) or loss	(2,181)	782	(1,101)	2,987
(Gain) or Loss on derivatives	-	-	-	-

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MAY 2019**

	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	-	1,556	-	-	-	1,556
Fair value of available-for-sale financial assets	-	-	(524)	-	-	(524)
Share of other comprehensive income of equity accounted investee, net of tax	-	22	-	-	-	22
Total other comprehensive income for the period	-	1,578	(524)	-	-	1,054
Profit for the period	-	-	-	-	18,894	18,894
Total comprehensive income for the period	-	1,578	(524)	-	18,894	19,948
Dividends to owners of the Company	-	-	-	-	(23,000)	(23,000)
At 31 May 2018	230,000	38,556	-	1,800	307,142	577,498

	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 2018	230,000	39,224	-	1,910	323,831	594,965
Foreign currency translation differences for foreign operations	-	48	-	-	-	48
Share of other comprehensive income of equity accounted investee, net of tax	-	9,214	-	-	-	9,214
Total other comprehensive income / (expense) for the period	-	9,262	-	-	-	9,262
Profit for the period	-	-	-	-	30,317	30,317
Total comprehensive income for the period	-	9,262	-	-	30,317	39,579
Dividends to owners of the Company	-	-	-	-	(27,600)	(27,600)
At 31 May 2019	230,000	48,486	-	1,910	326,548	606,944

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 MAY 2019**

	Current Year To Date 31.05.2019 RM'000 (Unaudited)	Preceding Year To Date 31.05.2018 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	37,687	28,943
Adjustments for		
Non-cash items	(6,559)	(8,517)
Non-operating items	(2,173)	(1,923)
Operating profit before working capital changes	28,955	18,503
Changes in working capital	4,011	8,851
Cash generated from operating activities	32,966	27,354
Tax paid	(5,830)	(10,943)
Retirement benefit paid	(2)	-
Dividends received from associate	-	19,737
<i>Net cash from operating activities</i>	27,134	36,148
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other investments	-	(26)
Proceeds from disposal of other investments	-	1,977
Capital expenditure	(790)	(487)
Interest received	2,173	1,923
Proceeds from disposal of plant & machineries/properties	6	-
<i>Net cash generated from investing activities</i>	1,389	3,387
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid to owners of the Company	(18,400)	(13,800)
<i>Net cash used in financing activity</i>	(18,400)	(13,800)
Net increase in cash and cash equivalents	10,123	25,735
Cash and cash equivalents at 1 December	149,165	124,644
Effects of exchange rates on cash and cash equivalents	(1)	(93)
Cash and cash equivalents at 30 November (Note 1)	159,287	150,286

NOTE 1:

Cash and cash equivalents consist of :-

	RM'000	RM'000
Short term deposits with licensed banks	148,867	117,202
Cash and bank balances	10,420	33,084
Total cash and cash equivalents	159,287	150,286

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 31 MAY 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 accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited annual financial statements for the financial year ended 30 November 2018, except as set out below.

New accounting pronouncements adopted for this interim financial report

(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.

(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 9 and MFRS 15.

These accounting pronouncements do not have any significant impact to the Group:

- 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*

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but yet to effective and have not been adopted by the Group.

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*

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2019 (cont'd)

1. Basis of Preparation (Continued)

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

- 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 - *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

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

- Amendments to MFRS 3 - *Business Combinations – Definition of 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.

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2019 (cont'd)

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 :

- i) 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 Nov 2018 on 6 March 2019. Total dividend paid by the Company for the year ended 30 November 2018 was 10 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 2019 on 12 June 2019.

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.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 2019 (cont'd)**

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.

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	
	31.05.2019 RM'000	31.05.2018 RM'000		31.05.2019 RM'000	31.05.2018 RM'000	
Revenue	52,322	44,017	19%	91,776	87,353	5%
Operating Profit	17,436	10,469	67%	24,941	16,987	47%
Share of profit of equity accounted investee, net of tax	6,812	7,075	-4%	12,746	11,956	7%
Profit Before Tax	24,248	17,544	38%	37,687	28,943	30%
Profit After Tax	19,525	12,068	62%	30,317	21,086	44%
Profit Attributable to Owners of the Company	19,525	12,068	62%	30,317	21,086	44%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The Group's revenue for the period under review was RM91.8 million, an increase of 5% or RM4.4 million compared to last year corresponding period of RM87.4 million. The increase was mainly attributable to higher sales both locally and to Thailand.

The Group recorded a higher profit before tax of RM37.7 million for the period under review, an increase of 30% or RM8.8 million than last year corresponding period of RM28.9 million. The increase was mainly attributable to higher sales with diligent cost control and higher share of profit from an associate.

Consolidated Statement of Financial Position

The Group's total assets as at 31 May 2019 was RM649.3 million, an increase of RM25.1 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 RM10.1 million and investment in associate of RM21.3 million.

The Group's total liabilities as at 31 May 2019 was RM42.3 million, an increase of RM13.1 million as compared to last financial year ended 30 November 2018 of RM29.2 million. This increase was mainly attributable to dividends of RM9.2 million which remained unpaid as at 31 May 2019 apart from higher payables and current tax liabilities.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 2019 (cont'd)**

13. Review of Group's Performance (continued)

Consolidated Statement of Financial Position (continued)

The Group's total equity registered at RM606.9 million, an increase of RM12.0 million as compared to last financial year ended 30 November 2018 of RM594.9 million.

The Group's net asset per share was at RM1.32.

Consolidated Statement of Cash flow

The Group's cash and cash equivalents as at 31 May 2019 was RM159.3 million, representing a net increase of RM10.1 million from RM149.2 million of cash and cash equivalents as at 30 November 2018.

The net cash from the operating activities was RM27.1 million.

The net cash from the investing activities was RM1.4 million, mainly from interest income received of RM2.2 million, offset by capital expenditure of RM790,000.

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
	31.05.2019 RM'000	28.02.2019 RM'000	
Revenue	52,322	39,454	33%
Operating Profit	17,436	7,505	132%
Share of profit of equity accounted investee, net of tax	6,812	5,934	15%
Profit Before Tax	24,248	13,439	80%
Profit After Tax	19,525	10,791	81%
Profit Attributable to Owners of the Company	19,525	10,791	81%

Revenue for the current quarter under review of RM52.3 million was 33% higher than the immediate preceding quarter's revenue of RM39.5 million, mainly resulted from increased sales locally and to Thailand.

Current quarter's profit before tax of RM24.2 million was 80% higher than the immediate preceding quarter's profit before tax of RM13.4 million.

Current quarter's profit after tax of RM19.5 million was 81% higher than the immediate preceding quarter's profit before tax of RM10.8 million.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 2019 (cont'd)**

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 Myanmar was temporarily halted due to Myanmar government prohibiting direct selling activities. The Group has tackled the ban by changing its business model. Using the existing network, the Group has turned Myanmar into retail market. Hence sales has resumed in April 2019.

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 31.05.2019 RM'000 (Unaudited)	Preceding Year Quarter 31.05.2018 RM'000 (Unaudited)	Current Year To date 31.05.2019 RM'000 (Unaudited)	Preceding Year To date 31.05.2018 RM'000 (Unaudited)
Current Year	4,720	5,304	7,367	7,685
Prior Year	3	172	3	172
Total	<u>4,723</u>	<u>5,476</u>	<u>7,370</u>	<u>7,857</u>

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.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 2019 (cont'd)****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 31 May 2019 is as follows:

	RM'000	%
Not past due	33,945	99.74%
Past due 1-30 days	10	0.02%
Past due 31-120 days	77	0.23%
Past due >120 days	2	0.01%
	<u>34,034</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 second 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 July 2019.

In respect of deposited securities, entitlement to the second interim dividend will be determined based on shareholders registered in the record of depositors as at 16 August 2019. The payment date is 11 September 2019.

23. Capital Commitments

Capital commitments not provided in the interim financial statement as at 31 May 2019 were as follows:

Contracted but not provided for:	RM'000
Property, Plant and Equipment	34

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 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 31.05.2019 RM'000 (Unaudited)	Preceding Year Quarter 31.05.2018 RM'000 (Unaudited)	Current Year To Date 31.05.2019 RM'000 (Unaudited)	Preceding Year To Date 31.05.2018 RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>19,525</u>	<u>12,068</u>	<u>30,317</u>	<u>21,086</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>4.24</u>	<u>2.62</u>	<u>6.59</u>	<u>4.58</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 July 2019
Penang