

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 AUG 2019**

	Current Year To Date 31.08.2019 RM'000 (Unaudited)	As at Preceding Financial Year End 30.11.2018 RM'000 (Audited)
Assets		
Property, plant and equipment	120,404	127,298
Investment properties	23,303	23,718
Investment in an associate	240,972	224,735
Deferred tax assets	5,143	4,240
Total non-current assets	<u>389,822</u>	<u>379,991</u>
Inventories	47,828	54,990
Current tax assets	2,641	3,735
Receivables, deposits and prepayments	27,809	36,291
Cash and cash equivalents	187,244	149,165
Total current assets	<u>265,522</u>	<u>244,181</u>
Total assets	<u><u>655,344</u></u>	<u><u>624,172</u></u>
Equity		
Share capital	230,000	230,000
Reserves	388,678	364,965
Total equity	<u>618,678</u>	<u>594,965</u>
Liabilities		
Employee benefit	314	317
Deferred tax liabilities	906	-
Total non-current liabilities	<u>1,220</u>	<u>317</u>
Payables and accruals	23,640	25,939
Dividend payable	9,200	-
Current tax liabilities	2,606	2,951
Total current liabilities	<u>35,446</u>	<u>28,890</u>
Total liabilities	<u>36,666</u>	<u>29,207</u>
Total equity and liabilities	<u><u>655,344</u></u>	<u><u>624,172</u></u>
Net assets per share (sen)	134.50	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 AUG 2019**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.08.2019 RM'000 (Unaudited)	Preceding Year Quarter 31.08.2018 RM'000 (Unaudited)	Current Year To Date 31.08.2019 RM'000 (Unaudited)	Preceding Year To Date 31.08.2018 RM'000 (Unaudited)
Revenue	39,728	51,023	131,504	138,376
Results from operating activities	8,073	15,150	33,014	32,137
Share of profit of equity accounted investee, net of tax	4,545	4,812	17,291	16,768
Profit before tax	12,618	19,962	50,305	48,905
Income tax expense	(2,507)	(4,520)	(9,877)	(12,377)
Profit for the period	10,111	15,442	40,428	36,528
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	7	(71)	55	1,485
Fair value of available-for-sale financial assets	-	-	-	(524)
Share of other comprehensive income / (expense) of equity accounted investee, net of tax	10,816	1,736	20,030	(211)
Total other comprehensive income for the period, net of tax	10,823	1,665	20,085	750
Total comprehensive income for the period	20,934	17,107	60,513	37,278
Profit attributable to:				
Owners of the Company	10,111	15,442	40,428	36,528
Non-controlling interests	-	-	-	-
Profit for the period	10,111	15,442	40,428	36,528
Total comprehensive income attributable to:				
Owners of the Company	20,934	17,107	60,513	37,278
Non-controlling interests	-	-	-	-
Total comprehensive income for the period	20,934	17,107	60,513	37,278
<i>Weighted average number of shares in issue ('000)</i>	460,000	460,000	460,000	460,000
Basic earnings per share (sen)	2.20	3.36	8.79	7.94

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

	Individual Quarter		Cumulative Quarters	
	Current	Preceding	Current	Preceding
	Year	Year	Year	Year
	Quarter	Quarter	To Date	To Date
	31.08.2019	31.08.2018	31.08.2019	31.08.2018
	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	(1,102)	(1,171)	(3,275)	(3,094)
Other income including investment income	-	-	-	-
Interest expense	-	-	-	-
Depreciation and amortisation	2,668	2,906	8,232	8,817
Provision /(Reversal of) for and write off of receivables	(11)	19	(31)	(7)
Provision / (Reversal of) for and write off of inventories	730	1,359	805	1,725
(Gain) / Loss on disposal of quoted / unquoted investments	-	-	-	(621)
(Gain) / Loss on disposal of properties	(5)	-	(5)	-
Impairment of assets	-	-	-	-
Foreign exchange (gain) or loss	3,733	(3,240)	(1,796)	(253)
(Gain) or Loss on derivatives	-	-	-	-

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

	Current Year To Date 31.08.2019 RM'000 (Unaudited)	Preceding Year To Date 31.08.2018 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	50,305	48,905
Adjustments for		
Non-cash items	(9,755)	(8,970)
Non-operating items	(3,275)	(3,094)
Operating profit before working capital changes	37,275	36,841
Changes in working capital	13,461	10,136
Cash generated from operating activities	50,736	46,977
Tax paid	(9,127)	(14,064)
Retirement benefit paid	(2)	-
Dividends received from associate	21,787	19,737
<i>Net cash from operating activities</i>	63,394	52,650
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other investments	-	(26)
Proceeds from disposal of other investments	-	1,977
Capital expenditure	(994)	(1,099)
Interest received	3,275	3,094
Proceeds from disposal of plant & machineries/properties	6	-
<i>Net cash generated from investing activities</i>	2,287	3,946
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid to owners of the Company	(27,600)	(23,000)
<i>Net cash used in financing activity</i>	(27,600)	(23,000)
Net increase in cash and cash equivalents	38,081	33,596
Cash and cash equivalents at 1 December	149,165	124,644
Effects of exchange rates on cash and cash equivalents	(2)	(92)
Cash and cash equivalents at 30 November (Note 1)	187,244	158,148
NOTE 1:		
Cash and cash equivalents consist of :-		
	RM'000	RM'000
Short term deposits with licensed banks	174,226	146,230
Cash and bank balances	13,018	11,918
Total cash and cash equivalents	187,244	158,148

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 AUGUST 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 AUGUST 2019

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 AUGUST 2019

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;
- 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; and
- iii) A second interim dividend of 2 sen per ordinary share, totalling RM9,200,000 in respect of financial year ending 30 November 2019 on 11 September 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.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2019**

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.

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	
	31.08.2019 RM'000	31.08.2018 RM'000		31.08.2019 RM'000	31.08.2018 RM'000	
Revenue	39,728	51,023	-22%	131,504	138,376	-5%
Operating Profit	8,073	15,150	-47%	33,014	32,137	3%
Share of profit of equity accounted investee, net of tax	4,545	4,812	-6%	17,291	16,768	3%
Profit Before Tax	12,618	19,962	-37%	50,305	48,905	3%
Profit After Tax	10,111	15,442	-35%	40,428	36,528	11%
Profit Attributable to Owners of the Company	10,111	15,442	-35%	40,428	36,528	11%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The Group's revenue for the period under review was RM131.5 million, a decrease of 5% or RM6.9 million compared to last year corresponding period of RM138.4 million. The decrease was mainly attributable to impact from MFRS 15 effective current financial year, which reclassifies certain expenses to off-set against revenue.

The Group recorded a higher profit before tax of RM50.3 million for the period under review, an increase of 3% or RM1.4 million than last year corresponding period of RM48.9 million. The increase was mainly attributable to higher export sales and share of profit from an associate.

Consolidated Statement of Financial Position

The Group's total assets as at 31 August 2019 was RM655.3 million, an increase of RM31.1 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 RM38.1 million and investment in associate of RM16.2 million.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2019**

13. Review of Group's Performance (continued)

Consolidated Statement of Financial Position (continued)

The Group's total liabilities as at 31 August 2019 was RM36.7 million, an increase of RM7.5 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 August 2019.

The Group's total equity registered at RM618.7 million, an increase of RM23.8 million as compared to last financial year ended 30 November 2018 of RM594.9 million.

The Group's net asset per share as at 31 August 2019 is RM1.34.

Consolidated Statement of Cash Flow

The Group's cash and cash equivalents as at 31 August 2019 was RM187.2 million, representing a net increase of RM38.0 million from RM149.2 million of cash and cash equivalents as at 30 November 2018.

The net cash from the operating activities was RM63.4 million.

The net cash from the investing activities was RM2.3 million, mainly from interest income received of RM3.3 million, offset by capital expenditure of RM994,000.

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 %
	31.08.2019 RM'000	31.05.2019 RM'000	
Revenue	39,728	52,322	-24%
Operating Profit	8,073	17,436	-54%
Share of profit of equity accounted investee, net of tax	4,545	6,812	-33%
Profit Before Tax	12,618	24,248	-48%
Profit After Tax	10,111	19,525	-48%
Profit Attributable to Owners of the Company	10,111	19,525	-48%

Revenue for the current quarter under review of RM39.7 million was 24% lower than the immediate preceding quarter's revenue of RM52.3 million. Significant fluctuation across these two quarters is mainly due to timing of export orders, which came in early then normalised after.

Current quarter's profit before tax of RM12.6 million was 48% lower than the immediate preceding quarter's profit before tax of RM24.2 million.

Current quarter's profit after tax of RM10.1 million was 48% lower than the immediate preceding quarter's profit after tax of RM19.5 million.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2019****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 export revenue are transacted in USD.

The Group will continue with its effort to leverage on market growth where possible while remains cautious to potential impacts cascaded from recent global developments to ensure its competitiveness in business.

The Group is committed 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 31.08.2019 RM'000 (Unaudited)	Preceding Year Quarter 31.08.2018 RM'000 (Unaudited)	Current Year To Date 31.08.2019 RM'000 (Unaudited)	Preceding Year To Date 31.08.2018 RM'000 (Unaudited)
Current Year	2,905	4,489	10,272	12,174
Prior Year	(398)	31	(395)	203
Total	2,507	4,520	9,877	12,377

18. Status of Corporate Proposals

There was no corporate proposal being announced during the period.

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2019****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 31 August 2019 is as follows:

	RM'000	%
Not past due	21,389	93.53%
Past due 1-30 days	1,475	6.45%
Past due 31-120 days	2	0.01%
Past due >120 days	3	0.01%
	<u>22,869</u>	<u>100.00%</u>

The Group did not fully 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 2019 has been declared on 16 October 2019.

In respect of deposited securities, entitlement to the third interim dividend will be determined based on shareholders registered in the record of depositors as at 15 November 2019. The payment date is 11 December 2019.

23. Capital Commitments

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

Contracted but not provided for:	RM'000
Property, Plant and Equipment	202

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**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2019****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 31.08.2019 RM'000 (Unaudited)	Preceding Year Quarter 31.08.2018 RM'000 (Unaudited)	Current Year To Date 31.08.2019 RM'000 (Unaudited)	Preceding Year To Date 31.08.2018 RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>10,111</u>	<u>15,442</u>	<u>40,428</u>	<u>36,528</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>2.20</u>	<u>3.36</u>	<u>8.79</u>	<u>7.94</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
16 October 2019
Penang