

ZHULIAN



ANNUAL REPORT 2018

EXPANDING BUSINESS BY TAPPING THE UNTAPPED

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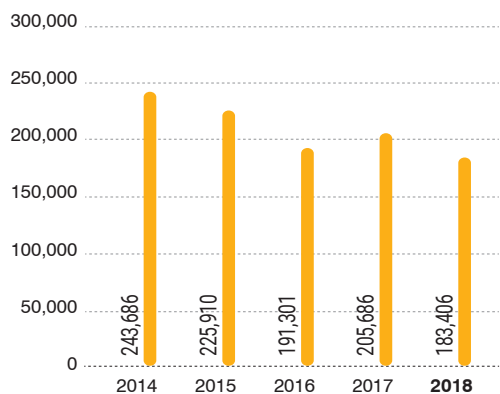
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

YEAR ENDED 30 NOVEMBER	2018	2017	2016	2015	2014
Income Statement (RM '000)					
Revenue from continuing operations	183,406	205,686	191,301	225,910	243,686
Profit before taxation from continuing operations	62,391	67,204	56,246	70,716	57,909
Profit after taxation from continuing operations	52,362	52,812	41,598	53,045	47,114
Statement of Financial Position (RM '000)					
Total non-current assets	379,991	386,873	379,849	351,515	315,424
Total current assets	244,181	234,394	208,169	218,502	205,037
Shareholders' fund	594,965	580,550	553,925	529,067	483,215
Non-controlling interest	–	–	–	26	26
Total equity	594,965	580,550	553,925	529,093	483,241
Total non-current liabilities	317	860	1,875	2,542	2,492
Total current liabilities	28,890	39,857	32,218	38,382	34,728
Share Information					
Per Ordinary Share					
Earnings, basic (sen)	11.38	11.48	9.04	11.53	10.24
Net assets (sen)	129.34	126.21	120.42	115.02	105.05
Net dividends per ordinary share (sen)	10.00	7.50	6.00	6.00	10.00
Share price as at 30 November (RM)	1.30	1.80	1.30	1.51	2.13
Financial Ratios					
Return on equity (%)	9%	9%	8%	10%	10%
Gearing Ratio (%)	0%	0%	0%	0%	0%

FIVE-YEAR GROUP FINANCIAL CHARTS

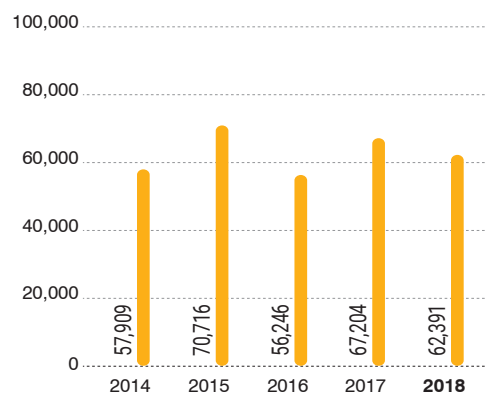
Revenue

(RM'000)



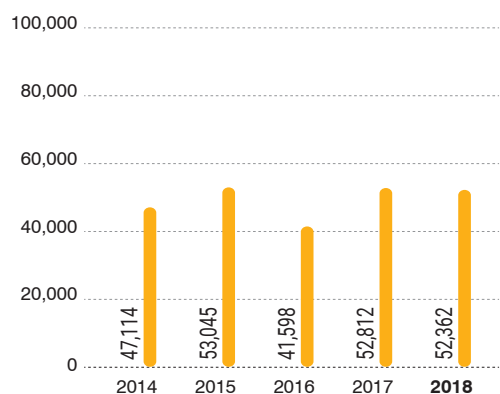
Profit Before Taxation

(RM'000)



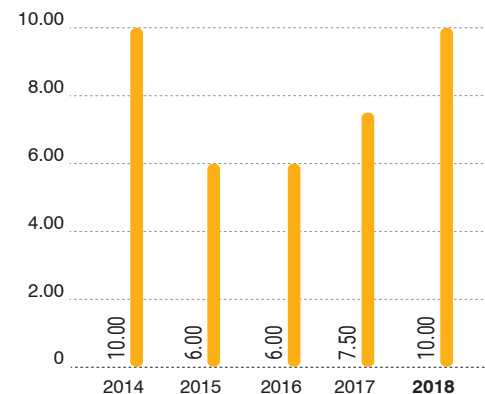
Profit After Taxation

(RM'000)



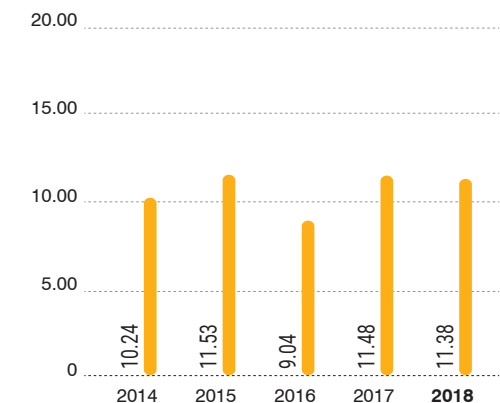
Net Dividends Per Ordinary Share

(sen)



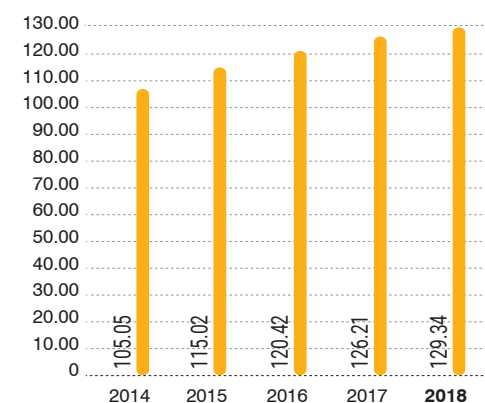
Earnings Per Share

(sen)



Net Asset Value Per Share

(sen)

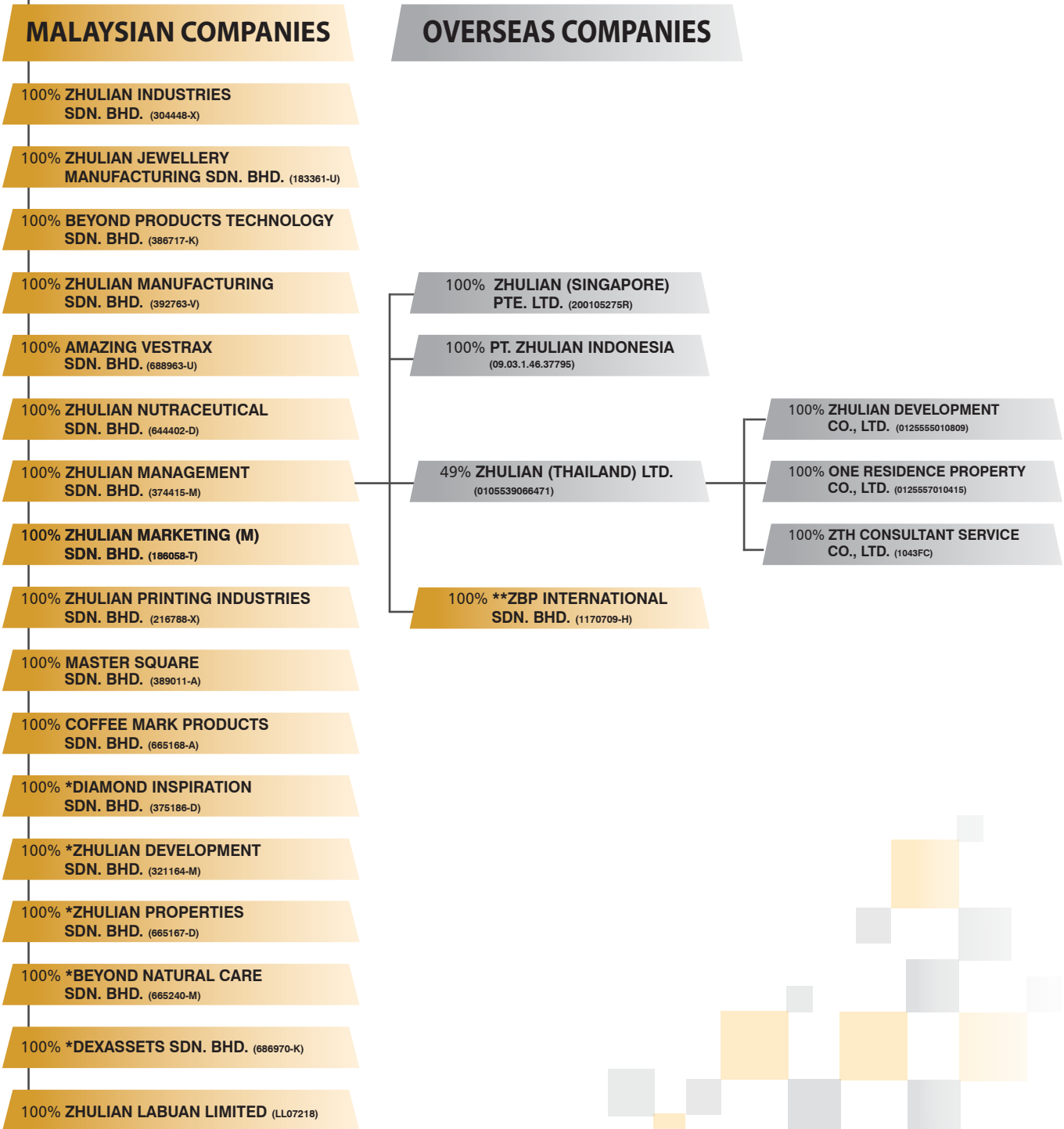




CORPORATE REVIEW

GROUP STRUCTURE

ZHULIAN



*Dormant
 **In the process of members' voluntary winding-up

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors ("Board") of **ZHULIAN CORPORATION BERHAD** ("ZHULIAN" or "the Company"), it is my honour to present to you the Annual Report and Audited Consolidated Financial Statements of ZHULIAN and its subsidiaries ("ZHULIAN Group" or "The Group") for the financial year ended 30 November 2018 ("FY2018").





FINANCIAL PERFORMANCE

In the midst of weak market sentiment, the Group recorded a decline in revenue, from RM205.69 million in FY2017 to RM183.41 million in FY2018 ended 30 November 2018 with a Profit After Taxation ("PAT") of RM52.36 million as compared to a PAT of RM52.81 million for the preceding year.

All in all, the Group continued to generate profit in the past year and managed to build up its reserved cash and maintain strong financial fundamentals with zero gearing.

A more detailed review of the business performance of the Group's major segments will be set forth in the Management Discussion and Analysis of this Annual Report.

RETURN TO SHAREHOLDERS

The Group declared a total dividend of 10 sen for the financial year ended 30 November 2018, consisting interim dividends of 2 sen per ordinary share for each quarter and a special dividend of 2 sen per ordinary share for fourth quarter. Total dividend amounted to RM46.0 million or 87.9% of PAT for FY2018.

BUSINESS OVERVIEW

Our business experienced growing momentum in the first three quarters of the year, contributed by growth in Myanmar. The decision of Myanmar Authority to ban all Multi-level Marketing ("MLM") business operation during the fourth quarter had adversely impacted our business, resulted in a drop in revenue in the fourth quarter. Overall, our business showed a decline in revenue in FY2018 (2017: RM205.69 million compared to 2018: RM183.41 million).

Regardless of what happened in Myanmar market, we geared up marketing activities in Malaysia Market to lure more people joining in our MLM network. Though the programmes had yet to show significant result in FY2018, we saw increased motivation level amongst our Distributors and we are confident that this will be translated into higher Distributor productivity in the coming year. At the meantime, our Thai Associate showed business buoyancy through a variety of marketing activities in 2018.

In the year of review, we continued to introduce new products and organise campaigns and promotions to stimulate sales. We also continued to conduct training programmes to strengthen the skills and professionalism of our Distributors and Leaders.

For a full and detailed business review and analysis, please refer to our Management Discussion and Analysis section of this Annual Report.



CORPORATE GOVERNANCE

With the objective to enhance shareholders' value, the Company and its Board of Directors has all along been committed to building a sustainable business by implementing and maintaining high standards of corporate governance in managing all the business operations in the Group. The Board also recognises that the principles of integrity, transparency and accountability are key components for the Group's continued growth and success. The core principles that we uphold to ensure good governance are clearly laid down in the Statement on Corporate Governance.

SUSTAINABILITY COMMITMENT

We uphold sustainability as a pillar in our business development, so as to create enduring value for all our stakeholders. The Board is mindful of the importance of business sustainability and in making every business decision and developing the corporate strategy of the Group, its impact on the environment, social and economy aspects is taken into consideration. We are well aware that conscious management of the impact will translate into better cost-effectiveness, improved external relations and better managed risks. Our goal is to achieve valuable balance in the development of the economy, society and the environment through our business engagements. The details on the Group's activities towards business sustainability are clearly stated in the Sustainability Statement of this Annual Report.



DIRECTORATE

The Board bade farewell to Mr. Teoh Beng Seng, who resigned from the Board as the Group President and Chief Executive Officer on 12 December 2018. I represent other members of the Board, would like to congratulate Mr. Teoh Meng Keat who has been promoted to the position of Chief Executive Officer with effect from 14 December 2018 and also welcome Mr. Oon Hock Chye who was appointed as a new member of the Board on 17 October 2018.



OUTLOOK AND PROSPECTS

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 private 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%. We are committed to take advantage of the positive market sentiments so that we can appear to be more competitive in the MLM market both locally and abroad.

The ZHULIAN Group was founded on a mission of changing people's lives by providing an opportunity to improve their health and financial well-being. Next year in 2019, Zhulian is celebrating its 30th Anniversary. As we move ahead into 2019, we continue to strengthen and drive innovation in our product portfolio to ensure that it meets the demands of today's consumers. Offering quality and value in terms of aesthetics in our jewellery product as well as health and wellness benefits to other product ranges especially health and nutrition products will be our priority. And while we believe we are already well-positioned for the future, we continue to look to expand the choices we offer consumers within each of our product categories as well as identify new trends and growth segments.

NOTES OF APPRECIATION

Despite of some unexpected challenges, we are on our way towards building a more resilient and sustainable company. Our growth strategies and investments reflect our commitment to generating value for our shareholders in both short and long terms. We are grateful to our shareholders for their continued confidence in our management team and the future success of our Company.

Last but not the least, to all of the people under the umbrella of Zhulian Group – including our Distributors, Leaders, Authorised Agents, Management Team and employees, I want to thank everyone for their commitment and tireless efforts over the past year that helped us navigate through this challenging period for the Company. We always do what is right, we will continue to work together and build it better.

On Behalf of the Board,

ZHULIAN CORPORATION BERHAD,

HAJI WAN MANSOOR BIN WAN OMAR

Independent Non-Executive Chairman



PENYATA Pengerusi



Para Pemegang Saham Yang Dihargai,

Bagi pihak Lembaga Pengarah (“Lembaga”) **ZHULIAN CORPORATION BERHAD** (“ZHULIAN” atau “Syarikat”), ia adalah satu penghormatan untuk saya membentangkan kepada anda Laporan Tahunan dan Penyata Kewangan Disatukan Yang Diaudit (*Audited Consolidated Financial Statement*) bagi ZHULIAN dan subsidiarinya (“Kumpulan ZHULIAN” atau “Kumpulan”) untuk tahun kewangan yang berakhir pada 30 November 2018 (“FY2018”).



PRESTASI KEWANGAN

Di tengah-tengah sentimen pasaran yang lemah, Kumpulan telah merekodkan penurunan perolehan, dari RM205.69 juta bagi FY2017 ke RM183.41 juta bagi FY2018 berakhir 30 November 2018 dengan Keuntungan Selepas Cukai ("PAT") berjumlah RM52.36 juta berbanding PAT berjumlah RM52.81 juta pada tahun sebelumnya.

Secara keseluruhannya, Kumpulan kekal menjana keuntungan pada tahun lalu dan dapat meningkatkan rizab tunainya serta mengekalkan asas kewangan yang teguh tanpa pinjaman.

Tinjauan lebih terperinci bagi prestasi perniagaan segmen utama Kumpulan akan dikemukakan di bahagian Perbincangan dan Analisis Pengurusan (*Management Discussion and Analysis*) di dalam Laporan Tahunan ini.

PULANGAN KEPADA PEMEGANG SAHAM

Kumpulan mengisytiharkan jumlah dividen berjumlah 10 sen bagi tahun kewangan berakhir 30 November 2018, yang terdiri daripada dividen interim sebanyak 2 sen per saham biasa bagi setiap suku tahun dan dividen khas 2 sen per saham biasa. Dividen ini mewakili jumlah dividen RM46.0 juta atau 87.9% daripada PAT bagi 2018.

TINJAUAN PERNIAGAAN

Perniagaan kita mengalami momentum pertumbuhan pada tiga suku pertama tahun tersebut, disebabkan oleh pertumbuhan pesat di Myanmar. Keputusan Pihak Berkuasa Myanmar untuk mengharamkan operasi semua perniagaan Pemasaran Berbilang Tingkat (*Multi-level Marketing* ~ "MLM") dalam suku keempat tahun tersebut meninggalkan impak yang hebat terhadap perniagaan kita, mengakibatkan perolehan merosot sepanjang suku keempat. Secara keseluruhannya, perniagaan kita menunjukkan penurunan perolehan bagi FY2018 (2017: RM205.69 juta berbanding 2018: RM183.41 juta).

Tidak kira apa yang berlaku di pasaran Myanmar, kita telah meningkatkan aktiviti pemasaran di Pasaran Malaysia bagi mengundang minat lebih ramai menyertai rangkaian MLM kita. Walaupun program-program tersebut belum lagi menampakkan hasil yang jelas di dalam FY2018, namun kita menyaksikan peningkatan tahap semangat di kalangan para Pengedar dan kita yakin ia akan dapat diterjemahkan kepada produktiviti para Pengedar yang lebih dipertingkatkan dalam tahun yang mendatang. Sementara itu, Sekutu Thailand kita menunjukkan perkembangan perniagaan yang positif melalui pelbagai aktiviti perniagaan dalam tahun 2018.

Bagi tahun dalam tinjauan, kita masih terus memperkenalkan produk-produk baru serta menganjurkan pelbagai kempen dan promosi bagi merangsang pasaran. Kita juga terus menjalankan program-program latihan untuk memperkukuhkan kemahiran dan profesionalisme para Pengedar dan Pemimpin kita.

Bagi tinjauan dan analisis perniagaan yang penuh dan terperinci, sila rujuk bahagian Perbincangan dan Analisis Pengurusan (*Management Discussion and Analysis*) kita di dalam Laporan Tahunan ini.



TADBIR URUS KORPORAT

Berpegang kepada objektif untuk meningkatkan nilai bagi pemegang saham, Syarikat dan Lembaga Pengarahnya sentiasa berkomitmen untuk membina sebuah perniagaan yang lestari dengan melaksanakan dan mengekalkan piawaian tinggi bagi tadbir urus korporat dalam menguruskan kesemua operasi perniagaan Kumpulan. Lembaga turut mengakui bahawa prinsip kewibawaan, ketelusan dan kebertanggungjawaban adalah komponen penting bagi pertumbuhan berterusan dan kejayaan Kumpulan. Prinsip teras yang kami julang bagi memastikan tadbir urus yang baik telah dibentangkan dengan jelas di dalam Penyata Tadbir Urus Korporat (*Statement on Corporate Governance*) di dalam Laporan Tahunan ini.

KOMITMENT KELESTARIAN

Kita menjulang kelestarian sebagai tunggak di dalam pembangunan perniagaan kita, bagi menghasilkan nilai yang mampu terus bertahan buat para pemegang saham kita. Lembaga menyedari kepentingan kelestarian perniagaan dalam membuat sebarang keputusan serta membangunkan strategi korporat Kumpulan, impaknya terhadap alam sekitar, sosial dan ekonomi turut dipertimbangkan. Kami menyedari pengurusan yang peka terhadap impaknya akan menjadi lebih berkesan dari segi kos, meningkatkan hubungan luar dan mampu menguruskan risiko dengan lebih baik. Matlamat kita adalah mencapai imbalan yang ternilai bagi pembangunan ekonomi, masyarakat dan alam sekitar melalui penglibatan perniagaan kita. Butiran semua aktiviti Kumpulan bagi kelestarian perniagaan telah dibentangkan dengan jelas di dalam Penyata Kelestarian (*Sustainability Statement*) di dalam Laporan Tahunan ini.



DIREKTORAT

Lembaga mengucapkan selamat tinggal kepada En. Teoh Beng Seng, yang telah melepaskan jawatannya daripada Lembaga sebagai Presiden dan Ketua Pegawai Eksekutif Kumpulan pada 12 Disember 2018. Saya mewakili ahli-ahli Lembaga Pengarah ingin menyampaikan ucapan tahniah kepada En. Teoh Meng Keat yang telah dilantik ke kedudukan Ketua Pegawai Eksekutif berkuatkuasa mulai 14 Disember 2018 dan juga ucapan selamat datang kepada En. Oon Hock Chye yang telah dilantik sebagai ahli Lembaga yang baru pada 17 Oktober 2018.



TINJAUAN DAN PROSPEK

Berdasarkan laporan yang diterbitkan oleh *FocusEconomics* pada 19 Februari 2019, ekonomi serantau bagi 2019 dijangkakan agak memberangsangkan, dan disokong oleh pertumbuhan penggunaan swasta yang kukuh serta sektor pengeluaran yang mantap. Sumber analisis bagi ekonomi global yang bereputasi baik ini meramalkan pasaran Kemboja akan berkembang 6.7% sementara pertumbuhan Indonesia 5.1%, Malaysia 4.5% dan Thailand 3.7%. Kita berkomitmen untuk merebut peluang sentimen pasaran yang positif tersebut agar kita tampil lebih berdaya saing di dalam pasaran MLM tempatan dan luar negara.

Kumpulan ZHULIAN telah diasaskan dengan misi untuk merubah kehidupan insan melalui penyediaan peluang bagi memperbaiki kesihatan dan kesejahteraan kewangan. Di tahun 2019, Zhulian akan meraikan ulang tahun pertubuhannya yang ke-30. Dengan melangkahnya kita ke tahun 2019, kita kekal memperkukuhkan dan memacu inovasi di dalam portfolio produk kita bagi memastikan ia memenuhi permintaan para pengguna masa kini. Menawarkan kualiti dan nilai dari sudut estetika melalui produk barangan kemas kita serta manfaat kesejahteraan melalui rangkaian produk lain terutamanya produk-produk kesihatan dan nutrisi adalah menjadi keutamaan kita. Meskipun kita meyakini kita berada di kedudukan yang baik untuk meneruskan langkah ke depan, namun kita masih lagi mencari peluang untuk meluaskan lagi pilihan produk yang ditawarkan melalui setiap kategori produk kepada para pengguna sambil mengenalpasti tren dan segmen pertumbuhan yang baru.

PENGHARGAAN

Sungguhpun hadir beberapa cabaran yang tidak terjangka, kita masih di dalam usaha ke arah membina syarikat yang lebih teguh dan bertahan lama. Strategi pertumbuhan dan pelaburan kita menggambarkan komitmen kita untuk menjana nilai buat para pemegang saham kita bagi jangka pendek dan jangka panjang. Kita berterima kasih kepada para pemegang saham di atas keyakinan berterusan mereka terhadap barisan pengurusan kita dan kejayaan masa depan Syarikat kita.

Akhir sekali, kepada semua di bawah payung Kumpulan Zhulian - termasuklah para Penedar, para Pemimpin, Ejen Bertauliah, Kumpulan Pengurusan dan kakitangan kita, saya ingin berterima kasih kepada semua di atas komitmen dan usaha tanpa lelah saban tahun yang membantu kita melayari tempoh mencabar ini buat Syarikat. Kita akan sentiasa melakukan yang betul, kita akan terus berganding bahu dan membangunkan Kumpulan agar lebih baik lagi.

Bagi pihak Lembaga Pengarah,

ZHULIAN CORPORATION BERHAD,

HAJI WAN MANSOOR BIN WAN OMAR

Pengerusi Bebas Bukan Eksekutif



MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (“Board”) and Management of the Company is pleased to present the Management Discussion and Analysis (“MD&A”) which contains commentary from the Management to give our valued shareholders a better understanding of the Group’s business, operations and financial position for FY2018. The MD&A should be read in conjunction with the Audited Financial Statements of the Group and the Company for FY2018.

OVERVIEW OF BUSINESS AND OPERATIONS

As one of the Multi-level Marketing companies in Malaysia, ZHULIAN has established its foothold since 1989. From a small MLM company back then, it has grown to a group of companies as at today. **ZHULIAN CORPORATION BERHAD** (“ZHULIAN” or the “Company”) which is the investment holding company of Zhulian Group of Companies (“ZHULIAN Group” or “the Group”) has been listed on Main Market of Bursa Malaysia since year 2007.

The Group’s core business is Multi-level Marketing (“MLM”) business, with diversified interests in manufacturing and trading of an array of widely diversified products including consumable and fashion jewellery products. Based in Bayan Lepas, Penang, Malaysia, more than 80% of our products are developed by our own R&D facilities and manufactured at our own manufacturing plants. Today, our MLM business segment has an extensive distribution network consisting of 321 Authorised Agencies and branches, and 269,446 Distributors across Southeast Asia.



OUR BUSINESS STRATEGIES

FY2018 saw the softening of consumer spending in domestic market, resulting decrease in Distributors’ productivity. Therefore we placed emphasis on engaging new Distributors and continue to support our Distributors’ business by providing skill trainings and product education.

Engage New Distributors and Enhance Distributors’ Skills through Training

In 2018, we accelerated our strategy of enhancing the skill and professionalism of our MLM Distributors because we believe it is the right thing for the long terms sustainability and growth of our Group. We believe that personal development is the key to our Distributors’ success and therefore we have close interactions with our Distributors via meetings and events to support this important objective. We conduct training sessions on local and regional levels attended by thousands of Distributors to provide updates on the new marketing campaign, product education, sales and marketing strategy. Moreover, we had also conducted activities to engage younger generation to join our network. In the year of review, we saw the emergence of a group of young leaders whom we believe will drive positive momentum for the Group’s future growth.





Deliver Effective Products to Support a Healthy Lifestyle

Our product strategy is focused on providing high-quality products that can support a healthy lifestyle for Distributors and their customers in terms of enhancing their beauty and well-being.

We have our in-house R&D team and a group of advisors working hand-in-hand to ensure that we continue to be innovative in new product development. Additionally, to extend our product life-cycle, our product strategy includes projects such as upgrading product features and improving formulations of the existing products. We have a keen focus on product innovation as we have a scheduled product launching targets, timed around our major regional marketing and training events. These launches generally target specific product categories and markets we deem strategic to our business.

Increase Brand Awareness

We continue to build brand awareness and work towards becoming the most trusted brand in MLM industry. We also work to leverage the wide network of our Distributors as a marketing and brand-building tool. In November 2018, we are proud to receive a prestigious award ~ The BrandLaureate Brand Icon Leadership Award 2018 of which ZHULIAN Group was recognised as the Industry Champion in the Fashion Jewellery, Health & Wellness Products category. This award is a proud testament of the Group's strong brand position as an MLM Group of Companies which produces high quality fashion jewellery and food supplements that promote health and wellness.



Leverage Our Infrastructure and Information Technology

We continue to invest in our R&D, manufacturing and operational infrastructure to accelerate the process of new product development in order to be more responsive to the ever-changing market demands and at the same time to enhance the efficiency of our Group's business operations. In the year of review, our ISO 9001 certified home care manufacturing plant had finally started production after years of R&D while we successfully launched our own brand of home detergent range. In addition, we also employ information technology systems to support Distributors and their increasing demand to be more connected to the Group, their business and their consumers. We will continue to build on these platforms so that we can take advantage of the rapid development of technology to support a more robust Distributor and customer experience.



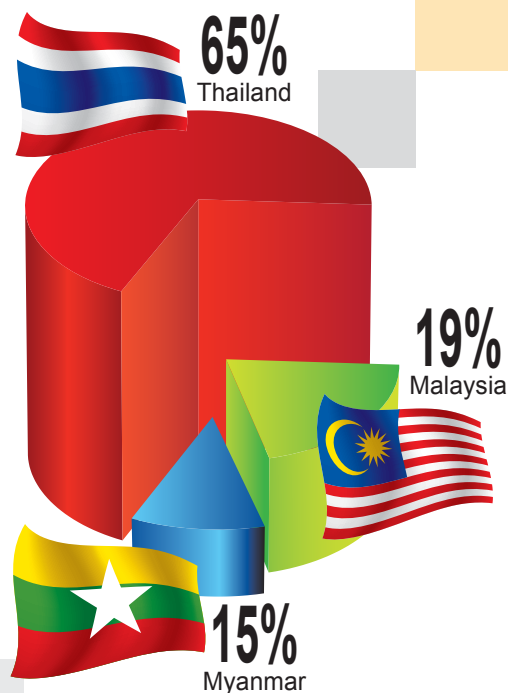
GROUP FINANCIAL HIGHLIGHTS

The Group's overall revenue for 2018 was adversely impacted by the ban of MLM business operation throughout Myanmar in September 2018. Due to the sudden ban, the Group had to stop all exports to Myanmar. The distribution of the Group's 2018 revenue by country showed that Thailand remained as the biggest contributor with 65% of the total revenue, followed by Malaysia which contributed 19% and Myanmar 15%.

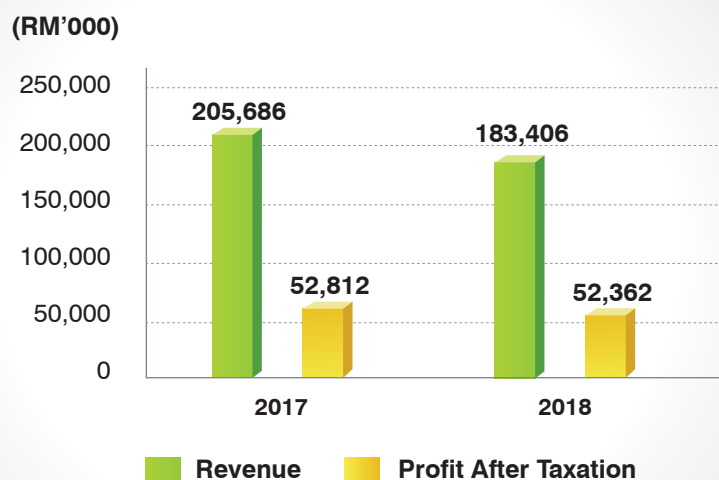
For the full FY2018, we achieved net revenue of RM183.41 million compared with FY2017 revenue of RM205.69 million and our adjusted EPS was 11.38 sen per share. Full year's Profit After Taxation ("PAT") marginally decreased to RM52.36 million, compared to RM52.81 million for FY2017.

Cash generated from operating activities amounting to RM60.76 million included dividends received from overseas associate of RM19.74 million. We also invested in capital expenditures aggregating RM1.32 million, including our manufacturing and Information Technology infrastructure, in line with our objective to continuously improve our product quality and customer experience. The Group's total capital commitment, contracted but not provided for as at 30 November 2018, amounted to RM2.35 million for both MLM and Manufacturing segments. Our financial position remains solid with Gearing remained zero at the end of FY2018 and Cash and Cash Equivalent increased by RM24.52 million from RM124.64 million in the preceding year to RM149.17 million in FY2018.

While our financial results, such as our revenue, PAT and cash status, indicate the strength and stability of our business, the underlying fundamentals in our business are equally strong and support our confidence and our belief in the future.



Revenue & Profit After Taxation
FY2017 - FY2018



RETURN TO SHAREHOLDERS

At ZHULIAN, maximising shareholder value is our primary focus. It's the key objective for our management team and our Board of Directors, and as such, we are always evaluating the proper capital structure to best maximise shareholder value – above and beyond the contribution from our financial performance. The Company declared a fourth interim dividend of 2 sen per ordinary share and a special dividend of 2 sen per ordinary share for FY2018 on 23 January 2019. Cumulatively, we have declared a total dividend of 10 sen per ordinary share for the year, equivalent to RM46.0 million or 87.9% of 2018 PAT totalling RM52.36 million.

ORGANISATIONAL AND CORPORATE HIGHLIGHTS

Domestic Market

The launch of new products

When we started our business in 1989, we only manufactured and distributed one type of product - gold-plated jewellery. Over the years, our product mix has been widely diversified. Currently, besides manufacturing and marketing gold plated and rhodium plated fashion jewellery, we take pride in having the expertise and capacity to self-develop and manufacture food and beverage products, nutritional health supplements, home technology products such as water purifier and air purifier, therapeutic bedding products and home detergent products.

In FY2018, we expanded our product mix by launching 5 new sets of rhodium plated brooches together with our own new line of Hijabs. Other than that, we also expanded our beauty product range with two fragrance products and a tone correcting sun protection facial milk. We also rolled out 3 new nutritional supplements, adding into the Traditional Food Supplement range.



Sales and marketing programmes

We believe that personal and professional development is the key to our Distributors' success and therefore we and our Leaders have meetings and events to support this important objective. In the year of review, we conducted a number of training sessions attended by thousands of Distributors to provide updates on product education, sales and marketing training and skill enhancement on business tools.



In order to stimulate the domestic market, we organised a series of marketing rallies and seminars throughout Malaysia as well as several Leaders' meeting to discuss and chart the future strategies. We also stepped up initiatives to engage new Distributors by organising more marketing activities at suburban areas. National scale promotion campaign, travel incentive campaign to Chiang Mai, Thailand was also conducted to boost Distributors' productivity. On top of that, a series of health seminars were also conducted to increase health awareness among our Distributors and local communities and at the same time promoting new and upgraded products.

Continuous investment in our employees

The Group has come a long way to reach where we are today on the value we place on our people. We make a continuous investment in our employees by continuously providing them with training and developmental programmes to ensure that that skills and knowledge they gained can contribute towards the growth of the Group. It is the commitment of all employees under the umbrella of ZHULIAN Group to continually strive to adapt and evolve to meet our customers' and Distributors' ever-changing needs by providing them with quality products and personalised service.



Overseas Market

The launch of new products

ZHULIAN Group has carved a niche market in neighbouring countries, especially Thailand with our own-manufactured instant coffee products. Currently, we export to Thailand a wide variety of food & beverage, health supplements, personal care and home care products. FY2018 marked another milestone in the Group's history where we successfully launched our own brand of Home Detergent range. The new launches in Thailand also included two fragrance products and a tone correcting sun protection facial milk.



Sales and marketing programmes

Our Thailand market had continued to demonstrate dynamism to further push our business forward. A wide variety of marketing activities were organised, whereby the biggest event among all was the National Convention held at Zhulian Convention Centre situated at Zhulian Thailand Regional Head Office.

There were two overseas incentive tour held for the year, one of them brought the outstanding Leaders and their respective spouse to Switzerland and Italy, while the other to Tokyo, Japan.





Change of Myanmar's business model

Our Myanmar market was making a significant contribution to our export revenue and the decision of the Myanmar government to ban the MLM business operation was not anticipated as our business model was well accepted by the people in Myanmar. Undeniably, this sudden ban posted a material adverse effect to our financial condition and operating results in the final quarter of FY2018. Our Thai associate, Zhulian (Thailand) Ltd. along with the top Management of the Group had taken immediate remedial actions to mitigate the adverse impact to our Leaders and Distributors in Myanmar while taking steps to change our business model and we believe that we will be able to resume our business in Myanmar once all the necessities are in place.

Manufacturing Division

In the year of review, we continued to enhance the efficiency and effectiveness of our operations to increase production capacity while tightening the control over operating costs without compromising the quality. Besides the three manufacturing plants ~ one that houses the manufacturing jewellery, home technology and home care products; another one houses the therapeutic products' manufacturing facilities and the other one is a GMP and HACCP accredited manufacturing plant specialising in food and beverage products and health supplement, our manufacturing facility for home care products had successfully commenced operation and launched a new range of products in 2018.



DISTRIBUTION NETWORK

In a business environment that is fast changing and becoming more intense in competition, keeping our network competitive across our regional markets is our priority. At the end of FY2018, we had 321 Authorised Agencies and branches, and 269,446 Distributors across the region of Southeast Asia. We saw the emergence of a group of young entrepreneurs at our domestic market which we regarded as a positive result from our marketing effort to engage younger group to join our network.



DIGITAL ADVANCEMENT

The Group continued to invest in technology advancement in order to enhance the connection and interaction with Distributors and consumers. Besides ensuring our existing websites and Facebook page are always updated with the latest information, the Group is also in the process of developing the e-commerce platform for our MLM business. We believe this new advancement would be instrumental to propel the Group's future business growth.



FORWARD-LOOKING STATEMENT

The Management anticipate the Group's operating environment for FY2019 to remain challenging and competitive due to both global and domestic economic uncertainties with increased regulatory requirements, the higher key raw material and production cost together with intense price pressure from competitors. However, we will continue to uphold our healthy business practices to strive for our business sustainability and add value to our shareholders. We are cautiously optimistic that we will remain resilient in the face of challenges, driven by our well-integrated infrastructure and strong brand positioning in the market. Moving forward, we will strive to continue to improve productivity and enhance its operational efficiency to deliver sustainable growth and satisfactory results for the Group. We will continue to focus on brand building and network strengthening strategy while expanding our business growth via digital advancement.

MANAGING RISKS

- **Foreign Exchange Risk**

More than 80% of our revenue for the year ended 30 November 2018 was generated outside Malaysia, exposing our business to risks associated with foreign operations. For instance, there are certain restriction or stricter import regulations and among which, the major ones are risks associated with foreign currency fluctuation that may influence the Group's reported financial results. For instance, purchases from overseas suppliers are generally made in U.S. dollar while sales to local Distributors are generally made in local currency. Meanwhile, the Group's exports are all denominated in U.S. currency. Accordingly, strengthening of the U.S. dollar versus a foreign currency could have a positive impact on us.



- **Stiff Competition from E-Commerce**

Ever since the inception of the internet, it has not only grown to become more than just an online platform but a bustling marketplace for consumers as well. People across the region are more internet-savvy and are following the growing trend of shopping online instead of buying from conventional stores or distributors through direct selling channel. The emergence of e-commerce has adversely affected our business performance. We look to capitalise on this market trend by advancing ourselves into e-commerce platform.

- **Regulatory Challenges**

In both local and foreign markets, the formulation, manufacturing, packaging, labelling, distribution, advertising, importation, exportation, licensing, sale and storage of our products are affected by extensive laws, governmental regulations and other similar constraints and restrictions. There can be no assurance that we or our Distributors are in compliance with all of these laws or regulations. Our failure or our Distributors' failure to comply with these laws or regulations could disrupt our Distributors' business, or lead to the imposition of significant penalties or claims and could negatively impact our business. In addition, the enforcement of new laws or regulations may result in significant compliance costs or discontinuation of product sales that may negatively impact our business performance.

SUSTAINABILITY STATEMENT

Over almost 30 years since we started our business, we have helped hundreds of thousands of Distributors across Southeast Asian region to become entrepreneurs either on a part time or full time basis who enjoy the independence and flexibility of running their own business with the advantages that come from being associated with an established, trusted organisation such as the ZHULIAN Group. We take pride in what we do - as a company that provide a business opportunity that empowers people to realise their potential and take their future into their own hands. And we recognise that we can only continue to support people by striving to become ever more sustainable as a business. We believe that means continuing to build a sustainable business as well as demonstrating our commitment in three key areas: economic sustainability, environmental sustainability and social sustainability.

To ZHULIAN Group, sustainability is defined as how we position ourselves in the economic reality, taking account of the social and economic challenges, environmental opportunities and threats. The awareness that how we run our business within a broader framework, amid complex interrelations with many stakeholder groups, allows us to anticipate and take advantage of the opportunities linked with sustainability.

Our strong corporate governance culture enables us to be better positioned to manage sustainability risks and opportunities. We apply materiality across our value chain with the corporation with our stakeholders to identify material sustainability matters that have significant impact on our economic, environment and social sustainability, and refining them to what are most important to our organisation and our stakeholders. With our proud success history of 29 years in the market and our products which have gained wide acceptance by people from all walks of life, we managed to build a strong brand which became a driving force to uphold the Group's financial sustainability and socio-economic equitability.



Engaging Stakeholders

As a Group with core business in multi-level marketing ("MLM"), people are our most important asset. Our whole business model revolves around our stakeholders - Distributors, Customers, Authorised Agents, employees as well as the communities and general public. We place utmost importance in building and cultivating good relations with our stakeholders because it not only helps us to better manage risks, but also supports the Group's development and gives the organisation a competitive edge.

We believe if they are thriving, our business will continue to grow and generate long-term value. Towards this objective, we are committed to be a business entity which promotes fair operating practices, guides our on-going interaction with all our stakeholders relevant to our operations which consist of the above and also include shareholders and investors, vendors and contractors, government and all the relevant regulatory bodies towards economic, environment and social sustainability.

STAKEHOLDER GROUP	ENGAGEMENT METHOD
<p>Distributors and Customers</p> <p>We strive to provide quality products and services to meet the customers' expectation and at the same time support Distributors to grow their business.</p>	<ul style="list-style-type: none"> • Customer Service Hotline • Social media and website • Training and development programmes • Marketing Activities - conventions, seminars, roadshows and rallies • Promotion Campaigns • Plant Tours
<p>Authorised Agents</p> <p>We work closely with Authorised Agents to engage Customers and Distributors.</p>	<ul style="list-style-type: none"> • Training and supporting services • Meetings and dialogues • Information updates via circulars • Field visits
<p>Employees</p> <p>We value teamwork and strive to create a conducive workplace.</p>	<ul style="list-style-type: none"> • On-going internal and external trainings • Internal communication system via memos and circulars • Performance appraisal system
<p>Shareholders and Investors</p> <p>We are committed to safeguard the shareholders' interest.</p>	<ul style="list-style-type: none"> • Annual General Meeting • Website • Annual Report • Quarterly Reports
<p>Government and Regulators</p> <p>We are committed to ensure all our business operations comply with the statutory and regulatory requirement.</p>	<ul style="list-style-type: none"> • Participation in events organised by Government, regulatory bodies and technical association
<p>Vendors and Contractors</p> <p>We build business relationship for long-term mutual benefits.</p>	<ul style="list-style-type: none"> • Meetings • Site visits • Periodic inspections and assessments
<p>Community and General Public</p> <p>We are commitment to create positive impacts among communities where we operate our business.</p>	<ul style="list-style-type: none"> • Direct Selling engagement • Donations to local communities • Sales and marketing activities • Social media and website



ECONOMIC SUSTAINABILITY

To ZHULIAN Group, an economically sustainable business is one that continues to generate profit and use its resources efficiently and responsibly so that the business can operate indefinitely. Our commitment to economic sustainability of our business includes offering products and services for the long-term benefit of our consumers and Distributors, continuing to support our Distributors in their business and always strive to exercise ethical professional judgement in what should or should not be done, taking into account the interests of others as well as our own cautiously and cost-effectively to maintain our business competitive advantage.

Continue to Support the Business of Distributors and Authorised Agents

The sustainability of our distribution network has become a challenge to the Group in recent years due to increasing competitions from other MLM companies and also softening consumer sentiment. In response, and to position the Group for long-term success and growth in the years ahead, the Company took several significant steps to strengthen our distribution network. We recognise our Distributors are key ambassadors for our business, and we support them by providing supportive services as well as comprehensive training and development. For a Distributor of the ZHULIAN Group, getting to know the Group's competitive edge, understand the products and learning how to run a business efficiently, ethically and successfully are essential. Training is available for all Distributors at agency level as well as company level as part of continuous personal and professional development and also a way to boost their morale. On top of that, we also conducted promotions and marketing campaigns to help boost the Distributors' productivity as part of our business sustainability effort.

Business ethics may become an issue to MLM business that is possible to impact economic sustainability of our business. To uphold business ethics among our Distributors and Authorised Agents, the Group has set in place clear procedures and codes of conduct as stipulated in Business Manual and also Agency Manual to promote healthy business practice.



Mitigating Foreign Exchange Risk

A substantial portion of our revenue is generated from exports, exposing us to the risks of foreign currency fluctuations. The main factors that caused the fluctuations of currency exchange rates are macroeconomic fundamentals and national policies that are beyond the Group's control. Our only measure to mitigate such risk is adopting the natural hedging strategy. All our exports are denominated in U.S. dollar. Although the strengthening of U.S. dollar against Malaysian Ringgit has a negative impact on operating income due to higher imported raw material cost, this negative impact of currencies is to some extent mitigated by the higher price of our exports resulted from higher value of U.S. dollar.

Vendor Management and Procurement Practices

We are well aware that the economic sustainability of the Group especially in regards of manufacturing operations and products depends on a collaborative approach to our quality management system which includes the activities of our value chain. While ensuring the cost effectiveness of our overall operation, we insist on sustainability standards from our suppliers or vendors and also contractors. We have put in place stringent selection criteria for our vendors and contractors as we insist on the same commitment from them to comply with all legal and contractual obligations and uphold high ethical standards in procurement and other processes. All our vendors and contractors are required to provide us with the relevant supporting document as evidence to their company compliance status and other certification documents relating to their business entity as well as the material supplied or the service provided by them. Assessments are also conducted from time to time to ensure they continue to live up to the set standard.



Community Relations and Community Investment

We position ourselves as a Group of Companies which are people-oriented and fully committed to carry on our mission of cultivating a healthy and wealthy nation by providing products and services that improve people's lives in terms of beauty, health and convenience as well as empower our people by nurturing them to achieve success, both materially and spiritually. In furtherance to our mission, we have been promoting a culture of sharing among our Distributors while we are striving to achieve business goals. In FY2018, our Marketing team organised several events to engage the communities to participate in our business.

We also play the role as a good corporate citizen by making contribution either in cash or in-kind to various charitable bodies. The Group donated RM10,000 to support the "Rise Against Hunger" charitable event held by Direct Selling Association of Malaysia (DSAM) on 25 September 2018 in conjunction with DSAM's 40th Anniversary. This humanitarian project was held at Mandarin Oriental Kuala Lumpur where more than 160 volunteers from DSAM Members gathered to pack almost 80,000 meals to alleviate hunger in areas that matter most, namely in poverty stricken areas, areas affected by natural disasters, etc. Apart from this, the Group also participated in the Charity Food & Fun Fair 2018 by contributing RM10,000 each to Penang Hospice Society and Society of the Disable Persons Penang. Besides that, the Group also took part in the Annual Fund Raising Dinner 2018 organised by Malaysia Red Crescent Society Penang Branch.



Preserving Confidentiality of Information (Data Privacy)

The Group complies with all relevant legislation in their procurement activities and preserves the confidentiality of information obtained in the course of business. We adhere to Personal Data Protection Act 2010 on protection of personal data that is required to be maintained for our own use and we take reasonable measures to ensure the security of the personal data that we collect, store, process or disseminate. Systems are also in place where all employees must comply with all information laws and regulations, including data privacy and computer security. Availability, integrity and confidentiality of information must be safeguarded by following information security policies and procedures applicable to our business.



ENVIRONMENT SUSTAINABILITY

While we strive to create exceptional value to improve our products through innovations so that we can differentiate ourselves from competitors, we promote sound environmental practices in order to safeguard our natural resources. The Group is committed to optimise the use of resources, minimise waste and ensure that the materials we use and the products we produce comply with our own and our stakeholders' standards. To this end, the Group has put in place an environmental policy to closely monitor and periodically review its operations on resources usage and waste management issues. Internal audits are conducted periodically to ensure compliance to all the standards set under Good Manufacturing Practices, ISO 9001, ISO 22000 and HACCP in regard to environmental concerns.



Ensuring Efficiency of Resources Usage and Promoting Eco-friendly Practice

In the Group, we recognise the importance of energy efficiency which will have impacts on both environment and economic sustainability. For instance, using electricity more efficiently helps us minimise our carbon footprint while saving on energy costs. It also subsequently means less heat, thereby reducing the overall heat load on our plants and the environment as a whole. Towards this objective, we have gradually replaced the lights at our plants to LED lights. On top of that, our facilities are all equipped with heat regulators and cooling systems. The Group's annual reports are also made into CD-ROMs, replacing the conventional printing of annual reports on papers as part of our effort to protect the environment.



Waste Management

With the objective to minimise the impact of our business processes on the environment, we encourage our employees of all levels to reduce wastage in all business processes. We continued our waste recycling campaign where we have put in place procedures on how to manage and dispose waste effectively. We also take steps to cut down the usage of papers and paper cartons by recycling them for internal use. We also promote the usage of recycle bags instead of plastic bags among our Distributors by distributing recycle bags to Distributors during marketing events.

On the other hand, our manufacturing and printing facilities, particularly our jewellery manufacturing, home care products' manufacturing facilities and food manufacturing plant are equipped with an environmental-friendly wastewater treatment system to treat wastewater to regulatory standards prior to discharge or disposal. In addition, an air scrubber is also installed for the control of hazardous fumes released from the electroplating process.

With the active participation of our employees and Distributors, we believe that our effort to address environmental issues will make our business more efficient, drive customer and employee connection, and have a positive impact in the communities in which we operate.

SOCIAL SUSTAINABILITY

We continued to carry out our mission to provide an opportunity to the public at large to help improve their living. In further to promote healthy living, we are also committed to increase health awareness among our Distributors and general public through our social media marketing tools, publication and also health seminars where the audience were educated on ways to maintain good health through healthy lifestyle including healthy diet, regular exercise, drinking adequate water as well as supplementing quality nutrition products.



Product Quality and Safety

As a responsible company which develop, manufacture and distribute a wide variety of products, we acknowledge the importance of product quality in ensuring business viability and relevance to the market. Each of our business processes, from sourcing of raw material to delivery of goods conform to the highest standards of quality, cleanliness, hygiene and safety.

We adhere to product quality and safety regulations applicable to the food and beverage industry, cosmetics and household products applicable to our nature of businesses in the countries where we operate, such as Good Manufacturing Practice (GMP), Quality Management Systems ISO 9001 and Hazard Analysis and Critical Control Point (HACCP) certifications. Our products also adhere to the chemical composition specifications set out by the Food Act 1983, and in compliance with the Malaysian Guidelines for Control of Cosmetic Products. Other quality and safety assurance standards that the Group observe include the Halal regulatory requirements by the Department of Islamic Development Malaysia (JAKIM) to provide assurance that Zhulian products are manufactured, imported, exported and distributed under the strictest hygienic and sanitary condition in accordance to the Islamic law. All our electrically powered home technology products are also inspected and tested by SIRIM QAS Malaysia to ensure the products are absolutely safe for use.





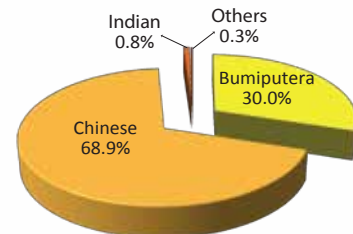
Workforce Diversity

We employ 615 employees at the Group's premises consisting three plants at Bayan Lepas, Penang. Adopting the ISO Quality Management System, our employees work in accordance to the standard operating procedures with the aim to fulfil the Distributors' as well as Customers' needs and expectation. We offer support to our employees through comprehensive benefit package plus training and development programmes.

We foster a corporate culture that respects human rights and cultivates diversity without discrimination based on gender, age or race, and maintain a workplace that encourage individuals to unleash their full potential. The diversity of our employees and managers is our key to maintaining our creativity and innovation. A diverse workplace also allows us to better understand our customers' expectations. We are committed to ensure that all our employees have equal opportunities for career advancement, regardless of their age, gender, religion and race. The following chart shows the diversity, age composition and gender composition of the Group's work force.

ETHNICITY COMPOSITION

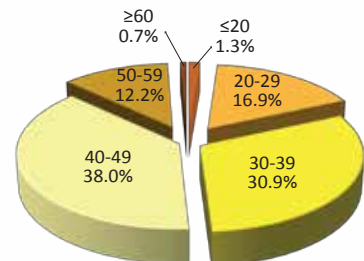
Ethnicity	Executive	Non-Executive	Total	Percentage (%)
Bumiputera	21	163	184	30.0
Chinese	132	292	424	68.9
Indian	3	2	5	0.8
Others	0	2	2	0.3
Total	156	459	615	100.0



TOTAL

AGE COMPOSITION

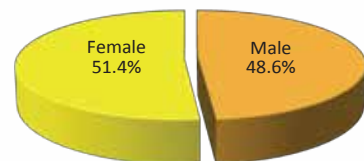
Age Group	Executive	Non-Executive	Total	Percentage (%)
<20	0	8	8	1.3
20-29	17	87	104	16.9
30-39	35	155	190	30.9
40-49	69	165	234	38.0
50-59	31	44	75	12.2
>=60	4	0	4	0.7
Total	156	459	615	100.0



TOTAL

GENDER COMPOSITION

Gender	Executive	Non-Executive	Total	Percentage (%)
Male	77	222	299	48.6
Female	79	237	316	51.4
Total	156	459	615	100.0



TOTAL



Employee Welfare

The Group's HR Policy guides practices and procedures for recruitment, employment, compensation and benefits as well as training and development of our employees. An Employee Handbook is in place covering the policies, benefits, procedures and code of conducts that have to be abided by the employees under the Group. Regarding employees' benefits, apart from complying with the statutory requirements in Malaysia under the Employment Act 1955, benefits such as staff uniform, company transport, meal allowance and Group Hospitalisation insurance are also provided to all employees.

We are well aware that developing employees' potential for their current and future roles is essential to employee engagement and retention as well as key to the long-term sustainability of the business. All the employees under the Group receive an annual performance review that serves to align the conducts and practices of employees with the Group's business objectives as well as assessment for their career development goal. In our effort to cultivate a positive and sustainable service culture, we strongly encourage our employees to collate feedbacks from customers with the objective to further improve service quality.

Cleanliness and Safety of Workplace

Across all our business, we ensure that our employees operate in safe and conducive work environment. We have a spacious cafeteria in our plants to take care of staff's meals during working hour. We also have in-house clinic facility to provide treatment to our employees as and when required. The cleanliness of the workplace is also maintained at all times as we believe clean and hygienic workplace not only creates a healthier environment for employees but also tends to help an organisation become more efficient and productive.

Besides having a comprehensive Safety and Health Policy in the Employee Handbook, we have set up a Safety Committee to monitor the workplace and address any safety issues that arise. We have also an Emergency Response Team and a First Aider Team to act promptly during emergency. The key health and safety activities held by the Group includes fire drills, evacuation exercises and training in proper use of equipment and proper work instructions in order to prevent workplace hazards from happening.



CORPORATE INFORMATION

BOARD OF DIRECTORS

- **Haji Wan Mansoor Bin Wan Omar** (Independent Non-Executive Chairman)
- **Teoh Meng Keat** (Chief Executive Officer)
- **Teoh Meng Soon** (Group Executive Director)
- **Teoh Meng Lee** (Group Executive Director)
- **Diong Chin Teck** (Senior Independent Non-Executive Director)
- **Tan Lip Gay** (Independent Non-Executive Director)
- **Oon Hock Chye** (Independent Non-Executive Director)

AUDIT COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE	RISK COMMITTEE
<ul style="list-style-type: none"> • Diong Chin Teck (Chairman) • Haji Wan Mansoor Bin Wan Omar • Tan Lip Gay • Oon Hock Chye 	<ul style="list-style-type: none"> • Tan Lip Gay (Chairman) • Haji Wan Mansoor Bin Wan Omar • Diong Chin Teck • Oon Hock Chye 	<ul style="list-style-type: none"> • Tan Lip Gay (Chairman) • Haji Wan Mansoor Bin Wan Omar • Diong Chin Teck • Oon Hock Chye 	<ul style="list-style-type: none"> • Teoh Meng Keat (Chairman) • Haji Wan Mansoor Bin Wan Omar • Diong Chin Teck • Tan Lip Gay • Oon Hock Chye

PRINCIPAL PLACE OF BUSINESS

Plot 42, Bayan Lepas Industrial Estate, Phase IV, 11900 Bayan Lepas, Penang.
Telephone No.: 04-6162020 Fax No.: 04-6425989

COMPANY SECRETARY

Ch'ng Lay Hoon (MAICSA 0818580)

AUDITORS

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Chartered Accountants

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163E Jalan Kelawei
10250 Penang
Telephone No.: 04-2382288
Fax No.: 04-2382222

REGISTERED OFFICE

Suite 12-A, Level 12, Menara Northam
No. 55, Jalan Sultan Ahmad Shah
10050 Georgetown, Penang
Telephone No.: 04-2280511
Fax No.: 04-2280518

SHARE REGISTRAR

Agriteum Share Registration Services
Sdn Bhd

2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang
Telephone No.: 04-2282321
Fax No.: 04-2272391

PRINCIPAL BANKERS

CIMB Bank Berhad
United Overseas Bank (Malaysia) Bhd

SOLICITORS

Murad & Foo

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities
Berhad

(Listed since 27 April 2007)

Stock Code : 5131

Stock Name : **ZHULIAN**

Syariah Status : Approved by
Syariah Advisory Council
and Securities Commission

WEBSITES:

<http://www.zhulian.com>

<http://www.zhulian.com.my>

BOARD OF DIRECTORS' PROFILE

HAJI WAN MANSOOR BIN WAN OMAR

Independent Non-Executive Chairman

Haji Wan Mansoor Bin Wan Omar, a Malaysian, male, aged 70, was appointed to our Board as Independent Non-Executive Chairman on 30 October 2006.

An economics graduate from the University of Malaya, he had begun his illustrious career with the Malaysian Administrative and Diplomatic Service in various departments and ministries including public services department, Malaysian student departments in Washington D.C. and the Implementation Coordination Unit and Economic Planning Unit in the Prime Minister's Department. He has 33 years of experience in public service. In his last posting, he was appointed the Director of Consumer Affairs in the Ministry of Domestic Trade and Consumer Affairs. Over the years, he has actively participated in many seminars and training courses both locally and overseas, including a Master of Business and Public Administration course at the Southeastern University in Washington D.C. in 1983; a Certificate in Industrial Cooperation and Small and Medium Industries organised by the Ministry of Science and Technology Korea in 1985, a Seminar by the Overseas Economics Cooperation Fund Japan in 1986 and the RVB Executive Programme in Management, Netherland Specialisation on Small Entrepreneurship Promotion and Industrial Assistance in 1988.

An active contributor to the local industries, he is currently the Chief Liaison Officer of the Malaysian Islamic Chamber of Commerce and the Chairman of the Malaysian Chamber of Rural Industry Entrepreneurs, Kuala Lumpur. At present, he is also the PIBG Chairman for Taman Permata Religious School, Kuala Lumpur.

TEOH MENG KEAT

Chief Executive Officer (Effective from 14 December 2018)

Teoh Meng Keat, a Malaysian, male, aged 52, appointed to our Board since 29 April 2006 and currently the Chief Executive Officer, a position he is holding effective from 14 December 2018. He took over the stewardship of the Group from our former Group President and Chief Executive Officer, Mr. Teoh Beng Seng.

Mr. Teoh Meng Keat began his early career in 1990 as the Administrative and Finance Manager of Zhulian Jewellery Manufacturing Sdn. Bhd. In 1992, he was promoted to the post of Executive Director and in 1998 to Group Managing Director in recognition of his service distinction. Drawing upon wide experience in finance, IT and corporate management, he is instrumental in coordinating and carrying out the Group's objectives and in seeking excellence in every area of operations.

He is responsible for making corporate decisions related to business directions of the Group, developing and implementing business strategies. He spearheads the management team to achieve the Group's vision in every area of operations. He is also responsible for overseeing the Group's direct selling operations in Malaysia as well as overseas establishments.

TEOH MENG SOON

Group Executive Director

Teoh Meng Soon, a Malaysian, male, aged 49, was appointed to our Board on 15 July 2009 as an Executive Director and he was elevated to his current position as Group Executive Director on 21 June 2012. He heads the operations of Zhulian Industries Sdn. Bhd. and Zhulian Nutraceutical Sdn. Bhd. He is a certified environmental professional by Department Of Environment Malaysia in the operation of Industrial Effluent Treatment System - Biological Process since 2010 and also in Scheduled Waste Management since 2011. With his in-depth experience in research and development as well as the manufacturing processes of food products and traditional supplements, he leads the food division's R&D team and oversees the implementation and continuous improvement of our wide ranging quality control procedures that ensure high product quality is consistently maintained and uncompromised to meet the stringent quality standards of ISO and GMP.

He joined Zhulian Jewellery Manufacturing Sdn. Bhd. in 1993 as a Plating Operator and was promoted to the position of Plating Process Manager in 1996. He was subsequently promoted to the position of Production Director in 2003 when he was given the responsibility to run the food manufacturing division and he was also instrumental in setting up the nutraceutical products division in 2010.

TEOH MENG LEE

Group Executive Director

Teoh Meng Lee, a Malaysian, male, aged 49, was appointed to our Board on 15 July 2009 as an Executive Director and subsequently promoted to Group Executive Director on 21 June 2012. He is responsible for managing the operations of Beyond Products Technology Sdn. Bhd., Zhulian Manufacturing Sdn. Bhd. and Amazing Vestrax Sdn. Bhd. He is responsible for production planning and strategy, scheduling of material requisitions and inventory management for the manufacturing activities of the specified plants. He joined Zhulian Jewellery Manufacturing Sdn. Bhd. in 1996 as a Coordinator and was promoted to the position of Production Control Manager at the end of 1996. He was subsequently promoted to the position of Operations Director in 2003.

In his capacity as the Operations Director as well as the head of our R&D team for home technology and home care products, he has continuously improved our products through ongoing R&D and implementation of new production technology. He has extensive experience in the manufacturing industry and has contributed significantly to the establishment of our production planning and inventory control system for our manufacturing activities.

DIONG CHIN TECK

Senior Independent Non-Executive Director

Diong Chin Teck, a Malaysian, male, aged 86, was appointed to our Board as an Independent Non-Executive Director on 30 October 2006. Subsequently, he was appointed as the Senior Independent Non-Executive Director on 15 October 2008. He is a Fellow of The Institute of Chartered Accountants in Australia and a member of the Malaysian Institute of Accountants. He obtained his professional training in accountancy in Melbourne, Australia and was admitted as a member of The Institute of Chartered Accountants in Australia in 1966.

He joined KPMG in 1967 and worked in their Kuala Lumpur, Ipoh and Penang offices. He was made a Partner of KPMG in 1971. The Penang office grew under his leadership from a small practice to a sizeable office when he retired from the partnership in 1988. While he was with KPMG, he was involved in providing audit, taxation and consultancy services to clients from various industries including manufacturing, plantation and the banking sectors.

Diong Chin Teck was the Company Secretary of Oriental Holdings Berhad and its subsidiaries from 1974 to February 2010. His role as Company Secretary also required him to provide advisory services on corporate matters ranging from acquisition of companies and properties in both Malaysia and overseas to comply with the various statutory and governmental bodies.

TAN LIP GAY

Independent Non-Executive Director

Tan Lip Gay, a Malaysian, male, aged 55, was appointed to our Board as an Independent Non-Executive Director on 30 October 2006. He graduated from Middlesex Polytechnic in London, England with a Bachelor of Laws (LLB) Honours degree in 1987 and subsequently received his Certificate in Legal Practise (CLP) in 1988. In 1989, he was admitted to the High Court of Malaya as an advocate and solicitor.

In 1990, he set up his own legal firm, Leong, Ng & Tan with his partners and today it is an established legal practice in the country. An active participant in community services, he was awarded the Pingat Jasa Kebaktian (PJK) by the Yang Di-Pertua Negeri Pulau Pinang in 2001 in recognition of his selfless services. His unrelenting commitment towards his community and active interest in social work led to his receiving another state award from the Di-Pertua Negeri Pulau Pinang – the Pingat Kelakuan Terpuji (PKT) in 2005.

OON HOCK CHYE

Independent Non-executive Director

Oon Hock Chye, a Malaysian, male, aged 51, was appointed to our Board as an Independent Non-Executive Director on 17 October 2018. He is a member of Malaysian Institute of Accountants (MIA), a fellow member of the Association of Chartered Certified Accountants (ACCA), a fellow member of the Chartered Tax Institute of Malaysia (CTIM) and also a Certified Financial Planner (CFP). He also holds both a tax agent license and GST agent license, issued by the Ministry of Finance.

Oon Hock Chye started his taxation career with Deloitte Touche Tohmatsu, a 'Big-4' Accounting Firm before starting his own practice under the name of Consulnet Tax Services Sdn. Bhd. in the year 1996. With more than 25 years experience in the field of taxation, he is the National Tax Director of ShineWing TY Teoh Malaysia, one of the leading and fastest-growing consulting service providers in Malaysia with branches in Singapore, Johor, Kuala Lumpur, Penang, Perak and Labuan and a member firm of ShineWing International ("SWI"), a global network of independent accounting and consulting firms which is consistently ranked as Top 20 largest accounting network by the World Survey of International Accounting Bulletin (IAB). He also sits on the board of AE Multi Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad as an Independent Non-Executive Director.

Notes:

Teoh Meng Keat, Teoh Meng Soon and Teoh Meng Lee are siblings. Save as disclosed, Haji Wan Mansoor Bin Wan Omar, Diong Chin Teck, Tan Lip Gay and Oon Hock Chye have no family relationship with any Director and/or major shareholder of the Company.

Except for Oon Hock Chye who is also the Non-Executive Director of AE Multi Holdings Berhad, other Directors in the Board do not hold directorship in any other public companies.

None of the Directors has:

- any conflict of interest with the Company.
- any conviction for offences within the past five (5) years other than traffic offences, public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT TEAM

TEOH MENG KEAT, Chief Executive Officer
TEOH MENG SOON, Group Executive Director
TEOH MENG LEE, Group Executive Director

For the profile of the above Directors, please refer to pages 29 and 30 of this Annual Report. The above Directors are referred to as the Executive Team.

LAI BOON HIN

Senior Production Manager

Lai Boon Hin, a Malaysian, male, aged 52, is the Senior Production Manager of Zhulian Industries Sdn. Bhd. ("ZISB"). He has over 10 years of experience in the manufacturing industry before joining Zhulian Jewellery Manufacturing Sdn. Bhd. ("ZJMSB") as a Section Leader on 1 June 1989. He was transferred to ZISB and promoted to the Manager position in 2000 and subsequently assumed his current position in 2013. He is responsible for the planning and production operations of the Group's food and beverage division and also traditional health supplement division.

TAN GUAN LEONG

Senior Technical Manager

Tan Guan Leong, a Malaysian, male, aged 51, is the Senior Technical Manager of ZISB. He joined ZJMSB on 1 June 1989 and held several positions before he was promoted as an Assistant Manager in ZISB in 2003. Later in 2005, he was promoted to the position of Manager and subsequently to the current position in 2013. He is responsible for all aspects of the technical operations of manufacturing facilities under ZISB.

LIM KIEN HOCK

Senior Advertising and Promotions Manager

Lim Kien Hock, a Malaysian, male, aged 56, is the Senior Advertising and Promotions Manager of Zhulian Marketing (M) Sdn. Bhd. ("ZMMSB"). He has over 30 years of experience in graphic design, digital imaging and photography. He joined ZMMSB as Graphic Designer on 1 April 1991 and was promoted to Managerial level in 2000 and subsequently to the current position in 2012. He is responsible for the photography, video shooting and design of product packaging, in-house publication and promotion materials for the Group.

YEW GUAT HOON

Senior MIS Manager

Yew Guat Hoon, a Malaysian, female, aged 53, is the Senior MIS Manager of Zhulian Management Sdn. Bhd. ("ZMSB") responsible for overseeing the Group's overall activities and operations of the Management Information System. She started her career in the line of Information Technology under ZMMSB on 2 March 1992. She was redesignated System Analyst under ZMSB in 1997 to oversee the regional information networking and MIS systems. She was promoted as the MIS Assistant Manager in 2000, subsequently became the MIS Manager in 2010 and assumed the current position in 2013.

WONG KENG MENG**Senior Operation Manager**

Wong Keng Meng, a Malaysian, male, aged 55, is the Senior Operation Manager of ZJMSB responsible for the overall product design and development of our entire fashion jewellery product range as well as the overall operations of manufacturing plants under the Group. He has more than 30 years of experience as a highly skilled craftsman that is acquired through many years of involvement in the jewellery crafting trade. He joined ZJMSB on 2 August 1993 and was promoted to Technical Manager in the same year. He was promoted to his current position in 2010.

HO CHUN PING**Senior Distribution Manager**

Ho Chun Ping, a Malaysian, male, aged 57, is the Senior Distribution Manager of ZMMSB overseeing the distribution and logistics of our products to our domestic distribution network. Before joining ZMMSB as Distribution Manager on 1 February 1994, he had gained relevant experience at a few multi-national companies in Penang. He was promoted to his current position in 2012.

OOI HOCK KOOI**Senior Maintenance & Facilities Manager**

Ooi Hock Kooi, a Malaysian, male, aged 54, is our Senior Maintenance & Facilities Manager. He joined ZJMSB as a technician on 2 May 2002 and was promoted rank by rank to the position of Maintenance & Facilities Manager in 2004 and assumed his current position in 2013. He is responsible for the setting-up and maintenance of the Group's extensive manufacturing facilities including equipment and machineries.

Notes:

Save and except for the Executive Team, the other Key Senior Management members have no family relationship with any Director and/or major shareholder of the Company.

None of the other Key Senior Management has:

- any directorship in the Company and other public companies.
- any conflict of interest with the Company.
- any conviction for offences within the past five (5) years other than traffic offences, public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



CORPORATE GOVERNANCE

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

This statement is prepared pursuant to the principles and recommendations of the Malaysian Code on Corporate Governance ("MCCG") issued by the Securities Commission of Malaysia ("SC") on 26 April 2017 and Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). In producing this statement, guidance was drawn from Practice Note 9 of MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Securities.

The Board of Directors ("the Board") of ZHULIAN ("the Company") recognises the importance of adopting high standards of corporate governance in order to safeguard shareholders' interest and to enhance shareholders' value. As such, the Board of ZHULIAN strives to promote a strong culture of transparency, accountability, integrity as well as corporate performance within the Group and to ensure that the relevant principles and recommendations of the MCCG are applied throughout the Company and its subsidiaries.

The Board is pleased to present below, an overview statement on the application of the principles except where it is stated otherwise and the extent to which the Company has complied with the recommendations of the Code throughout the financial year ended 30 November 2018.

The comprehensive Corporate Governance Report ("CG Report") is published on the Company's corporate website at www.zhulian.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

a. Function of the Board and Management

The Board's role is to provide strategic guidance to the Company and effective oversight of its management for the benefit of shareholders and other stakeholders while the Management team manages and runs the operations.

The Board has established a formal schedule of matters which sets out the clear functions reserved for the Board. The list of Board reserved matters will be reviewed periodically by the Board to ensure its relevance. The respective roles and responsibilities of the Board and Management are also clearly set out in the Board Charter and understood to ensure accountability of both parties.

The Board consists of members who provide an effective blend of entrepreneurship, business and professional expertise in multi-level marketing, manufacturing, accounting, financial and technical areas the Group is involved in. With their combined experience and diverse background of knowledge, they provide sound advice and judgement for the benefit of the Company and its shareholders.

b. Principal Responsibilities of the Board

The Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:-

- reviewing and adopting a strategic plan for the Group to ensure sustainability of its business and operations;
- overseeing the conduct of the Group's business to evaluate whether the business is being properly managed notwithstanding that some of the subsidiaries have separate Board of Directors;
- identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Board members and Senior Management;
- developing and implementing an investor relations programme or shareholder communications policy for the Group;
- reviewing the adequacy and the integrity of the Group's risk management, internal control systems and management information systems, including systems / reporting framework for compliance with applicable laws, regulations, rules, directives and guidelines;
- determining the remuneration of non-executive Directors, with the individuals concerned abstaining from discussions of their own remuneration;
- ensuring that the Company's financial statements are true and fair and conform with the laws; and
- ensuring that the Company adheres to high standards of ethics and corporate behaviour.

The Board is mindful of the importance of business sustainability and in developing the corporate strategy of the Group, its impact on the environment, social and governance aspects is taken into consideration. The Company's activities on corporate social responsibilities for the year under review are disclosed in this Annual Report.

In the normal course of events, the management of the Group's business and resources will be in the hands of the Executive Directors while a capable and experienced Management team is put in charge to oversee the day-to-day operations of the Company.

The role of the Group Managing Director however, ensures the smooth running of the Company's operations, monitors and evaluates the implementation of policies, strategies and business plans, to guide and set the pace for its current operations and future development including constant and continuous review of Company's goal.

All the Directors of the Company have objectively discharged their fiduciary duties and responsibilities at all times in the best interests of the Company to oversee the conduct, business activities and development of the Company.

c. Board Charter

The Board had formally adopted the Board Charter which is established to promote high standards of corporate governance and is designed to provide guidance and clarity for Directors and Management regarding the roles and responsibilities of the Board, its Committees and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as the Board's operating practices.

The Board Charter also sets out the Board's strategic intent, processes and procedures for boardroom activities. It also provides guidance to the Board in the assessment of its own performance and that of its individual Directors.

The Board will periodically review and as when necessary the Board Charter to ensure it remains consistent with the Board's objectives and responsibilities and any new regulations that may have an impact on the Board's roles and responsibilities.

Salient features of the Board Charter are available on the Company's corporate website at www.zhulian.com.

d. Code of Conduct and Code of Ethics

The Board is mindful of its role to establish a corporate culture which inculcates ethical conduct that permeates throughout the Group. The Board recognises the importance on adherence to the Code of Conduct and Code of Ethics by all personnel in the Group and takes measures to put in place a process to ensure its compliance. The Board has formalised the Code of Conduct and Code of Ethics for Directors, Management and Officers of the Company and its subsidiaries.

The Board will periodically review and reassess the adequacy of the Code of Conduct and Code of Ethics, and make such amendments as it deems appropriate.

The Code of Conduct and Code of Ethics are available on the Company's corporate website at www.zhulian.com.

e. Whistleblower Policy

The Board has a separate Whistleblower Policy stating the appropriate communication and feedback channels to facilitate whistleblowing.

The Company's Whistleblower Policy which has been adopted by the Board, outlines when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of ethics involving employee, Management or Director in the Group. This policy covers improprieties or irregularities, suspected fraud or criminal offences, breach of confidentiality and failure to comply with legal or regulatory requirements.

All concerns reported by the whistleblower are made to the Audit Committee Chairman or Group President and Chief Executive Officer or Group Managing Director and shall be set forth in writing, orally or via electronic mail. The Whistleblower Policy is available on the Company's corporate website at www.zhulian.com.

f. Sustainability Policy

The Board recognises the importance of sustainability and its increasing impact to the business and is committed to understanding and implementing sustainable practices. The Group has yet to formalise the Sustainability Policy and the Group will set long term and short term targets for its sustainability efforts in order to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success. The Group acknowledges its corporate social responsibility in the community and has, and will continue to support worthy causes.

g. Access to Information and Advice

The Board is supplied with full and unrestricted access to information and reports on financial, operational, corporate, regulatory, business development, audit matters and information technology updates by way of Board reports or upon specific requests, for informed decision making and effective discharge of the Board's responsibilities.

To enable the Directors to have immediate access to the meeting materials, procedures have been established to disseminate at least seven (7) days a formal Notice of Board Meeting and agenda together with a comprehensive set of meeting papers to all Directors prior to the Board and Board Committee meetings, to give effect to Board decisions and to deal with matters arising from such meetings.

During the meetings, the Management provides further detailed information and clarification on issues raised by members of the Board.

The Audit Committee Chairman meets with the Board, Senior Management Team and Head of Internal Audit on a quarterly basis to review the reports regarding the internal control system and financial reporting.

The Directors have access to members of the Senior Management Team, the advice and services of the Company Secretary and the External Auditors as well as to independent professional advisers, to enable them to discharge their responsibilities.

h. Qualified and Competent Company Secretary

The Board is supported by a qualified Company Secretary whose key role is to provide unhindered advice and services to the Directors as and when the need arises, to enhance the effective functioning of the Board to ensure regulatory compliance. The Company Secretary advises the Board on their obligations and matters relating to corporate governance, compliance with the MMLR of Bursa Securities and related regulations, maintenance of statutory records and preparation and conduct of the Board, Board Committees and General Meetings, review of the contents of the Annual Report.

The Board of Directors, whether as a full board or in their individual capacity, may upon approval of the Board of Directors, seek independent professional advice if required, in furtherance of their duties, at the Company's expense.

The Company Secretary or her representatives attend all Board and Board Committee meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

The Company Secretary also facilitate timely communication of decisions made by the Board at Board meetings, to the Senior Management Team for action. The Company Secretary work closely with the Senior Management Team to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management.

STRENGTHENING BOARD COMPOSITION**Board Composition and Balance**

The current Board consists of seven (7) members, three (3) of whom are Executive Directors and four (4) are Independent Non-Executive Directors.

This composition complies with Paragraph 15.02 of the MMLR of Bursa Securities that at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher are Independent Directors. All the Independent Directors are independent of management and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The Chairman of the Board, Tuan Haji Wan Mansoor bin Wan Omar is an Independent Non-Executive Chairman of the Board who provides a strong leadership and is responsible for ensuring the adequacy and effectiveness of the Board's governance process.

The functions of Executive and Independent Non-Executive Directors are separate. The Executive Directors are responsible for implementing the operational and corporate decisions and manage the Group's daily operations.

The Independent Non-Executive Directors provide the Company with unbiased, independent views and decisions and they do not participate in the day-to-day management as well as the daily business of the Group to ensure that they handle any conflict of interest situation and all proceedings of the Board effectively through a system of independent checks and balances.

The expertise of the Independent Non-Executive Directors complements the knowledge and experience of the Executive Directors in the formulation of the Group's strategies and policies for business operations, scrutinising the performance of Management in meeting approved goals and objectives, monitoring the risk profile of the Group's business and the reporting of quarterly business performances to ensure sustainability and profitability.

The Board comprises of members from various professions with individual personalised quality, expertise, skills and relevant market and industry knowledge and ensures at all times that necessary financial and human resources are in place for the Company to meet its strategic objectives.

The profile of each Director is presented in this Annual Report.

Board Committees

The Board has delegated appropriate responsibilities to Board Committees, namely Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee, in order to enhance business and operational efficiency and efficacy. The Board appoints the members and the Chairman of each Committee.

Terms of references have been established for all Board Committees and the Board receives reports of their proceedings and deliberations. The Chairman of the respective Board Committees reports to the Board the outcome of the Board Committee meetings and such reports are incorporated in the minutes of the full Board meeting. The ultimate responsibility for decision making, however, lies with the Board.

The following Board Committees have been established to assist the Board in the selection and retention of Board members.

a. Nominating Committee

- (i) The Nominating Committee comprises of four (4) Independent Non-Executive Directors. The members of Nominating Committee are as follows:

Name of Members	Position
Mr Tan Lip Gay	- Chairman
Tuan Haji Wan Mansoor bin Wan Omar	- Member
Mr Diong Chin Teck	- Member
Mr Oon Hock Chye (<i>appointed on 17 October 2018</i>)	- Member

- (ii) The Nominating Committee which comprises exclusively Non-Executive Directors has been empowered by the Board and through its terms of reference, to bring to the Board as well as Board Committees for the Board's consideration, recommendations on the selection and appointment of new Directors.

- (iii) During the financial year, the Nominating Committee met twice and the meeting was attended by all its members with the exception of Mr Oon Hock Chye who was appointed only in October 2018.

The Nominating Committee deliberated on the following matters:

- recommendation to the Board of Directors based on the assessment conducted for the re-election of the Directors who were retiring by rotation and seeking for re-election at the forthcoming Annual General Meeting ("AGM") of the Company to be held on 8 May 2019;
- assessment of the independence of the Independent Directors based on criteria set out in the MMLR of Bursa Securities;
- evaluation of the current Board structure, size and composition and effectiveness of the Board as a whole and the Board Committees as well as the contribution and performance of each individual Director;
- recommendation for the appointment of Mr Diong Chin Teck as an additional member of the Remuneration Committee;
- recommendation for the appointment of Mr Oon Hock Chye as an additional Independent Non-Executive Director, member of the Audit Committee, Nominating Committee, Remuneration Committee and the newly established Risk Management Committee;
- evaluation of the character, experience, integrity and competence of the Group President and Chief Executive Officer, Directors and Group Chief Accountant / Senior Accountant and to ensure they have the time to discharge their respective roles;
- recommendation for the retention of Tuan Haji Wan Mansoor bin Wan Omar, Mr Diong Chin Teck and Mr Tan Lip Gay who have served for a cumulative period of more than nine (9) years to continue in office as Independent Non-Executive Directors;
- acceptance of resignation of Mr Teoh Meng Keat as a member of the Remuneration Committee;
- reviewed and assessed the effectiveness of the Audit Committee in carrying out its duties as set out in the terms of reference; and
- recommendation for the formation of a Risk Management Committee and its terms of reference.

All recommendations of the Nominating Committee are subject to the approval of the Board.

The detailed terms of reference of the Nominating Committee is available at the Company's corporate website at www.zhulian.com.

The Nominating Committee is satisfied with the size of the Company's Board and that there is appropriate mix of knowledge, skills, attributes and core competencies in the composition of the Board during the financial year.

The Company Secretary ensures that all appointments are properly made upon obtaining all necessary information from the Directors.

b. Appointment, Re-election and Assessment of Directors

The Board has entrusted the Nominating Committee to assess the suitability of candidates for new appointment and re-election to the Board.

Potential candidates for new directorship are considered on the basis of their character, experience, competency, integrity and time commitment, diversity of knowledge and ability to act and discharge their roles and responsibilities, skills and experience in the context of the range of skills and experience of the existing Board as a whole.

All new members to the Board nominated and elected will be based on the profile, curriculum vitae and the matching of skills and expertise against the needs of the Company. The Nominating Committee ensures the induction programme, appropriate orientation and adequate training necessary for new Directors with respect to the business structure and management of the Group, as well as the expectation of the Board with regard to their contributions to the Board and the Group.

The key task of the Nominating Committee is to assist the Board in its annual assessment of the Directors. The evaluation process is led by the Chairman of the Nominating Committee and supported by the Company Secretary annually with the aim of improving the effectiveness of the Board and Board Committees.

The Directors complete a questionnaire regarding the effectiveness of the Board and its Board Committees. This process includes a self review where Directors assess their own performance. The assessment and comments from Directors are summarised and discussed at the Nominating Committee meeting and reported at a Board meeting by the Nominating Committee Chairman. All assessments and evaluations carried out by the Nominating Committee in the discharge of its functions are properly documented.

The Nominating Committee also analyses the structure, size and composition of the Board as well as considers succession planning for senior Board members, gender, ethnicity and age diversity and training courses.

In addition, the Nominating Committee annually reviews the Board's required mix of skills, experience and other qualities, including core competencies, which the Non-Executive Directors should bring to the Board and annually assesses the effectiveness of the Board as a whole, the Board Committees, the performance and contribution of each individual Director. The assessments are based on criteria developed, maintained and periodically reviewed by the Nominating Committee.

The Nominating Committee is delegated with the responsibility to review Board succession. With this, the Nominating Committee assesses and recommends to the Board candidates for directorships and nominees to fill the seats on Board Committees in line with the Terms of Reference of the Nominating Committee.

The Board acknowledges the recommendation of MCCG on gender diversity.

With a view to achieve a sustainable and balanced development, the Company sees diversity at the Board level as an essential element in supporting the attainment of its strategic objectives.

Currently, the Board has yet to establish a specific Board diversity policy. However, steps are being taken to identify suitable female candidates for appointment to the Board based on a number of aspects including but not limited to merit, time commitment, knowledge and experience in meeting the needs of the Group. The Nominating Committee will continue to take steps to ensure suitable women candidates are sought and considered as part of its recruitment exercise.

In accordance with the Company's Articles of Association (Constitution), one-third (1/3) of Directors are required by rotation to submit themselves for re-election by shareholders at each AGM at least once in every three (3) years.

The Company's Articles of Association (Constitution) further provides that all Directors appointed by the Board during the financial year are subject to retirement and re-election by the shareholders at the AGM following their appointment.

The experience, competence, integrity, capability and performance of those Directors who are subject to re-election at the AGM of the Company will be assessed by the Nominating Committee whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-election of the Director concerned for shareholders' approval at the next AGM.

Directors standing for re-election at the AGM of the Company to be held on 8 May 2019 are detailed in the Notice of the Twenty-Second AGM in this Annual Report.

c. Remuneration Committee - Directors' Remuneration

The Remuneration Committee was set up with clearly defined Terms of Reference. The Remuneration Committee comprised of four (4) Non-Executive Directors. The members of the Remuneration Committee are as follows:

Name of Members	Position
Mr Tan Lip Gay	- Chairman
Tuan Haji Wan Mansoor bin Wan Omar	- Member
Mr Teoh Meng Keat (<i>resigned on 17 October 2018</i>)	- Member
Mr Diong Chin Teck (<i>appointed on 17 October 2018</i>)	- Member
Mr Oon Hock Chye (<i>appointed on 17 October 2018</i>)	- Member

During the financial year, the Remuneration Committee met once to review the basis and quantum of the Executive Directors' remuneration package and to recommend to the Board for approval. The meeting was attended by all its members with the exception of Mr Diong Chin Teck and Mr Oon Hock Chye who were both appointed only in October 2018.

The Remuneration Committee provides a remuneration package which is sufficient and necessary to attract, motivate and retain the Executive Directors for their individual performance in successfully managing the business of the Company and to align the interest of the Directors with those of the shareholders.

The remuneration package is aligned to individual and corporate performance and consists of two components (base salary and annual performance bonus) which have taken into consideration the market competitive rates, industry standards, complexity and size of the organisation.

The Directors' remuneration has both fixed and variable components which are necessary to drive performance. They are entitled to a fixed monthly salary, EPF, benefits in kind, provision of a company car and medical coverage. The variable component of the remuneration package refers to an annual discretionary performance bonus which is determined by the Board.

None of the Executive Directors participated in any way in determining their own remuneration. Similarly, whilst the Board, as a whole, determines the remuneration of Executive Directors, the individual Director concerned abstains from the decision in respect of his own remuneration.

Directors' fees are set within a framework comprising responsibility fees and meeting allowance. The Company pays each of its Independent Non-Executive Directors an annual fee, which is approved by the shareholders at the AGM of the Company.

The aggregate Directors' remuneration paid or payable to all Directors of the Company by the Group for the financial year ended 30 November 2018, and categorised into appropriate components are as follows:

Category	Fees (RM'000)	Salaries (RM'000)	Bonuses (RM'000)	Allowances (RM'000)	EPF- Employer Contributions (RM'000)	Benefits in Kind & Others (RM'000)	Total (RM'000)
Executive Directors							
Mr Teoh Beng Seng	—	985	103	—	132	7	1,227
Mr Teoh Meng Keat	—	984	103	—	132	7	1,226
Mr Teoh Meng Soon	—	357	36	—	47	1	441
Mr Teoh Meng Lee	—	357	36	—	47	1	441
Non-Executive Directors							
Tuan Haji Wan Mansoor bin Wan Omar	45	—	—	4	—	—	49
Mr Tan Lip Gay	45	—	—	4	—	—	49
Mr Diong Chin Teck	45	—	—	4	—	—	49
Mr Oon Hock Chye (<i>appointed on 17 October 2018</i>)	8	—	—	—	—	—	8

Bonuses payable to Executive Directors are performance based and relate to individual and Company's achievement of specific goals. The Non-Executive Directors do not receive any performance related remuneration.

The detailed Terms of Reference of the Remuneration Committee is available at the Company's corporate website at www.zhulian.com.

FOSTER COMMITMENT

a. Board Meetings

The Directors should devote adequate time to carry out their board responsibilities. This include regular attendance at Board meetings, time devoted to review board papers before their meetings and devote sufficient time including attend trainings, to update their knowledge and enhance their skills.

The Board meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened and scheduled as and when necessary.

The agenda, the relevant reports, information and documents are furnished to Directors and Board Committee members in advance to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial matters.

All pertinent matters discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings. Confirmed minutes of each meeting of the Committee are also furnished to the Board for information.

Senior Management staff have been invited to attend the Board meetings to provide the Board with operational, management and financial details.

During the financial year ended 30 November 2018, four (4) Board meetings were held and details of the Directors' attendance are as follows:-

Directors	Attendance
Executive Directors	
Mr Teoh Beng Seng (Group President and Chief Executive Officer)	4/4
Mr Teoh Meng Keat (Group Managing Director)	4/4
Mr Teoh Meng Soon	4/4
Mr Teoh Meng Lee	4/4
Independent Non-Executive Directors	
Tuan Haji Wan Mansoor bin Wan Omar (Chairman)	4/4
Mr Diong Chin Teck	4/4
Mr Tan Lip Gay	3/4
Mr Oon Hock Chye (<i>appointed on 17 October 2018</i>)	—

b. Directors' Training

The Board acknowledges that continuous education is essential for its members to gain insight into the state of economy, technological advances, regulatory updates and management strategies.

All Directors have completed the Mandatory Accreditation Programme in accordance with the MMLR of Bursa Securities. The Directors are encouraged to attend various external professional programmes and seminars to keep abreast of changes in legislations and regulations affecting the Group to further enhance their knowledge and skills in discharging their responsibilities more effectively.

The Company Secretary circulated the latest relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference. The External Auditors also briefed the Audit Committee on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

During the financial year, the training programmes and seminars attended by the Directors are as follows:-

Directors	Training Programmes & Seminars
Tuan Haji Wan Mansoor bin Wan Omar	Seminar on Rural Industry Thailand And Rural Product Exhibition Workshop on Enhancement of Malaysia Cottage / Rural Industry
Mr Teoh Beng Seng	MFRS 15 Revenue From Contracts With Customers
Mr Teoh Meng Keat	How To Manage Impairment Of Various Assets (Beyond IAS36/MFRS136): A Practical Approach to Understanding the Principles of Impairment of Assets MFRS 15 Revenue From Contracts With Customers Share Structure Planning 2018 CEO Camp
Mr Teoh Meng Soon	Seminar on Environmental Mainstreaming in Scheduled Waste Management 2018 Hands-On Training on National Registry of Certified Environmental Professional (NRCEP) System 2018 – Penang (2 nd Series) Seminar Pemantapan Pensijilan Halal Malaysia 2018 2018 CEO Camp Seminar On Self-Regulation In Air Pollution Control Systems Requirement 2018
Mr Teoh Meng Lee	ISO 9001 : 2015 Risk Based Training MFRS 15 Revenue From Contracts With Customers 2018 CEO Camp
Mr Diong Chin Teck	Sales & Service Tax : Implementation of SST and Transition from GST The 2019 Budget Seminar MPERS : Case Studies in Practical Financial Reporting Including Impact of Companies Act, 2016 and Revised Auditor's Report
Mr Oon Hock Chye	Advanced Master Class : RPGT Switch to Income Tax – Implications and Complications Seminar Percukaian Kebangsaan 2018

Regular continuous training programmes and seminars would be organised for the Directors to keep them abreast of the latest developments and advances in Corporate Governance.

STRENGTHENING BOARD COMPOSITION

a. Annual Assessment of Independent Directors

The Board, through the Nominating Committee, assesses the independence of the Independent Non-Executive Directors annually.

Based on the assessment carried out for financial year ended 30 November 2018, the Board is generally satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interests of the Group in decision making.

b. Tenure of Independent Directors

The three (3) Independent Directors namely, Tuan Haji Wan Mansoor bin Wan Omar (Chairman), Mr Diong Chin Teck and Mr Tan Lip Gay have each attained a cumulative term of more than nine (9) years, have been recommended by the Board to be retained as Independent Directors on the grounds that they are able to bring independent and objective judgement to the Board's deliberations and their positions in the Board have not been compromised by their familiarity and long term relationship with other Board members. The Board will seek shareholders' approval to retain them as Independent Directors in the forthcoming AGM.

c. Shareholders' Approval for Retaining Independent Non-Executive Directors

Tuan Haji Wan Mansoor bin Wan Omar, Mr Diong Chin Teck and Mr Tan Lip Gay have each served the Board as Independent Non-Executive Directors for a cumulative term of more than nine (9) years. Following the assessment and deliberation by the Board, the Board recommended them to be retained as Independent Non-Executive Directors and their positions in the Board have not been compromised by their familiarity and long term relationship with other Board members. The Board will seek shareholders' approval at the forthcoming AGM.

Key justifications for their recommended continuance as Independent Non-Executive Directors are as follows:-

- i) They fulfilled the criteria under the definition of Independent Directors as stated in the MMLR of Bursa Securities, and thus, they would be able to function as a check and balance to the Executive team and bring an element of objectivity of the Board;
- ii) They have provided the Board and Board Committees with valuable experience, expertise, skills and competence;
- iii) Throughout their tenure as Independent Non-Executive Directors, they have acted in the best interest of the Company and shareholders and have continued to exercise independent judgement and due care;
- iv) They have not developed, established or maintained any significant relationship, which would impair their independence as Independent Directors, with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out their duties as Independent Non-Executive Directors, Chairman or member of the Board Committees; and
- v) They have devoted sufficient time, attention and efforts to their professional obligations for informed and balanced decision making.

d. Separation of Positions of Chairman and Group President and Chief Executive Officer

The positions of the Chairman and Group President and Chief Executive Officer are held by two different individuals which are in accordance with the recommendation of the MCCG. There is a distinct and separate roles between the Chairman and Group President and Chief Executive Officer to promote accountability and facilitate division of responsibilities between them.

The Chairman is primarily responsible to lead the Board in the oversight of management, representing the Board to shareholders and presiding at Board and general meetings of shareholders, ensuring the adequacy and integrity of the governance process and issues, ensuring that proceedings of meetings comply with good conduct and practices and performing other responsibilities assigned by the Board from time to time.

The Group President and Chief Executive Officer is to ensure the effective implementation of the Group's Business Plan (including strategic plan) and policies established by the Board as well as to manage the daily conduct of the business and affairs to ensure its smooth operation.

The Group President and Chief Executive Officer, in association with the Chairman, are accountable to the Board for the achievement of the Group's mission, goals and objectives and the Group President and Chief Executive Officer is accountable to the Board for the observance of management's limitations.

The roles and responsibilities of the Board Chairman, Group President and Chief Executive Officer, other Executive and Non-Executive Directors are prescribed in the Board Charter which is available on the Company's corporate website at www.zhulian.com.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT UPHOLD INTEGRITY IN FINANCIAL REPORTING

a. Financial Reporting

The Board is committed to provide and present a true and fair assessment of the Group's financial position, performance and prospects through the quarterly announcements and annual audited financial statements of the Company to Bursa Securities and / or the shareholders. The Board is assisted by the Audit Committee in reviewing and scrutinising the information to ensure accuracy, adequacy and completeness in disclosure as well as compliance with applicable financial reporting standards.

The Directors have ensured that financial statements have been drawn up in accordance with applicable financial reporting standards and the Companies Act 2016.

b. Audit Committee

The Board has established an Audit Committee comprising exclusively of Independent Non-Executive Directors.

The composition of the Audit Committee, including its roles and responsibilities are set out under the Audit Committee Report of this Annual Report.

The Board is assisted by the Audit Committee to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

c. Risk Management Committee

The Risk Management Committee ("RMC") with clearly defined Terms of Reference and headed by the Group Managing Director has been established in October 2018 as an entity to be responsible for the overall Group's risk management. The entity discusses solutions and challenges pertaining to risk management and proceedings are reported to the Board of Directors at the Board meeting after each Committee meeting.

The RMC comprised of one (1) Executive Director and four (4) Non-Executive Directors. The members of the RMC are as follows:

Name of Members	Position
Mr Teoh Meng Keat	- Chairman
Tuan Haji Wan Mansoor bin Wan Omar	- Member
Mr Diong Chin Teck	- Member
Mr Tan Lip Gay	- Member
Mr Oon Hock Chye	- Member

The detailed Terms of Reference of the Risk Management Committee is available on the Company's corporate website at www.zhulian.com.

d. Assessing Suitability and Independence of External Auditors

The Board and Management strive to maintain a professional and transparent relationship with the External Auditors in the conduct of the audit and towards ensuring compliance with requirements of the appropriate accounting standards. Additionally the Audit Committee has been accorded due power to communicate directly with the Group's External Auditors.

The Audit Committee without the presence of executive Board members and Management meets with the External Auditors at least once during each financial year to exchange free and honest views on issues which the External Auditors may wish to discuss in relation to their audit and findings.

The Audit Committee assesses the level of service provided by the External Auditors, taking into account the following, amongst others:

- The quality and scope of the planning of the audit in assessing risks and how the External Auditors maintain or update the audit plan to respond to changing risks and circumstances;
- The quality and timeliness of reports provided to the Audit Committee;
- The level of understanding demonstrated of the Group's business; and
- Communication to the Audit Committee about new and applicable accounting practices and auditing standards and its impact on the Company's financial statements.

The Audit Committee also reviews the independence and qualification of the External Auditors. The External Auditors have reported to the Audit Committee confirming that, in their professional judgement, they are, and have been independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

The suitability and independence of External Auditors are assessed annually in order for the Audit Committee to recommend the re-appointment of the External Auditors for the ensuing year to the shareholders at the AGM.

Key features underlying the relationship of the Audit Committee with the Internal and External Auditors are included in the Audit Committee's Terms of Reference as specified in this Annual Report.

A summary of the activities of the Audit Committee during the financial year under review, including the evaluation of the independent audit process, is set out in the Audit Committee Report of this Annual Report.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH SHAREHOLDERS

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Annual General Meeting

The AGM is the principal forum for dialogue with shareholders and investors that allows the stakeholders to review the Group's business and performance. The Notice of AGM and related documents are sent to shareholders not less than twenty-one (21) days before the date of the meeting to enable shareholders to go through the Annual Report.

The quarterly announcements of financial results, annual financial statements and the Chairman's Statement in the Annual Report are the three primary means of communication to the shareholders on the financial results and business performance of the Group. These are available on the websites of Bursa Securities and of the Company.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful that any information that may be regarded as undisclosed material information about the Group will not be given to any single shareholder or shareholder group.

Recognising the importance and value of continuous communication with its shareholders and other stakeholders including the general public of the Group's business performance and corporate development, the Company utilises various channels such as timely releases of the quarterly financial results, circulars, corporate announcements, and various disclosures to Bursa Securities, press releases and Annual Reports to shareholders, if applicable.

The Company conducts its voting on all resolutions by poll in accordance with Paragraph 8.29A of the MMLR of Bursa Securities.

Additionally, the AGM and Extraordinary General Meeting, if applicable, of the Company provide shareholders with the opportunity to engage in candid dialogue and to seek and clarify any issues with the Directors and to have a better understanding of the Group's business and performance.

TIMELY AND HIGH QUALITY DISCLOSURE

The Board will provide timely and accurate information to the shareholders in compliance with the disclosure requirements as set out in the MMLR of Bursa Securities.

The Company has also established websites at www.zhulian.com.my and www.zhulian.com to which the shareholders can obtain information on the Company. Shareholders are also able to access the latest corporate, financial and market information of the Company via Bursa Securities's website at www.bursamalaysia.com.

RECOGNISE AND MANAGE RISKS

Risk Management and Internal Control

The Board recognises the importance of managing risks and maintaining a sound system of internal controls which cover risk management, financial, organisational, operational and compliance controls as well as reviewing its adequacy, integrity and effectiveness to safeguard shareholders' investment and the Company's assets.

The Board has delegated the implementation and monitoring of the internal control system in place to the Audit Committee and the Internal Auditors, who will report on the effectiveness and efficiency of the internal control processes and procedures during the quarterly Audit Committee meetings.

In line with the MCGG and MMLR of Bursa Securities, the Board has established an independent internal audit function that reports directly to the Audit Committee. This internal audit function in identifying, evaluating and monitoring the adequacy and integrity of the internal control systems is performed in-house by the Group's Internal Audit Department. The Audit Committee assists the Board in overseeing this function.

An overview of the state of risk management and internal control system within the Company and the Group, is set out under the Statement on Risk Management and Internal Control of this Annual Report.

Directors' Responsibility Statement in respect of the Preparation of the Audited Financial Statements

The Board is responsible for ensuring that the annual financial statements of the Group provide a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended.

In preparing the financial statements for the year ended 30 November 2018, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured applicable Malaysian Financial Reporting Standards have been followed; and
- prepared the financial statements on a going concern basis.

The Directors also have in place a system of risk management and internal control that will provide reasonable assurance that:

- assets of the Group are safeguarded against loss from unauthorised use or disposition to prevent and detect fraud and other irregularities; and
- all transactions are properly authorised and that they are recorded as necessary to enable the preparation of true and fair profit and loss accounts and statement of financial position and to give a proper account of the assets.

This Statement is made in accordance with a resolution of the Board dated 6 March 2019.

AUDIT COMMITTEE REPORT

The Audit Committee is tasked to assist the Board of Directors of the Company (“the Board”) to ensure the effective discharge of fiduciary duties for financial reporting, corporate governance as well as internal control.

Composition of the Audit Committee

The Audit Committee comprises of four (4) members, all of whom are Independent Non-Executive Directors. As at the date of this report, the Audit Committee members are as follows:

Name of Members	Position
Mr Diong Chin Teck	- Chairman
Mr Tan Lip Gay	- Member
Tuan Haji Wan Mansoor bin Wan Omar	- Member
Mr Oon Hock Chye (<i>appointed on 17 October 2018</i>)	- Member

The Chairman of the Audit Committee, Mr Diong Chin Teck is a member of the Malaysian Institute of Accountants (“MIA”).

Mr Oon Hock Chye is a member of the MIA, a fellow member of the Association of Chartered Certified Accountants (ACCA), a fellow member of the Chartered Tax Institute of Malaysia (CTIM) and also a Certified Financial Planner (CFP).

Accordingly, the Company complies with the MMLR of Bursa Securities which requires at least one (1) member of the Audit Committee to be a qualified accountant.

The above composition of Audit Committee meets the requirements of paragraph 15.09 (1)(a) and (b) of the MMLR of Bursa Securities.

Terms of Reference

The Audit Committee has made available the terms of reference explaining its role and the authority delegated to it by the Board. The Terms of Reference of the Audit Committee can be viewed on the Company’s corporate website at www.zhulian.com.

This section of the Annual Report describes the work of the Audit Committee in discharging its responsibilities during the financial year.

Attendance for Meetings

The Audit Committee had convened four (4) meetings during the financial year ended 30 November 2018. The meetings were structured through the use of agendas, which were distributed to members with sufficient notification.

The details of attendance of each member are as follows:

Name of Members	Attendance
Mr Diong Chin Teck	4/4
Mr Tan Lip Gay	3/4
Tuan Haji Wan Mansoor bin Wan Omar	4/4
Mr Oon Hock Chye (<i>appointed on 17 October 2018</i>)	—

The Company Secretary or her representatives were present at all the meetings. Representatives of the External Auditors, Messrs KPMG PLT, the Group Chief Accountant / Senior Accountant and the Head of Internal Audit had been invited to attend the meetings during the financial year. Minutes of the Audit Committee Meetings had been circulated to the members and were recorded and tabled for confirmation at the next Audit Committee meeting.

The Executive Directors, Senior Management, External and Internal Auditors were in attendance at the meetings, upon invitation by the Committee, to brief the members on specific issues. The Chairman of Audit Committee reports on the main findings and deliberations of the Audit Committee Meeting to the Board.

The Committee had also met with the External Auditors separately on one (1) occasion without the presence of the Executive Directors and Senior Management to discuss the audit findings and any other concerns or observations they may have during the audit.

Nothing has come to the attention of the Audit Committee that causes it to believe that the financial reporting is inconsistent with the accounting standards and other legal requirements.

Summary of Activities of the Audit Committee

During the financial year ended 30 November 2018, the Audit Committee discharged its functions and carried out its duties in accordance with the Terms of Reference of the Audit Committee. The summary of principal activities undertaken by the Audit Committee were as follows:

- Reviewed the unaudited quarterly financial results and performance of the Group before recommending to the Board for approval and releasing the results to Bursa Securities;
- Reviewed the audited financial statements of the Group for the financial year ended 30 November 2018 before recommending to the Board for approval and releasing the same to Bursa Securities;
- Reviewed and discussed with the External Auditors on the scope of their audit work, the result of their findings arising from audits and the auditors' report;
- Reviewed the re-appointment and audit fees of External Auditors for the ensuing year prior to the Board's approval;
- Reviewed and evaluated the performance and effectiveness of the External Auditors. The Audit Committee was satisfied with the External Auditors' performance and made its recommendations to the Board on their re-appointment as auditors at the forthcoming AGM;
- Reviewed the nature of non-audit services and the related fee levels in relation to external audit fees of the Company which included review of the Statement of Risk Management and Internal Control;
- Reviewed and approved the annual audit plan of the Company and the Group prepared and submitted by the External Auditors and Internal Auditors for the financial year ended 30 November 2018;
- Reviewed the risk management and internal control systems, processes, procedures or results of activities undertaken by the Internal Auditors to ensure that all high and critical risk areas are being addressed;
- Reviewed the risk management and internal audit reports, audit recommendations, and Management's responses to ensure that appropriate actions have been taken by the Group's subsidiary companies;
- Reviewed the state of internal control of the Company to ensure that the Group is in compliance with any legislative and reporting requirements;
- Reviewed and noted that there was no significant related party transactions or recurrent related party transactions within the Company or the Group including any transaction, procedure or code of conduct that may raise concern or question of Management's integrity;
- Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report prior to the Board's approval for inclusion in the Company's Annual Report 2018; and
- Met once with the External Auditors without the presence of Executive Directors and Management staff to discuss on issues of concerns to the auditors.

Internal Audit Function

The internal audit function is performed in-house by the Group's Internal Audit Department. The Internal Audit Department reporting directly to the Audit Committee, had assisted the Audit Committee to undertake independent, regular and systematic reviews of the Group's business operations and activities to ensure that a proper system of risk management and internal control is satisfactorily and effectively administered within the Group.

During the financial year, the Internal Audit Department had performed audits in accordance to the approved annual internal audit plan. The internal audit function adopts a risk-based audit methodology, which is aligned with the risks of the Group to ensure that relevant controls addressing those risks are reviewed on a rotational basis.

The Internal Audit Department while maintaining its role to carry out audit programmes at the various business units and ISO audit assessment for its main subsidiaries, had also performed follow-up audits to ensure that the Management had addressed the control weaknesses accordingly.

The following internal audit activities were carried out by the Internal Auditors during the financial year under review:

- Formulation of an agreement with the Audit Committee on the risk-based internal audit plan that is consistent with the Company's objectives and goals; and
- Conducted various internal audit engagements in accordance with the audit plan.

The risk management and internal audit reports were presented to the Audit Committee for deliberation and then to the Board after the Management had taken its appropriate actions.

The internal audits conducted during the financial period did not reveal material weaknesses which would result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

The total costs incurred for the internal audit function of the Group for the financial year ended 30 November 2018 amounted to approximately RM216,000.00.

This Report is made in accordance with the resolution of the Board dated 6 March 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The MCCG requires listed companies to maintain a sound system of risk management and internal control to safeguard the shareholders' investment and the Group's assets.

Pursuant to Paragraph 15.26(b) of the MMLR of Bursa Securities and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board is pleased to present the following Statement on Risk Management and Internal Control.

This Statement outlines the nature and scope of risk management and internal control of the Group and covers all the Group's operations during the financial year under review.

Board's Responsibility

The Board recognises its overall responsibility for the Group's risk management and internal control system to safeguard the shareholders' investment, customers' interest and the Group's assets by establishing an appropriate control environment and framework, as well as reviewing its effectiveness, adequacy and integrity.

The Board delegated to the Management the task to identify and assess the risks faced by the Group, and thereafter design and implement appropriate internal controls to mitigate and address those risks.

The Board's responsibility in relation to the system of internal control extends to all subsidiaries of the Group. The system of internal control covers not only financial but operational, environmental, compliance and risk management aspects.

Due to the inherent limitations in any system of risk management and internal control, the risk management and internal controls implemented which are intended to manage the Group's key areas of risk within an acceptable risk profile, and not expected to eliminate all risks of failure to achieve business and corporate objectives of the Group, can only provide reasonable and not absolute assurance against material misstatements of financial information and records or against financial losses and fraud.

The Board has established an on-going process for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report, for identifying, evaluating and managing the significant risks faced by the Group in achieving its objectives and strategies.

The Board, through its Audit Committee reviews on a quarterly basis, the results of this process, including mitigating measures taken by Management to address the key risks areas.

The Audit Committee assists the Board to oversee the management of all identified material risks including review of the adequacy and effectiveness of the Group's risk management and internal control system to ensure that appropriate measures are carried out by the Management to obtain the level of assurance required by the Board.

Risk Management Framework

The Board recognises the importance of embedding an adequate and effective risk management and internal control system and has implemented an Enterprise Risk Management (ERM) Framework, in line with Recommendation 6.1 of MCCG. This framework includes a risk management process of identifying, evaluating and managing significant risks which is on-going and results in the compilation of a specific risk profile and action plans for mitigating the identified risks.

The Board believes that the following key elements of the Group's risk management framework are integral to maintaining a sound risk management and internal control system:

- Set up of the Risk Management Committee ("RMC") in October 2018 with the responsibility to identify and communicate to the Board the key risks (present and potential) faced by the Group, their changes in risk profile and action plans by the Management to manage the risks; and
- Identify principal risks (present and potential) faced by operating units in the Group and Management's deployment of internal controls to mitigate or manage these risks.

The Management is overall responsible for ensuring that the day-to-day management of the Group's activities is in conformance with the Company's policies and the objectives of the Management.

The key responsibilities of the Management in respect of risk management is to identify, evaluate, monitor and report of risks and internal control as well as provide assurance to the Board that it has done so in accordance with the policies adopted by the Board. Further assurance is provided by the Internal Audit function, which operates across the Group.

The above-mentioned practices / initiatives by the Management serve as an ongoing process used to identify, assess and manage key business, operational and financial risks faced by the Group.

Risk Management and Internal Control Processes

The objective of risk management and internal control processes is to provide maximum sustainable value to all the business activities in the Group. Risk management and internal control systems are in place to enhance the efficiency, and overall effectiveness of the Group's operations. Such measures will help to minimise possible risks and uncertainties so that the Group will be able to achieve its objectives and goals set.

The operations of the Group are exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk.

In this context, the risk management function is led by the Internal Audit Department whereby the process is integrated into the operations of the respective companies within the Group with each Director, Manager and Head of Department assigned to ensure appropriate risk response actions are carried out in a timely manner.

During the financial year, the Audit Committee and the Board have met every quarter to review the adequacy, effectiveness and integrity of the system of internal controls in the Group and to ensure relevant controls are carried out to mitigate the significant business risks faced by the Group.

The Board is of the view that the risk management and internal control system in place for the financial year under review is adequate and effective. Nevertheless, it will continuously be reviewed, enhanced and updated in line with changes in the operating environment.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- The Executive Directors assist the Board in ensuring that the Group's daily operations are performed in accordance with the corporate objectives, strategies as well as the policies and procedures.
- The Audit Committee assists the Board to review the adequacy and integrity of the system of internal control to ensure that the risk exposures are effectively managed and that the required actions to manage risks have been addressed.
- The Audit Committee reviews the internal control findings reported by the Internal Auditors and evaluate the adequacy and effectiveness of the risk management and internal control system.
- The Audit Committee also reviews the competency as well as performance of the internal audit functions with emphasis on their scope of audits and findings. The minutes of the Audit Committee Meetings are circulated and tabled at the quarterly Board meetings. Further details of the activities undertaken by the Audit Committee are set out in the Audit Committee Report of this Annual Report.
- The Internal Auditors evaluate the effectiveness of risk management, the system of internal control, and governance process and highlights significant findings in respect of any non-compliance with policies and procedures. The Internal Auditors conduct their audits according to a risk based internal audit plan approved by the Audit Committee.

Internal Audit Function

The internal audit function was established by the Board to provide independent assurance to the Audit Committee on the adequacy and effectiveness of the governance, risk management and internal control system within the Group. The Internal Audit Department operates in accordance with the Internal Audit Charter and reports directly to the Audit Committee.

The internal audit function is performed in-house and is independent of the activities they audit. Risk based methodology is adopted in the review of key processes of the various operating units within the Group. The internal audit function encompasses audits conducted on the Group's subsidiaries and associate.

The internal audit results, findings relating to the internal control system and the recommendations for improvement highlighted in the internal audit reports were presented to the Audit Committee for review and discussions at their quarterly meetings and noted at the Board meetings. In addition, the status of the implementation of corrective actions to address control weaknesses is also followed up by the Internal Auditors to ensure that these actions have been satisfactorily implemented.

The operational management is responsible for ensuring recommended corrective actions on reported weaknesses are implemented within the required time frame to enhance and strengthen the internal control environment. The internal audit function also ensures that the Management follows up the implementation of action plans where control deficiencies were noted during the internal audits.

During the year under review, risk management process was carried out through the monthly Management meetings held to communicate and deliberate key issues and risk areas amongst Management team members and where appropriate, controls are devised and implemented. Significant risks identified are escalated to the Board for their attention by the Executive Directors.

Key elements of internal control

During the financial year under review, the Internal Audit Department conducted the audits on the following areas for:-

A. Certain Subsidiary Companies

1. Customer relationship management
2. Health and safety management
3. Human resource management
4. Inventory management
5. Legal and regulatory compliance management
6. Personal and product data management
7. Procurement and vendor management
8. Product development management
9. Product quality management

B. Associate Company

1. Financial management

The Board also put in place the following salient internal control systems regulating the Group's operations during the financial Year 2018:

i. Monitoring and Review

- a) Scheduled management, operational as well as financial meetings are held with the Senior Management team to discuss, review and evaluate the business plans, budgets, financial and operational performances, Key Performance Indicators ("KPIs") for the established targets, reports as well as to monitor the business development and resolve key operational and management issues of the Group;
- b) The Audit Committee reviews the Group's quarterly financial statements containing key financial results and comparisons, which are subsequently presented to the Board for review; and
- c) Management information systems have been established to enable transactions to be captured, compiled and reported in a timely and accurate manner.

ii. Policies and Procedures

- a) Standing internal policies and operating procedures have been established to cover as far as possible any significant business processes of the Group. Reviews are performed whenever necessary to ensure that the Standard Operating Procedures ("SOPs") remains current, relevant and aligned with evolving business environment and operational needs;
- b) A chart of authority has been established to provide guidance to the Management in the execution of day-to-day transactions;
- c) Information critical to the achievement of the Group's business objectives has been communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis;
- d) Employees have been briefed on Code of Ethics during induction. They are required to sign and adhere to the Code of Ethics, which upholds the Group's corporate values and ethical code of conduct. Formal guidelines are also available to govern staff's termination and resignation;
- e) Certain subsidiaries of the Group involved in the manufacturing of nutritional, health and nutraceutical products are governed by the SOPs which are subjected to audit under the International Organization for Standardization ("ISO") standards, Good Manufacturing Practices ("GMP"), Food Safety Management Systems ("FSMS") – Requirements for any Organisation in the Food Chain and HALAL Practices to ensure conformance to its respective requirements. The manufacturing of home care products is also governed by the SOPs which are subjected to audit under the ISO standards;
- f) The implementation and practice of SOPs are widely used throughout the Group's operational activities. The SOPs ensure governance controls are embedded in the key business processes to mitigate potential significant business risks faced by the Group; and
- g) Insurance and physical safeguards over major assets in the plants are in place to ensure that the assets of the Group are adequately covered against any mishap that may result in material losses to the Group.

iii. Other Internal Control Processes

- a) The Executive Directors are actively involved in the running of the daily business operations and they report to the Board on significant changes in the business and external environment, which affect the operations of the Group at large;
- b) The professionalism and competency of the Group's human resources are maintained through established recruitment process, performance appraisal system and training; and
- c) Emphasis is placed on enhancing the quality and ability of employees through a wide variety of training programmes and workshops to enhance their knowledge and the employees' competency levels in executing their daily tasks.

Weaknesses in Internal Controls

The Board is of the view that the risk management and internal control system are satisfactory. No significant weaknesses were noted from the review of risk management activities. There were no material losses, contingencies or uncertainties during the financial year ended 30 November 2018 as a result of weaknesses in internal control that would require disclosure in the Group's Annual Report. The Board, in striving for continuous improvement, will continue to take appropriate measures and action plans, where necessary to comply with the Group's internal policies and best practices.

Assurance from Management

In accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers, the Board has received assurances from the Group Managing Director and Group Chief Accountant / Senior Accountant that to the best of their knowledge, internal control system is in place, the risk management and internal control of the Group are operating effectively and adequately in all material aspects, based on the risk management and internal control framework adopted by the Group to safeguard shareholders' interest and the Group's assets.

The risks taken are at an acceptable level within the context of the business environment throughout the Group and there were no significant internal control deficiencies or weaknesses resulting in material losses, contingencies or uncertainties during the financial year requiring disclosure in the Annual Report.

Review of the Statement by Audit Committee

While the Audit Committee has reviewed this Statement and addressed individual lapses in internal control via the Head of Internal Audit during the course of internal audits for the financial year under review, it has not identified any circumstances which suggest any significant fundamental deficiencies in the Group's risk management and internal control system.

Review of the Statement by External Auditors

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the financial year ended 30 November 2018 and reported to the Board that nothing has come to their attention that caused them to believe that the Statement intended to be included in the Annual Report of the Group, in all material aspects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon.

The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

REVIEW BY THE BOARD

The control environment forms the foundation for the system of internal control by providing the fundamental discipline and structure.

The Board is of the view that the Group has implemented an adequate and effective system of risk management and internal controls with a view to provide itself with effective measures to prevent and mitigate any possible negative effects arising from any challenging scenario which may occur that can impact the Group's performance.

New protocols will be introduced in the course of time as well as changes and improvements will also be made to the existing systems of risk management and internal controls, taking into consideration the changing and challenging business environment. The Board and the Management are fully committed to such ongoing improvements and enhancements and view such measures as both critical and necessary to the Group's operations.

This Statement is made in accordance with the resolution of the Board dated 6 March 2019.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Main Market Listing Requirements of Bursa Securities, the following information is provided:

UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposals during the financial year ended 30 November 2018.

AUDIT AND NON-AUDIT SERVICE

The amount of audit and non-audit fees paid or payable to the External Auditors or a firm or corporation affiliated to the External Auditors by the Company and the Group for the financial year ended 30 November 2018 are as follows:

	Group RM'000	Company RM'000
Fees paid or payable to the External Auditors:		
Audit fees	258	65
Non-audit fees paid or payable to the listed issuer's auditors, or a firm or corporation affiliated to the auditors' firm	204	9
Total	462	74

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors or major shareholders, either still subsisting at the end of the financial year ended 30 November 2018 or entered into since the end of the previous financial year.

CONTRACTS RELATING TO LOANS

During the financial year, there were no contracts relating to loans entered into by the Company involving interests of Directors and major shareholders.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

There were no recurrent related party transactions during the financial year ended 30 November 2018.

DIRECTORS' REPORT for the year ended 30 November 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 November 2018.

Principal activities

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year, except as disclosed in Note 5 to the financial statements.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	52,362	45,977

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows :

- i) In respect of the financial year ended 30 November 2017 as reported in the Directors' Report of that year :
 - a fourth interim dividend of 1.5 sen and a special dividend of 1.5 sen per ordinary share totalling RM13,800,000 declared on 24 January 2018 and paid on 9 March 2018.
- ii) In respect of the financial year ended 30 November 2018 :
 - a first interim dividend of 2 sen per ordinary share totalling RM9,200,000 declared on 18 April 2018 and paid on 8 June 2018;
 - a second interim dividend of 2 sen per ordinary share totalling RM9,200,000 declared on 18 July 2018 and paid on 12 September 2018;
 - a third interim dividend of 2 sen per ordinary share totalling RM9,200,000 declared on 17 October 2018 and paid on 28 November 2018; and
 - a fourth interim dividend of 2 sen and a special dividend of 2 sen per ordinary share totalling RM18,400,000 declared on 23 January 2019 and paid on 6 March 2019.

Directors of the Company

Directors who served during the financial year until the date of this report are :

Haji Wan Mansoor Bin Wan Omar	
Diong Chin Teck @ Tiong Chin Sang	
Tan Lip Gay	
Teoh Meng Keat	- Appointed as Chief Executive Officer on 14 December 2018
Teoh Meng Lee	- Group Executive Director
Teoh Meng Soon	- Group Executive Director
Oon Hock Chye	- Appointed on 17 October 2018
Teoh Beng Seng	- Resigned as Director, Group President and Chief Executive Officer on 12 December 2018

Directors of the subsidiaries

Directors of the subsidiaries who served during the financial year until the date of the report are as follows :

Teoh Beng Seng	Teoh Meng Soon
Teoh Meng Keat	Wong Keng Meng
Teoh Meng Lee	Mimi Njoto

Directors' interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares			
	At 1.12.2017	Bought	(Sold)	At 30.11.2018
Haji Wan Mansoor Bin Wan Omar :				
Interest in the Company :				
- own	13,333	-	-	13,333
Teoh Beng Seng :				
Interest in the Company :				
- own	47,900,280	-	-	47,900,280
Deemed interest in the Company :				
- own	240,816,455	-	-	240,816,455
Teoh Meng Keat :				
Interest in the Company :				
- own	26,869,600	-	-	26,869,600
- others #	2,666,666	-	-	2,666,666
Teoh Meng Lee :				
Interest in the Company :				
- own	6,375,999	-	-	6,375,999
Teoh Meng Soon :				
Interest in the Company :				
- own	6,306,666	-	-	6,306,666
Diong Chin Teck @ Tiong Chin Sang :				
Interest in the Company :				
- own	33,333	-	-	33,333
Tan Lip Gay :				
Interest in the Company :				
- own	20,000	-	-	20,000

These are shares held in the name of the spouse and are treated as the interest of the Director in accordance with the Companies Act 2016.

None of the other Director holding office at 30 November 2018 had any interest in the ordinary shares of the Company and of its related corporation during the financial year.

By virtue of his interest in the shares of the Company, Mr. Teoh Beng Seng is also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those transactions entered into in the ordinary course of business between the Group and a company in which a Director has substantial financial interest and the legal fee paid to a firm in which a person connected to a Director is a member as disclosed in Note 25 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company and no debentures were in issue during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

There was no indemnity given to or insurance effected for any Directors, officers or auditors of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances :

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, and
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 November 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 17 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

.....
Teoh Meng Keat
Director

.....
Teoh Meng Lee
Director

Penang,

Date : 6 March 2019

ZHULIAN CORPORATION BERHAD

(Company No. 415527-P)

(Incorporated in Malaysia)

and its subsidiaries

STATEMENTS OF FINANCIAL POSITION
as at 30 November 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Property, plant and equipment	3	127,298	137,294	—	—
Investment properties	4	23,718	24,124	—	—
Investment in subsidiaries	5	—	—	188,659	203,159
Investment in an associate	6	224,735	222,720	—	—
Other investments	7	—	1,854	—	1,854
Deferred tax assets	8	4,240	881	—	—
Total non-current assets		379,991	386,873	188,659	205,013
Inventories	9	54,990	52,008	—	—
Current tax assets		3,735	3,326	—	—
Trade and other receivables	10	36,291	54,416	31,275	21,565
Cash and cash equivalents	11	149,165	124,644	29,887	19,164
Total current assets		244,181	234,394	61,162	40,729
Total assets		624,172	621,267	249,821	245,742
Equity					
Share capital	12	230,000	230,000	230,000	230,000
Reserves	13	364,965	350,550	19,569	15,516
Total equity attributable to owners of the Company		594,965	580,550	249,569	245,516
Liabilities					
Retirement benefits	14	317	320	—	—
Deferred tax liabilities	8	—	540	—	—
Total non-current liabilities		317	860	—	—
Trade and other payables	15	25,939	33,832	224	207
Current tax liabilities		2,951	6,025	28	19
Total current liabilities		28,890	39,857	252	226
Total liabilities		29,207	40,717	252	226
Total equity and liabilities		624,172	621,267	249,821	245,742

The notes on pages 65 to 110 are an integral part of these financial statements.

ZHULIAN CORPORATION BERHAD(Company No. 415527-P)
(Incorporated in Malaysia)
and its subsidiaries**STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the year ended 30 November 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations					
Revenue	16	183,406	205,686	58,800	42,200
Changes in manufactured inventories and work-in-progress		(1,495)	(3,672)	—	—
Raw materials, trading goods and consumables used		(70,837)	(75,477)	—	—
Employee benefits expenses		(28,952)	(27,836)	—	—
Depreciation		(11,658)	(12,677)	—	—
Other operating expenses		(34,040)	(41,050)	(14,080)	(8,484)
Other operating income		7,688	5,413	1,447	501
Results from operating activities	17	44,112	50,387	46,167	34,217
Share of profit of equity-accounted associate, net of tax		18,279	16,817	—	—
Profit before tax		62,391	67,204	46,167	34,217
Tax expense	19	(10,029)	(14,392)	(190)	(113)
Profit for the year attributable to owners of the Company		52,362	52,812	45,977	34,104
Other comprehensive income/(expense), net of tax					
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	14	45	(4)	—	—
		45	(4)	—	—
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		648	1,547	—	—
Fair value of available-for-sale financial assets		(524)	132	(524)	132
Share of other comprehensive income/(expense) of equity-accounted associate		3,284	(262)	—	—
		3,408	1,417	(524)	132
Total other comprehensive income/(expense) for the year, net of tax		3,453	1,413	(524)	132
Total comprehensive income for the year attributable to owners of the Company		55,815	54,225	45,453	34,236
Basic earnings per ordinary share (sen)	20	11.38	11.48	—	—

The notes on pages 65 to 110 are an integral part of these financial statements.

ZHULIAN CORPORATION BERHAD
(Company No. 415527-P)
(Incorporated in Malaysia)
and its subsidiaries

STATEMENTS OF CHANGES IN EQUITY for the year ended 30 November 2018

	Attributable to owners of the Company					Total equity RM'000
	Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	
Group						
At 1 December 2016	230,000	35,693	392	—	287,840	553,925
Remeasurement of defined benefit liability	—	—	—	—	(4)	(4)
Foreign currency translation differences for foreign operations	—	1,547	—	—	—	1,547
Fair value of available-for-sale financial assets	—	—	132	—	—	132
Share of other comprehensive expense of equity-accounted associate	—	(262)	—	—	—	(262)
Total other comprehensive income/(expense) for the year	—	1,285	132	—	(4)	1,413
Profit for the year	—	—	—	—	52,812	52,812
Total comprehensive income for the year	—	1,285	132	—	52,808	54,225
<i>Distributions to owners of the Company</i>	—	—	—	—	(27,600)	(27,600)
- Dividends to owners of the Company (Note 21)	—	—	—	—	(27,600)	(27,600)
Total transactions with owners of the Company	—	—	—	—	(1,800)	—
Redemption of preference shares in a subsidiary	—	—	—	1,800	—	—
At 30 November 2017	230,000	36,978	524	1,800	311,248	580,550

STATEMENTS OF CHANGES IN EQUITY for the year ended 30 November 2018 (continued)

Group	Attributable to owners of the Company					Total equity RM'000
	Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	
	Non-distributable		Distributable			
At 1 December 2017	230,000	36,978	524	1,800	311,248	580,550
Remeasurement of defined benefit liability	—	—	—	—	45	45
Foreign currency translation differences for foreign operations	—	648	—	—	—	648
Fair value of available-for-sale financial assets	—	—	(524)	—	—	(524)
Share of other comprehensive income of equity- accounted associate	—	3,284	—	—	—	3,284
Total other comprehensive income/(expense) for the year	—	3,932	(524)	—	45	3,453
Profit for the year	—	—	—	—	52,362	52,362
Total comprehensive income/(expense) for the year	—	3,932	(524)	—	52,407	55,815
<i>Distributions to owners of the Company</i>	—	—	—	—	(41,400)	(41,400)
- Dividends to owners of the Company (Note 21)	—	—	—	—	(41,400)	(41,400)
Total transactions with owners of the Company	—	—	—	—	(41,400)	(41,400)
Redemption of preference shares in a subsidiary	—	—	—	110	(110)	—
Reclassification	—	(1,686)	—	—	1,686	—
At 30 November 2018	230,000	39,224	—	1,910	323,831	594,965

ZHULIAN CORPORATION BERHAD

(Company No. 415527-P)

(Incorporated in Malaysia)

and its subsidiaries

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 November 2018 (continued)

	Share capital RM'000	Non- Distributable Fair value reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company				
At 1 December 2016	230,000	392	8,488	238,880
Total other comprehensive income for the year				
- Fair value of available-for-sale financial assets	—	132	—	132
Profit for the year	—	—	34,104	34,104
Total comprehensive income for the year	—	132	34,104	34,236
<i>Distributions to owners of the Company</i>				
- Dividends to owners of the Company (Note 21)	—	—	(27,600)	(27,600)
At 30 November 2017/ 1 December 2017	230,000	524	14,992	245,516
Total other comprehensive (expense)/ income for the year				
- Fair value of available-for-sale financial assets	—	(524)	—	(524)
Profit for the year	—	—	45,977	45,977
Total comprehensive (expense)/ income for the year	—	(524)	45,977	45,453
<i>Distributions to owners of the Company</i>				
- Dividends to owners of the Company (Note 21)	—	—	(41,400)	(41,400)
At 30 November 2018	230,000	—	19,569	249,569

The notes on pages 65 to 110 are an integral part of these financial statements.

ZHULIAN CORPORATION BERHAD(Company No. 415527-P)
(Incorporated in Malaysia)
and its subsidiaries**STATEMENTS OF CASH FLOWS**

for the year ended 30 November 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Profit before tax from continuing operations		62,391	67,204	46,167	34,217
Adjustments for :					
Depreciation of :					
- property, plant and equipment	3	11,184	12,205	—	—
- investment properties	4	474	472	—	—
Dividend income	17	—	—	(58,800)	(42,200)
Gain on disposal of :					
- plant and equipment	17	—	(63)	—	—
- other investments		(621)	—	(621)	—
Interest income	17	(4,565)	(3,696)	(826)	(501)
Plant and equipment written off	17	8	83	—	—
Impairment loss on :					
- Investment in subsidiaries	17	—	—	13,600	8,044
- Investment in other investments	17	—	20	—	20
Share of profit of equity					
- accounted associate, net of tax		(18,279)	(16,817)	—	—
Retirement benefits	14	53	48	—	—
Others		(190)	2,875	—	—
Operating profit/(loss) before changes in working capital		50,455	62,331	(480)	(420)
Change in inventories		(2,986)	3,621	—	—
Change in trade and other receivables		18,112	(10,197)	(9)	(23)
Change in trade and other payables		(7,144)	7,439	18	(39)
Cash generated from/(used in) operations		58,437	63,194	(471)	(482)
Dividends received from :					
- an associate		19,737	—	—	—
- subsidiaries		—	—	49,100	45,700
Tax paid		(17,409)	(12,334)	(183)	(101)
Retirement benefits paid	14	(1)	—	—	—
Net cash from operating activities		60,764	50,860	48,446	45,117
Cash flows from investing activities					
Additional investment in					
- subsidiaries		—	—	(10,100)	(1,100)
- associate		—	(4,363)	—	—
Capital redemption in subsidiaries		—	—	11,000	1,000
Interest received	17	4,565	3,696	826	501
Purchase of property, plant and equipment	3	(1,316)	(1,390)	—	—
Purchase of other investments		(26)	(31)	(26)	(31)
Proceeds from disposal of plant and equipment		—	116	—	—
Proceeds from disposal of other investment		1,977	—	1,977	—
Net cash from/(used in) investing activities		5,200	(1,972)	3,677	370
Cash flows from financing activity					
Dividends paid to owners of the Company		(41,400)	(27,600)	(41,400)	(27,600)
Net cash used in financing activity		(41,400)	(27,600)	(41,400)	(27,600)
Net increase in cash and cash equivalents		24,564	21,288	10,723	17,887
Effect of exchange rate fluctuations on cash held		(43)	(103)	—	—
Cash and cash equivalents at 1 December		124,644	103,459	19,164	1,277
Cash and cash equivalents at 30 November	11	149,165	124,644	29,887	19,164

The notes on pages 65 to 110 are an integral part of these financial statements.

ZHULIAN CORPORATION BERHAD

(Company No. 415527-P)

(Incorporated in Malaysia)

and its subsidiaries

Notes to the financial statements

Zhulian Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows :

Registered office

Suite 12-A Level 12
Menara Northam
No. 55, Jalan Sultan Ahmad Shah
10050 Georgetown, Penang

Principal place of business

Plot 42
Bayan Lepas Industrial Estate
Phase IV
11900 Bayan Lepas, Penang

The consolidated financial statements of the Company as at and for the financial year ended 30 November 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associate. The financial statements of the Company as at and for the financial year ended 30 November 2018 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 6 March 2019.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), 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 and the Company :

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*

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*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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 and the Company plan 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 and the Company 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 and the Company are currently assessing the financial and disclosure 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 and the Company are currently assessing the financial 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*.

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 and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with Malaysian Financial Reporting Standards (“MFRSs”) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes :

- Note 3 - Property, plant and equipment
- Note 4 - Investment properties
- Note 5 - Investment in subsidiaries

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee’s return.

Investments in subsidiaries are measured in the Company’s statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve (FCTR) in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 December 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2(k)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts is classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting.

Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows :

	%
Buildings	2
Freehold shoplots	2
Building improvements	10
Plant and machinery, moulds, tools and equipment	10 - 50
Furniture, fittings and office equipment	10 - 50
Motor vehicles	20

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. Significant accounting policies (continued)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Transfers between investment property and property, plant and equipment do not change the carrying amount of the property transferred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives as disclosed in Note 2(d)(iii).

2. Significant accounting policies (continued)

(g) Investment properties (continued)

(i) Investment properties carried at cost (continued)

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Non-current asset held for sale or distribution to owners

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distributions, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity accounted associates ceases once classified as held for sale or distribution.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets, assets arising from employee benefits and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (continued)

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

2. Significant accounting policies (continued)

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Contingencies

(i) *Contingent liabilities*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) *Contingent assets*

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(p) Revenue and other income

(i) *Goods sold*

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) *Services*

Revenue from services rendered is recognised in profit or loss upon rendering of services.

(iii) *Dividend income*

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(v) *Rental income*

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

2. Significant accounting policies (continued)

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences : the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(s) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

2. Significant accounting policies (continued)

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(u) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows :

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment - Group

	Short term leasehold land RM'000	Buildings RM'000	Freehold shoplots RM'000	Building improvements RM'000	Plant and machinery, moulds, tools and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost									
At 1 December 2016	27,008	96,260	1,612	190	41,300	53,865	1,660	1,621	223,516
Additions	—	58	—	—	491	398	443	—	1,390
Reclassification	—	—	—	—	735	—	—	(735)	—
Disposals	—	—	—	—	(58)	—	(361)	—	(419)
Written off	—	(34)	—	—	(29)	(310)	—	—	(373)
Effect of movements in exchange rates	(319)	77	—	—	—	(35)	(8)	—	(285)
At 30 November 2017/ 1 December 2017	26,689	96,361	1,612	190	42,439	53,918	1,734	886	223,829
Additions	—	56	—	—	374	866	—	20	1,316
Written off	—	—	—	—	(50)	(160)	—	—	(210)
Effect of movements in exchange rates	(160)	(37)	—	—	—	(16)	(4)	—	(217)
At 30 November 2018	26,529	96,380	1,612	190	42,763	54,608	1,730	906	224,718

3. Property, plant and equipment - Group (continued)

	Short term leasehold land RM'000	Buildings RM'000	Freehold shoplots RM'000	Building improvements RM'000	Plant and machinery, moulds, tools and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation									
At 1 December 2016	4,252	14,314	71	79	24,582	30,479	1,372	-	75,149
Depreciation for the year	789	2,286	32	19	3,605	5,305	169	-	12,205
Disposals	-	-	-	-	(57)	-	(309)	-	(366)
Written off	-	(9)	-	-	(25)	(256)	-	-	(290)
Effect of movements in exchange rates	(128)	(4)	-	-	-	(27)	(4)	-	(163)
At 30 November 2017/ 1 December 2017	4,913	16,587	103	98	28,105	35,501	1,228	-	86,535
Depreciation for the year	781	2,281	32	19	2,882	5,032	157	-	11,184
Written off	-	-	-	-	(50)	(152)	-	-	(202)
Effect of movements in exchange rates	(73)	(8)	-	-	-	(13)	(3)	-	(97)
At 30 November 2018	5,621	18,860	135	117	30,937	40,368	1,382	-	97,420
Carrying amounts									
At 1 December 2016	22,756	81,946	1,541	111	16,718	23,386	288	1,621	148,367
At 30 November 2017/ 1 December 2017	21,776	79,774	1,509	92	14,334	18,417	506	886	137,294
At 30 November 2018	20,908	77,520	1,477	73	11,826	14,240	348	906	127,298

3. Property, plant and equipment - Group (continued)

3.1 Impairment loss

As at 30 November 2018, certain property, plant and equipment were tested for impairment where impairment indicators exist as a result of current business sentiment and weak demand in certain markets which cause some subsidiaries to make losses. The recoverable amounts of these property, plant and equipment were estimated based on either the value in use or fair value less costs to sell methods. Value in use was determined by discounting the future cash flows generated from the continuing use of the cash-generating unit and the projected cash flows were prepared based on a five year financial budget and projections calculated based on the assets' longest useful lives ranged from 6 to 50 years by the management and approved by Board of Directors and were based on the following key assumptions:-

- The revenue growth and gross profit margin represent management's assessment of future trends of the business and are based on past business performance and management's expectations on market development.
- A pre-tax discount rate of 10% (2017 : 10%) was applied to the cash flow projections.

The values assigned to the key assumptions represent management's assessment of future trends as well as historical data in the industry which are based on both external and internal sources.

Fair value less costs to sell was determined based on comparison of the Group's properties with similar properties that were published for sale within the same locality or other comparable localities where applicable taking into consideration market trends and is classified as level 3 fair value.

Premised on the above, the said carrying amounts of property, plant and equipment were determined to be lower than the recoverable amount and accordingly, no impairment loss was recognised.

The estimated recoverable amounts exceeded the carrying amount of the cash-generating units and management considers that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess.

4. Investment properties - Group

	Land RM'000	Freehold shoplots RM'000	Total RM'000
Cost			
At 1 December 2016	16,665	12,025	28,690
Effect of movements in exchange rates	–	(514)	(514)
At 30 November 2017/ 1 December 2017	16,665	11,511	28,176
Effect of movements in exchange rates	–	88	88
At 30 November 2018	16,665	11,599	28,264

4. Investment properties - Group (continued)

	Note	Land RM'000	Freehold shoplots RM'000	Total RM'000
Accumulated depreciation				
At 1 December 2016		1,260	2,402	3,662
Depreciation for the year	17	240	232	472
Effect of movements in exchange rates		–	(82)	(82)
At 30 November 2017/ 1 December 2017		1,500	2,552	4,052
Depreciation for the year	17	240	234	474
Effect of movements in exchange rates		–	20	20
At 30 November 2018		1,740	2,806	4,546
Carrying amounts				
At 1 December 2016		15,405	9,623	25,028
At 30 November 2017/ 1 December 2017		15,165	8,959	24,124
At 30 November 2018		14,925	8,793	23,718

4.1 Fair value information

Investment properties comprise properties that are held for capital appreciation. Their fair values were based on Directors' estimation using the latest available market information and recent experience and knowledge in the location and category of property being valued. The fair value of the investment properties of the Group as at 30 November 2018 are classified as level 3 fair value as follows :

	Land RM'000	Freehold shoplots RM'000	Total RM'000
2017	34,871	52,881	87,752
2018	34,871	52,762	87,633

4. Investment properties - Group (continued)

4.1 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

Estimation uncertainty and key assumptions

The Directors estimate the fair value of the Group's investment properties based on the Directors' estimation by comparing of the Group's investment properties with similar properties that were published for sale within the same locality or other comparable localities. The most significant input in this approach is the price per square foot which would increase/(decrease) the estimated fair value if the price per square foot is higher/(lower).

4.2 The following are recognised in profit or loss in respect of investment properties :

	2018 RM'000	2017 RM'000
Rental income	660	491
Direct operating expenses :		
- non-income generating investment properties	297	438
- income generating investment properties	582	428
	<u>582</u>	<u>428</u>

5. Investment in subsidiaries - Company

	2018 RM'000	2017 RM'000
Unquoted shares, at cost	234,055	234,955
Less : Impairment loss	(45,396)	(31,796)
	<u>188,659</u>	<u>203,159</u>

5. Investment in subsidiaries - Company (continued)

Details of subsidiaries are as follows :

Name of subsidiaries	Effective ownership interest and voting interest		Country of incorporation	Principal activities
	2018	2017		
Zhulian Jewellery Manufacturing Sdn. Bhd.	100%	100%	Malaysia	Manufacturing of costume/fine jewellery and accessories and therapeutic belts
Zhulian Marketing (M) Sdn. Bhd.	100%	100%	Malaysia	Direct marketing of costume jewellery and consumer products
Zhulian Industries Sdn. Bhd.	100%	100%	Malaysia	Manufacturing of consumer products
Beyond Products Technology Sdn. Bhd.	100%	100%	Malaysia	Manufacturing of home technology products
Zhulian Manufacturing Sdn. Bhd.	100%	100%	Malaysia	Manufacturing of bedroom apparels and therapeutic products and trading of consumer products
Master Square Sdn. Bhd.	100%	100%	Malaysia	Trading of consumer products
Zhulian Printing Industries Sdn. Bhd.	100%	100%	Malaysia	Printing of brochures, leaflets, catalogues, name cards and other related documents
Zhulian Management Sdn. Bhd. ("ZMSB")	100%	100%	Malaysia	Provision of management services and investment holding
Amazing Vestrax Sdn. Bhd.	100%	100%	Malaysia	Manufacturing of personal care and home care products.
Zhulian Nutraceutical Sdn. Bhd.	100%	100%	Malaysia	Manufacturing of traditional herbal products.
Diamond Inspiration Sdn. Bhd.	100%	100%	Malaysia	Dormant
Zhulian Development Sdn. Bhd.	100%	100%	Malaysia	Dormant

5. Investment in subsidiaries - Company (continued)

Name of subsidiaries	Effective ownership interest and voting interest		Country of incorporation	Principal activities
	2018	2017		
Coffee Mark Products Sdn. Bhd.	100%	100%	Malaysia	Commenced the trading of consumer products during the year ended 30 November 2018
Zhulian Properties Sdn. Bhd.	100%	100%	Malaysia	Dormant
Beyond Natural Care Sdn. Bhd.	100%	100%	Malaysia	Dormant
Dexassets Sdn. Bhd.	100%	100%	Malaysia	Dormant
Zhulian Labuan Limited*	100%	100%	Malaysia	Investment holding
<i>Subsidiaries of ZMSB</i>				
PT. Zhulian Indonesia*	100%	100%	Indonesia	Direct marketing of costume jewellery and consumer products
Zhulian (Singapore) Pte. Ltd.*	100%	100%	Singapore	Investment holding
ZBP International Sdn. Bhd.	100%	100%	Malaysia	In the process of members' voluntary winding-up

* Not audited by KPMG PLT

5.1 Impairment loss for investment in subsidiaries

During the financial year ended 30 November 2018, the Company recognised an additional impairment loss amounting to RM13.6 million (2017 : RM8.04 million) for the investment in certain loss making subsidiaries where the estimated recoverable amounts of RM25.5 million (2017 : RM6.53 million) and RM4.5 million (2017 : RM0.67 million) were determined using either value in use ("VIU") or fair value less cost to sell ("FVLCTS") methods respectively and were lower than their carrying amounts.

The Company's impairment testing includes an assessment of the estimated recoverable amount at various best and worst case scenarios against the carrying amount of investment in certain subsidiaries. See Note 3.1 for details on VIU and FVLCTS including key assumptions used. Based on the analysis performed, the carrying amounts of investment in certain subsidiaries were determined to be higher than their recoverable amounts and an impairment loss of approximately RM13.6 million (2017 : RM8.04 million) was recognised and included in the other operating expenses.

The estimated recoverable amounts exceed the carrying amount of investment in certain subsidiaries and management considers that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess; except for the additional impairment loss of RM6.6 million (2017 : RM8.00 million) relating to the Group's manufacturing of home care division (2017 : local direct marketing division) in Malaysia. The recoverable amount for this investment in a subsidiary is particularly sensitive towards changes in the following key assumptions and any adverse change in the following areas may result in impairment loss.

- A 1% (2017 : 1%) decrease in future planned revenue growth would result in the Company recognising an impairment loss of RM6.8 million (2017 : RM3.2 million).
- A 1% (2017 : 1%) decrease in gross profit margin would result in the Company recognising an impairment loss of RM7.3 million (2017 : RM 4.2 million).

6. Investment in an associate - Group

	2018 RM'000	2017 RM'000
Unquoted shares, at cost	14,650	14,650
Share of post-acquisition profits	210,085	208,070
	<u>224,735</u>	<u>222,720</u>

The financial year end of the associate is 31 December.

Details of the material associates are as follows :

Name of entity	Effective ownership interest and voting interest		Principal place of business/Country of incorporation	Nature of the relationship
	2018	2017		
Zhulian (Thailand) Ltd.	49%	49%	Thailand	Master agent of the Group in Thailand

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	2018 RM'000	2017 RM'000
Zhulian (Thailand) Ltd. and its subsidiaries		
Summarised financial information		
As at 30 November		
Non-current assets	253,349	260,439
Current assets	323,015	318,424
Non-current liabilities	(39,000)	(37,042)
Current liabilities	(63,530)	(71,711)
Net assets	<u>473,834</u>	<u>470,110</u>
Year ended 30 November		
Profit from continuing operations/ Total comprehensive income	<u>37,304</u>	<u>34,320</u>
Included in the total comprehensive income is :		
Revenue	<u>352,387</u>	<u>344,369</u>
Reconciliation of net assets to carrying amount as at 30 November		
Group's share of net assets	232,179	230,354
Elimination of unrealised profits	(7,444)	(7,634)
Carrying amount in the statement of financial position	<u>224,735</u>	<u>222,720</u>

6. Investment in an associate - Group (continued)

	2018 RM'000	2017 RM'000
Group's share of results for the year ended 30 November		
Group's share of profit or loss from continuing operations	18,279	16,817
Share of other comprehensive income of equity-accounted associate	3,284	(262)
Total	<u>21,563</u>	<u>16,555</u>
Other information		
Dividends received by the Group (net of withholding tax)	<u>19,737</u>	-

7. Other investments - Group/Company

	2018 RM'000	2017 RM'000
Non-current		
Quoted unit trusts in Malaysia		
Available-for-sale financial assets, at fair value	-	<u>1,854</u>

8. Deferred tax assets/(liabilities) - Group

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following :

	Assets			Liabilities			Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment - capital allowances	1,918	1,385	(3,134)	(5,703)	(1,216)	(4,318)	(1,216)	(4,318)
Tax loss carry-forwards	2,192	88	—	—	2,192	88	2,192	88
Other items	3,410	4,571	(146)	—	3,264	4,571	3,264	4,571
	7,520	6,044	(3,280)	(5,703)	4,240	341	4,240	341
Set off of tax	(3,280)	(5,163)	3,280	5,163	—	—	—	—
Net deferred tax assets/(liabilities)	4,240	881	—	(540)	4,240	341	4,240	341

The components and movements in temporary differences during the year are as follows :

	At 1.12.2016 RM'000	Recognised in profit or loss (Note 19) RM'000	At 30.11.2017/ 1.12.2017 RM'000	Recognised in profit or loss (Note 19) RM'000	At 30.11.2018 RM'000
	Property, plant and equipment - capital allowances	(3,309)	(1,009)	(4,318)	3,102
Tax loss carry-forwards	190	(102)	88	2,104	2,192
Other items	1,596	2,975	4,571	(1,307)	3,264
Net deferred tax (liabilities)/assets	(1,523)	1,864	341	3,899	4,240

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

8. Deferred tax assets/(liabilities) - Group (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

	2018 RM'000	2017 RM'000
Tax loss carry-forwards	35,390	39,344
Capital allowances carry-forwards	(1,049)	6,420
Others	12,090	7,243
	<u>46,431</u>	<u>53,007</u>

Based on Finance Act 2018, the tax loss carry-forwards up to year of assessment 2018 shall be deductible against aggregate of statutory income until year of assessment 2025. Any amount not deducted at the end of year of assessment 2025 shall be disregarded. The unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

The comparative figures have been restated to reflect the revised tax loss carry-forwards, capital allowances carry-forwards and others available to the Group.

9. Inventories - Group

	2018 RM'000	2017 RM'000
Raw materials	32,938	29,900
Work-in-progress	7,523	9,503
Manufactured inventories	10,257	9,772
Consumables	4,000	2,636
Trading inventories	272	197
	<u>54,990</u>	<u>52,008</u>

10. Trade and other receivables

Note	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade				
Amount due from an associate	25,093	31,189	—	—
Others	3,383	14,021	—	—
	<u>28,476</u>	<u>45,210</u>	<u>—</u>	<u>—</u>
Non-trade				
Amount due from subsidiaries	—	—	—	15
Other receivables	3,439	3,141	50	25
Deposits	391	233	5	5
Prepayments	3,985	5,832	20	20
Dividends receivable	—	—	31,200	21,500
	<u>7,815</u>	<u>9,206</u>	<u>31,275</u>	<u>21,565</u>
	<u>36,291</u>	<u>54,416</u>	<u>31,275</u>	<u>21,565</u>

10. Trade and other receivables (continued)

10.1 Amount due from an associate

The trade amount due from an associate is subject to the normal trade terms.

10.2 Amount due from subsidiaries

Amount due from subsidiaries was unsecured, interest-free and repayable on demand.

10.3 Prepayments

Included in prepayments are advances paid to suppliers amounting to RM3,003,000 (2017 : RM4,909,000) for the purchase of raw materials.

11. Cash and cash equivalents

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short term deposits with licensed banks	137,762	103,860	29,780	18,950
Cash and bank balances	11,403	20,784	107	214
	<u>149,165</u>	<u>124,644</u>	<u>29,887</u>	<u>19,164</u>

12. Share capital - Group/Company

	2018		2017	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issue and fully paid				
Ordinary shares	<u>230,000</u>	<u>460,000</u>	<u>230,000</u>	<u>460,000</u>

13. Reserves

Note	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable				
Translation reserve	13.1	39,224	36,978	—
Fair value reserve	13.2	—	524	—
Capital reserve	13.3	1,910	1,800	—
Distributable				
Retained earnings		<u>323,831</u>	<u>311,248</u>	<u>19,569</u>
		<u>364,965</u>	<u>350,550</u>	<u>19,569</u>

The movements in reserves are shown in statements of changes in equity.

13. Reserves (continued)

13.1 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13.2 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

13.3 Capital reserve

Capital reserve of the Group represents the Group's interest in subsidiaries' capital redemption reserve which represents a transfer from the retained earnings arising from the redemption of redeemable preference shares by subsidiaries of the Company.

14. Retirement benefits - Group

	2018 RM'000	2017 RM'000
Non-current		
Net defined benefit liability	317	320

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components :

	2018 RM'000	2017 RM'000
Balance at 1 December	320	286
Included in profit or loss		
Current service cost	28	32
Interest cost	25	16
	53	48
Included in other comprehensive income		
Remeasurement loss of net defined benefit liability	(45)	4
Effect of movements in exchange rate	(10)	(18)
Other		
Benefits paid	(1)	—
Balance at 30 November	317	320

14. Retirement benefits - Group (continued)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages) :

	2018	2017
Discount rate	8.02%	6.50%
Future salary growth	10.00%	10.00%

15. Trade and other payables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables	6,943	12,607	—	—
Non-trade				
Other payables	417	566	—	—
Security deposits received from agents	10,354	10,731	—	—
Accrued expenses	8,225	9,928	224	207
	18,996	21,225	224	207
	25,939	33,832	224	207

16. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Dividend income	—	—	58,800	42,200
Sale of goods	177,824	200,135	—	—
Services rendered	4,922	5,060	—	—
Rental income	660	491	—	—
	183,406	205,686	58,800	42,200

17. Results from operating activities

Results from operating activities are arrived at :

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
After charging :				
Auditors' remuneration				
- Audit fees				
KPMG PLT Malaysia				
- current year	258	258	65	65
- prior year	—	3	—	—
Other auditors	38	26	—	—
- Non audit fees				
KPMG PLT Malaysia				
- current year	5	10	5	10
- prior year	(5)	—	(5)	—
Local affiliates of KPMG PLT				
Malaysia	199	69	4	4
Other auditors	22	2	—	—
Inventories written off	215	340	—	—
Inventories written down	1,271	3,616	—	—
Personnel expenses (including key management personnel)				
- Wages, salaries and others	25,860	24,835	—	—
- Contributions to state plans	3,040	2,954	—	—
- Employees' separation benefits	—	21	—	—
Depreciation of :				
- Property, plant and equipment (Note 3)	11,184	12,205	—	—
- Investment properties (Note 4)	474	472	—	—
Impairment loss on :				
- Trade receivables	84	24	—	—
- Other receivables	—	85	—	—
- Investment in subsidiaries	—	—	13,600	8,044
- Other investments	—	20	—	20
Loss on foreign exchange, net				
- Realised	—	3,484	—	—
- Unrealised	46	2,940	—	—
Plant and equipment written off	8	83	—	—
Research and development expenditure	42	31	—	—
Rental expense	251	405	—	—
Retirement benefits (Note 14)	53	48	—	—
and after crediting :				
Dividend income from subsidiaries	—	—	58,800	42,200
Interest income	4,565	3,696	826	501
Gain on foreign exchange, net				
- Realised	1,646	—	—	—
Reversal of impairment loss on :				
- Trade receivables	2	—	—	—
- Other receivables	45	—	—	—
Gain on disposal of :				
- Plant and equipment	—	63	—	—
- Other investments	621	—	621	—
Rental income	660	491	—	—

18. Key management personnel compensations

The key management personnel compensations are as follows :

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company				
- Fees	143	120	143	120
- Remuneration	3,347	3,234	12	12
Other Directors				
- Remuneration	105	103	—	—
	<u>3,595</u>	<u>3,457</u>	<u>155</u>	<u>132</u>

There were no other key management personnel apart from the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

19. Tax expense

Recognised in profit or loss

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax expense on continuing operations	10,029	14,392	190	113
Share of tax of equity-accounted associate	7,995	7,693	—	—
Total income tax expense	<u>18,024</u>	<u>22,085</u>	<u>190</u>	<u>113</u>

19. Tax expense (continued)

Recognised in profit or loss (continued)

Major components of income tax expense include :

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense				
- Current year	13,725	17,551	190	113
- Prior year	203	(1,295)	—	—
Total current tax recognised in profit or loss	13,928	16,256	190	113
Deferred tax expense				
(Reversal)/Origination of temporary differences				
- Current year	(3,895)	(2,831)	—	—
- Prior year	(4)	967	—	—
Total deferred tax recognised in profit or loss	(3,899)	(1,864)	—	—
Share of tax of equity-accounted associate				
	7,995	7,693	—	—
Total income tax expense	18,024	22,085	190	113

Reconciliation of tax expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year	52,362	52,812	45,977	34,104
Total income tax expense	18,024	22,085	190	113
Profit excluding tax	70,386	74,897	46,167	34,217
Income tax calculated at Malaysian tax rate of 24%	16,892	17,975	11,080	8,212
Effect of tax rates in foreign jurisdictions*	1,677	2,319	—	—
Non-deductible expenses	1,167	2,258	3,378	2,036
Income not subject to tax	(379)	(206)	(14,268)	(10,135)
Tax incentives	—	(1,605)	—	—
Changes in unrecognised temporary differences	(1,532)	1,672	—	—
Under/(Over) provision in prior year	199	(328)	—	—
Income tax expense	18,024	22,085	190	113

* The associate and a subsidiary operate in the tax jurisdictions with lower tax rates and dividends from the associate are subject to 10% withholding tax.

20. Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders of RM52,362,000 (2017 : RM52,812,000) and a weighted average number of ordinary shares outstanding during the financial year of 460,000,000 (2017 : 460,000,000).

21. Dividends - Group/Company

Dividends recognised in the current year by the Company are :

	2018 RM'000	2017 RM'000
<i>In respect of financial year ended 30 November 2016</i>		
- Fourth interim dividend of 1.5 sen per ordinary share paid on 10 March 2017	—	6,900
<i>In respect of financial year ended 30 November 2017</i>		
- First interim dividend of 1.5 sen per ordinary share paid on 2 June 2017	—	6,900
- Second interim dividend of 1.5 sen per ordinary share paid on 8 September 2017	—	6,900
- Third interim dividend of 1.5 sen per ordinary share paid on 24 November 2017	—	6,900
- Fourth interim dividend of 1.5 sen and a special dividend of 1.5 sen per ordinary share paid on 9 March 2018	13,800	—
<i>In respect of financial year ended 30 November 2018</i>		
- First interim dividend of 2 sen per ordinary share paid on 8 June 2018	9,200	—
- Second interim dividend of 2 sen per ordinary share paid on 12 September 2018	9,200	—
- Third interim dividend of 2 sen per ordinary share paid on 28 November 2018	9,200	—
	41,400	27,600

The Directors declared a fourth interim dividend of 2 sen and a special dividend of 2 sen per ordinary share, totalling RM18.4 million in respect of the year ended 30 November 2018 on 23 January 2019 and paid on 6 March 2019.

The financial statements do not reflect these dividends declared after 30 November 2018, which will be accounted for as an appropriation of retained earnings in the year ending 30 November 2019.

22. Commitments - Group

(a) Capital commitments

	2018 RM'000	2017 RM'000
Property, plant and equipment Authorised but not contracted for	2,345	2,345
Contracted but not provided for	149	45
	2,494	2,390

(b) Operating lease commitments

Non-cancellable operating leases of investment property are as follows :

	2018 RM'000	2017 RM'000
Less than one year	164	654
Between one and five years	—	164
	164	818

The Group leases a number of buildings under operating leases. The leases typically run for a period of 2 years, with an option to renew the lease after that date. Lease payments will increase every 2 years to reflect the current market rentals.

23. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected strategic investment opportunities. The Group adopts a formal dividend policy to distribute at least 60% of the Group's net profit to owners of the Company after taking into consideration the following factors and the financial position of the Group in recommending and determining the level of dividend payments, if any, in any particular financial year or period :

- the Group's level of cash, gearing, return on equity and retained earnings;
- the Group's projected level of capital expenditure;
- the Group's investment plans; and
- the Group's working capital requirements.

The Group did not have any bank borrowings during the financial year ended 30 November 2018.

There were no changes in the Group's approach to capital management during the financial year.

24. Operating segments

The Group is principally confined to the manufacture and sale of costume jewellery and consumer products on a direct sales basis which are principally carried out in Malaysia, Thailand, Myanmar and Indonesia. The operations in Thailand are principally carried out by an associate of the Group.

The Group has 4 reportable segments, namely Malaysia, Thailand, Myanmar and others (Indonesia and Singapore) which are the Group's strategic business units. Performance is measured based on segment revenue as included in the internal management reports that are reviewed by the Chief Operating Decision Maker ("CODM") (i.e. the Group's Chief Executive Officer). Segment revenue is used to measure the performance as the management believes that such information is the most relevant in evaluating the results of the various segments for its nature of business. The analysis of the reportable segments' results is the same as the analysis by revenue as presented in the geographical segments.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets. The amounts of non-current assets do not include financial instruments (including investment in an associate) and deferred tax assets.

Geographical information

	Malaysia RM'000	Thailand RM'000	Myanmar RM'000	Other countries RM'000	Consolidated RM'000
2018					
Revenue	34,072	119,024	27,610	2,700	183,406
Non-current assets	139,483	—	—	11,533	151,016
2017					
Revenue	35,611	133,244	33,470	3,361	205,686
Non-current assets	149,277	—	—	12,141	161,418
Major customers					
The following are the major customers with revenue equal or more than 10% of the Group's revenue :					
	Revenue				
			2018	2017	
			RM'000	RM'000	
Customer A			119,024	133,244	
Customer B			27,610	33,470	

25. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its significant investors, subsidiaries and associate, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company, other than key management personnel compensation (see Note 18), are shown below :

	Amount transacted for the year ended 30 November	
	2018 RM'000	2017 RM'000
Group		
Associate		
Sales	114,102	128,184
Management fee income	4,922	5,060
	<hr/>	<hr/>
A firm in which a person connected to a Director is a member		
Legal fee paid and payable	109	95
	<hr/>	<hr/>
Company		
Subsidiaries		
Dividend income	58,800	42,200
Increase in investment in subsidiaries	10,100	1,100
Capital redemption in subsidiaries	11,000	1,000
	<hr/>	<hr/>

Significant related party balances are disclosed in Notes 10 and 15 to the financial statements.

26. Financial instruments

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows :

- (a) Loans and receivables ("L&R");
 (b) Available-for-sale financial assets ("AFS"); and
 (c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000
2018			
Financial assets			
Group			
Trade and other receivables, excluding prepayments	32,306	32,306	—
Cash and cash equivalents	149,165	149,165	—
	<u>181,471</u>	<u>181,471</u>	<u>—</u>
Company			
Other receivables, excluding prepayments	31,255	31,255	—
Cash and cash equivalents	29,887	29,887	—
	<u>61,142</u>	<u>61,142</u>	<u>—</u>
Financial liabilities			
Group			
Trade and other payables	(25,939)	(25,939)	—
Company			
Other payables	(224)	(224)	—
2017			
Financial assets			
Group			
Other investments	1,854	—	1,854
Trade and other receivables, excluding prepayments	48,584	48,584	—
Cash and cash equivalents	124,644	124,644	—
	<u>175,082</u>	<u>173,228</u>	<u>1,854</u>
Company			
Other investments	1,854	—	1,854
Other receivables, excluding prepayments	21,545	21,545	—
Cash and cash equivalents	19,164	19,164	—
	<u>42,563</u>	<u>40,709</u>	<u>1,854</u>
Financial liabilities			
Group			
Trade and other payables	(33,832)	(33,832)	—
Company			
Other payables	(207)	(207)	—

26. Financial instruments (continued)

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) arising on :				
Available-for-sale financial assets				
- reclassified from equity to profit or loss	524	–	524	–
- recognised in other comprehensive income	–	132	–	132
- recognised in profit or loss	97	(20)	97	(20)
	621	112	621	112
Loans and receivables (net)	6,128	(2,837)	826	501
	<u>6,749</u>	<u>(2,725)</u>	<u>1,447</u>	<u>613</u>

26.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments :

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment in debt securities. The Company's exposure to credit risk arises principally from investment in debt securities and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally security deposits are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

26. Financial instruments (continued)

26.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was :

	Group	
	2018 RM'000	2017 RM'000
Thailand	25,093	31,189
Indonesia	75	108
Malaysia	1,118	1,410
Myanmar	2,190	12,503
	<u>28,476</u>	<u>45,210</u>

Impairment losses

The ageing of trade receivables as at the end of the reporting period was :

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
2018				
Not past due	26,326	(79)	—	26,247
Past due 1 - 30 days	2,219	—	—	2,219
Past due 31 - 120 days	10	—	—	10
Past due more than 120 days	158	(158)	—	—
	<u>28,713</u>	<u>(237)</u>	<u>—</u>	<u>28,476</u>
2017				
Not past due	42,567	—	—	42,567
Past due 1 - 30 days	2,603	—	—	2,603
Past due 31 - 120 days	21	—	—	21
Past due more than 120 days	177	(158)	—	19
	<u>45,368</u>	<u>(158)</u>	<u>—</u>	<u>45,210</u>

26. Financial instruments (continued)

26.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were :

	Group	
	2018 RM'000	2017 RM'000
At 1 December	158	139
Impairment loss recognised	84	24
Impairment loss reversed	(2)	—
Effect of movement in exchange rate	(3)	(5)
At 30 November	237	158

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company have only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations except for the impairment loss recognised in respect of quoted unit trusts. The Group and the Company do not have overdue investments that have not been impaired.

The investments and other financial assets are unsecured.

During the year, the Group and the Company disposed off its entire other investments.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM1.22 million (2017 : RM1.17 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

26. Financial instruments (continued)

26.4 Credit risk (continued)

Inter company advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the current advances to the subsidiaries. Nevertheless, these advances are repayable on demand.

26.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments :

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
<i>Non-derivative financial liabilities</i>							
2018							
Trade and other payables	25,939	—	25,939	25,939	—	—	—
2017							
Trade and other payables	33,832	—	33,832	33,832	—	—	—
Company							
<i>Non-derivative financial liabilities</i>							
2018							
Other payables	224	—	224	224	—	—	—
Financial guarantee	—	—	1,224	1,224	—	—	—
	224		1,448	1,448	—	—	—
2017							
Other payables	207	—	207	207	—	—	—
Financial guarantee	—	—	1,174	1,174	—	—	—
	207		1,381	1,381	—	—	—

26. Financial instruments (continued)

26.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

26.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and dividend income that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Brunei Dollar ("BND") and US Dollar ("USD").

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was :

	Denominated in	
	BND RM'000	USD RM'000
Group		
2018		
Trade and other receivable	—	27,286
Cash and cash equivalents	92	7,318
Trade and other payables	—	(34)
Net exposure	92	34,570
2017		
Trade and other receivables	—	43,983
Cash and cash equivalents	—	2,618
Trade and other payables	—	(25)
Net exposure	—	46,576

Currency risk sensitivity analysis

A 10% (2017 : 10%) strengthening of the RM against the following currency at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variances, that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss RM'000
Group	
2018	
USD	(2,537)
BND	(7)
2017	
USD	(3,451)

A 10% (2017 : 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remained constant.

26. Financial instruments (continued)

26.6 Market risk (continued)

26.6.2 Interest rate risk

Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's interest earning financial assets are mainly short term in nature and are mostly placed in short term deposits.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments				
Financial assets				
- short term deposits	137,762	103,860	29,780	18,950
- cash at banks	11,203	19,005	46	163
	<u>148,965</u>	<u>122,865</u>	<u>29,826</u>	<u>19,113</u>

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

26.6.3 Other price risk

Equity price risk arises from the Group's and the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group Executive Directors, as appropriate.

During the year, the Group and the Company disposed of the entire other investments.

26. Financial instruments (continued)

26.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
Group and Company								
2018								
Financial asset								
Quoted unit trusts	—	—	—	—	—	—	—	—
2017								
Financial asset								
Quoted unit trusts	—	1,854	—	—	—	—	1,854	1,854

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017 : no transfer in either directions).

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 59 to 110 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 November 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

.....
Teoh Meng Keat

Director

.....
Teoh Meng Lee

Director

Penang,

Date : 6 March 2019

ZHULIAN CORPORATION BERHAD

(Company No. 415527-P)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration
pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Teoh Meng Keat**, the Director primarily responsible for the financial management of Zhulian Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 110 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Teoh Meng Keat**, NRIC: 670612-07-5613, at Georgetown in the State of Penang on 6 March 2019.

.....
Teoh Meng Keat

Before me :

Goh Suan Bee
(No. P125)
Commissioner for Oaths
Penang

ZHULIAN CORPORATION BERHAD

(Company No. 415527-P)

(Incorporated in Malaysia)

and its subsidiaries

INDEPENDENT AUDITORS' REPORT

to the members of ZHULIAN CORPORATION BERHAD

(Company No. 415527-P)

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zhulian Corporation Berhad, which comprise the statements of financial position as at 30 November 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 110.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 November 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

ZHULIAN CORPORATION BERHAD

(Company No. 415527-P)
(Incorporated in Malaysia)
and its subsidiaries

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Property, plant and equipment ("PPE") - Group and Investment in subsidiaries - Company

Refer to Note 1(d) (*basis of preparation - Use of estimates and judgements*), Note 2(k)(ii) (*significant accounting policies - Impairment of other assets*), Note 3 - Property, plant and equipment, Note 3.1. Impairment loss and Note 5.1. Impairment loss for investment in subsidiaries.

The key audit matter	How the matter was addressed in our audit
<p>There is a risk of impairment on the Group's PPE due to the current business sentiment and weak demand in certain markets where certain subsidiaries made losses during the year. The Group assesses the recoverable amounts of PPE whenever there are indicators of impairment. The same applied to the investment in subsidiaries.</p> <p>The Group estimated the recoverable amounts of the assets concerned either by determining their value in use ("VIU") or fair value less costs to sell ("FVLCTS") in order to determine the amount of impairment loss which should be recognised for the year, if any. There are inherent uncertainties and significant Directors' judgement involved in arriving at the recoverable amounts. The inherent uncertainties, amongst others, include the key assumptions and discount rates used.</p> <p>This is one of the key judgemental areas that we focused in our audit because it required us to exercise significant judgement when evaluating the appropriateness of key assumptions and discount rates applied by the Directors in determining the recoverable amounts.</p>	<p>Our audit procedures, amongst others, include:</p> <p>VIU</p> <ul style="list-style-type: none"> Assessed the Directors' forecasts against actual results and challenged the key assumptions on the revenue growth and gross profit margin by comparing them against historical trends to determine whether they are supportable; Challenged the subsidiaries' future plans and considered the reliability and relevance of data by comparing to the past trends and market outlook for their products; Assessed the appropriateness of the discount rates used by comparing them with our expectations based on our knowledge of the industry in which the subsidiaries operated in; and Performed sensitivity analyses on assumptions that are key to the value-in-use. <p>FVLCTS</p> <ul style="list-style-type: none"> Obtained published prices for similar properties to compare with the Directors' estimation of their fair values and make enquires with the Directors as to the reasons for any significant variation; and Considered the adequacy of disclosures about, in particular, the key assumptions that are highly judgmental and sensitive.

ZHULIAN CORPORATION BERHAD

(Company No. 415527-P)

(Incorporated in Malaysia)

and its subsidiaries

Key Audit Matters (continued)

Investment in an associate - Group	
Refer to Note 2(a)(v)(<i>significant accounting policies - Associates</i>) and Note 6 - investment in an associate.	
The key audit matter	How the matter was addressed in our audit
<p>The Group owns 49% equity interest in Zhulian (Thailand) Ltd. ("ZTH"), an associate incorporated in Thailand. The Group's share of results from this associate for the year ended 30 November 2018 was RM18,279,000 and the carrying amount was RM224,735,000. This associate has contributed approximately 35% and 36% to the Group's profit for the year and total assets respectively which are significant in the context of the consolidated financial statements.</p> <p>Given that this is a foreign investment with contribution to the Group and the associate is audited by another firm of auditor, this is one of the key areas that we focused on in our audit.</p>	<p>Our audit procedures, amongst others, include:</p> <ul style="list-style-type: none"> • Issued instructions to ZTH's auditors to communicate the overall Group's audit strategy and instructed the auditors to perform an audit of the financial information suitable for consolidation purposes; • Obtained the reporting from ZTH's auditors and discussed with the auditors on the matters of significance in their audit which could impact the Group's consolidated financial statements; • Obtained an understanding of the procedures performed by ZTH's auditors on the areas with risk of material misstatement and considered whether the planned procedures were appropriate for the purpose of the audit of the consolidated financial statements; and • Assessed the adequacy of the work performed by ZTH's auditors by inspecting their audit documentation.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

ZHULIAN CORPORATION BERHAD

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Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ZHULIAN CORPORATION BERHAD

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Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

LLP0010081-LCA & AF 0758

Chartered Accountants

Dato' Ooi Kok Seng

Approval Number : 02432/05/2019 J

Chartered Accountant

Date : 6 March 2019

Penang

A decorative graphic consisting of a grid of colored squares. The top row has four squares: light gray, orange, orange, and light gray. The second row has five squares: light gray, dark gray, dark gray, light gray, and light gray. The third row has five squares: light gray, white, light gray, light gray, and light gray. The fourth row has six squares: light gray, orange, light gray, light gray, light gray, and white. The text "OTHER INFORMATION" is centered over the white square in the third row.

OTHER INFORMATION

LIST OF PROPERTIES

Location	Description/ Existing use	(i) Land area (ii) Built-up area (m ²)	Tenure/Age of building	Carrying amount at 30 Nov 2018 (RM'000)	Date of Acquisition
Plot 42, Bayan Lepas Industrial Estate, Phase IV, 11900 Penang.	The property comprises a parcel of industrial land and a 4-storey factory and office	(i) 0.8304 hectares (2.052 acres) (ii) 15,276.90 sq. metres	Leasehold (60 years expiring 2 Feb 2055) / 20 years	15,666	10 Mar 1994
Plot 41, Bayan Lepas Industrial Estate, Phase IV, 11900 Penang.	The property comprises a parcel of industrial land and a 3-storey factory and office	(i) 0.8659 hectares (2.140 acres) (ii) 12,609.72 sq. metres	Leasehold (60 years expiring 30 Dec 2053) / 22 years	19,000	27 Feb 1993
Unit 26-B and 26-C, Jalan Tun Dr Awang, Sungai Nibong Kecil, 11900 Bayan Lepas, Penang.	Two commercial units located on 2 nd and 3 rd floor of a 4½-storey complex	(i) n/a (ii) 100.614 sq. metres on each floor	Freehold / 25 years	279	27 Dec 1994
Lot 2428-2584, 2587-2589, 2592-2593, Keladi, Bandar Kulim, Daerah Kulim. (Formerly known as Geran No.HSM861 to HSM1022 and No. Lot PT5081 to PT5244)	Land ^(a)	(i) 28,918 sq. metres (ii) n/a	Freehold	6,092	13 Mar 1996
Plot 3, Bayan Lepas Free Industrial Zone, Phase IV, 11900 Penang.	5-storey factory building	(i) 4.314 acres (17,458 sq. metres) (ii) 30,098.56 sq. metres	Leasehold (60 years expiring 29 May 2051) / 11 years	40,286	25 July 2005
5, Jalan Masjid, #01-09, Kembangan Court, Singapore 418924.	Residential with commercial at 1 storey only	(i) n/a (ii) 410 sq. metres	Freehold / 23 years	6,243	14 Nov 2006
5, Jalan Masjid, #01-08, Kembangan Court, Singapore 418924.	Residential with commercial at 1 storey only	(i) n/a (ii) 123 sq. metres	Freehold / 23 years	2,271	14 Dec 2006
Lot No. 12414, Mukim 12, Daerah Barat Daya, Negeri Pulau Pinang.	Land	(i) 16,244 sq. metres	Leasehold (60 years expiring 18 Oct 2055)	8,833	29 July 2010

^(a) These properties are currently vacant.

LIST OF PROPERTIES

Location	Description/ Existing use	(i) Land area (ii) Built-up area (m ²)	Tenure/Age of building	Carrying amount at 30 Nov 2018 (RM'000)	Date of Acquisition
Blok C1, Pasirgombang Cikarang Utara Bekasi, Jawa Barat Indonesia.	Land ^(a)	(i) 25,000 sq. metres (ii) n/a	Leasehold (30 years expiring 24 Sept 2027)	2,172	10 Sept 2009
Ruko Sumber Baru Square 1 KAV.Q Jl Ring Road Utara Ngemplak Nganti Sendangadi, Mlati, Sleman Daerah Istimewa Yogyakarta.	3-storey shoplot ^(a)	(i) 222 sq. metres (ii) 236 sq. metres	Leasehold (30 years expiring 20 Apr 2040) / 7 years	388	2 May 2013
Ruko Sumber Baru Square 1 KAV.R Jl Ring Road Utara Ngemplak Nganti Sendangadi, Mlati, Sleman Daerah Istimewa Yogyakarta.	3-storey shoplot ^(a)	(i) 222 sq. metres (ii) 236 sq. metres	Leasehold (30 years expiring 20 Apr 2040) / 7 years	372	2 May 2013
Plot 38, Hilir Sungai Keluang Dua, Phase IV, Bayan Lepas Industrial Park, 11900 Pulau Pinang.	Single-storey factory building	(i) 4,277 sq. metres (ii) 2,004.42 sq. metres	Leasehold (60 years expiring 24 Nov 2053) / 24 years	7,290	6 Dec 2013
Geran 20899, Lot 60060, Mukim Lubuk Kawah, Daerah Besut, Negeri Terengganu.	3-storey shop-office ^(a)	(i) n/a (ii) 369 sq. metres	Freehold / 6 years	738	4 Aug 2014
Geran 20900, Lot 60061, Mukim Lubuk Kawah, Daerah Besut, Negeri Terengganu.	3-storey shop-office ^(a)	(i) n/a (ii) 369 sq. metres	Freehold / 6 years	738	4 Aug 2014
Plot 53, Hilir Sungai Keluang 2, Bayan Lepas Industrial Zone, Phase IV, 11900 Bayan Lepas, Penang.	Double-storey office block with an annexed single-storey factory	(i) 6,064 sq.metres (ii) 3,220 sq.metres	Leasehold (60 years expiring 12 June 2055) / 21 years	13,254	20 Oct 2015

^(a) These properties are currently vacant.

REGIONAL OFFICES, DISTRIBUTION CENTRES & DISTRICT AGENTS

(as at 28 February 2019)

Regional Offices

Country	Company	Address	Tel	Fax
THAILAND	ZHULIAN (THAILAND) LTD. (ZTH)*	88 Moo 9, Bangbuathong - Supanburi Road, Tambol La-Han, Ampure Bangbuathong, Nontaburi 11110, Thailand.	662-9833984	662-9833916 662-9833917 662-9833918
INDONESIA	PT. ZHULIAN INDONESIA	Rukan Mangga Dua Square Blok F No. 23, Jl. Gunung Sahari Raya No. 1, Ancol Pademangan, Jakarta Utara 14420, Indonesia.	021-2607 5757	021-2607 5799
MYANMAR	ZHULIAN ENTERPRISE (MYANMAR) CO., LTD.**	No.(110), Yangon Industrial Zone (No.8) Street Mingalardon Township, Yangon, Myanmar.	951-860 3101	951-860 3186

* Associate

** ZTH's Master Agent but not related to our Group

Distribution Centres

Location	Distribution Centre / Branch	Address	Tel	Fax
KOTA KINABALU (KKR)	ZHULIAN PUSAT KOTA KINABALU	Unit No. 116, Block M, Alamesra Plaza Permai, Jalan Sulaiman, Kuala Menggatal, 88400 Kota Kinabalu, Sabah.	088-484930	088-484920
MIRI (MY)	ZHULIAN PUSAT MIRI	Lot 1447, Block 1 MCLD, Off Jalan Pasar, Lutong, 98000 Miri, Sarawak.	085-654871	085-655934

District Agents

Penang				
Location	Authorised Agent(s)	Address	Tel	Fax
BERTAM (BTA)	MOHD RIDZUAN BIN GHASALI RUHIZA BT ABDULLAH	No.79, Jalan Dagangan 4, Pusat Bandar Bertam Perdana 1, 13200 Kepala Batas, Penang.	04-5783123 04-5783124 019-4779473 019-4529473	04-5783122
JAWI (JAW)	WAN SU BT JAFAR MOHD YUSOF BIN MOHD MUKHTAR MUHAMMAD YUSREENIZAM EIZLAN BIN MOHD YUSOF	No. 34, Taman Jawi Jaya 1, Tingkat 1, Sungai Jawi, 14200 Penang.	04-5829769 016-5239769 016-5249769	04-5823627
BAYAN BARU (BJA)	ARIBAH BINTI MOHAMED	12D-1, Jalan Tun Dr. Awang, 11950 Bayan Lepas, Penang.	04-6370111 012-4083615 017-4037704	04-6370111

Perlis				
Location	Authorised Agent(s)	Address	Tel	Fax
KANGAR (KGA)	LOOI SWEE HOW	No. 69, Jalan Kangar - Alor Setar, Taman Pertiwi, 01000 Kangar, Perlis Indera Kayangan.	04-9777269 016-3303578	04-9777269

District Agents

Kedah				
Location	Authorised Agent(s)	Address	Tel	Fax
SUNGAI PETANI (SPT)	FOO YAU GEEM LOOI KONG YOKE	18, Jalan Cempaka 1/1, Bandar Amanjaya, 08000 Sungai Petani, Kedah Darul Aman.	04-4404899 012-4949300	04-4420618
KULIM (KUB)	KEE AH BA	No. 15, Jalan Kempas 1, Taman Kempas Indah, 09000 Kulim, Kedah Darul Aman.	04-4918466 012-4841960	04-4918466
ALOR SETAR (AST)	UMMI WARDIAH @ WAHIDA BT ABDELLAH	No. 32, Jln Shahab 6, Kompleks Shahab Perdana, Lebuhraya Sultanah Bahiyah, 05350 Alor Setar, Kedah Darul Aman.	04-7346899 013-2645899	04-7346899
GUAR CHEMPEDAK (GCA)	IBRAHIM BIN ISMAIL ROSLINDA BT KAMIS	No. 35, Taman Chempedak Indah, Guar Chempedak, 08800 Gurun, Kedah Darul Aman.	04-4615303 016-4196719	018-6719426
PENDANG (BMC)	SEAH BOON CHIN	No. 130, Rumah Kedai, Jalan Sukamari 06700 Pendang, Kedah Darul Aman.	019-5752219 016-4196720	

Perak				
Location	Authorised Agent(s)	Address	Tel	Fax
IPOH (IPA)	SHARIFAH SALWAH BT MOHD JIPLUS	No. 59A, Jalan Pengkalan Utama 1, Taman Pengkalan Utama, 31650 Ipoh, Perak Darul Ridzuan.	05-3221194 019-5176112	05-3221194
TASEK IPOH (TIP)	WOO KOK WAH KHOR MUI NGEE	No. 4, Laluan Tasek Timur 3, Pusat Perdagangan Tasek Indra, 31400 Ipoh, Perak Darul Ridzuan.	012-5039889 012-5159889	
SITIAWAN (SWN)	LAU SHENG MING WONG YEAK MEI	127, Pusat Perniagaan Sri Manjung, 32040 Bandar Sri Manjung, Sitiawan, Perak Darul Ridzuan.	05-6889828 016-4198899	05-6881899
GERIK (GRA)	SITI A'JAM BT HARUN	Lot 8292, Jln Air Suda Bahagia, Jalan Taman Intan, 33300 Gerik, Perak Darul Ridzuan.	05-7921007 019-4406377	05-7921007
KUALA KANGSAR (KKS)	SURAIYA BT SHAHARUDDIN OTHMAN BIN HJ NOH	No. 7A, Tingkat 1, Persiaran Taiping 1, Jalan Taiping, 33000 Kuala Kangsar, Perak Darul Ridzuan.	05-7775239 016-5209366	05-7776125
BAGAN SERAI (BGS)	RAHAINE BT BASRAN	No. 20, Tingkat 1, Jalan Harmoni, Pusat Bandar, 34300 Bagan Serai, Perak Darul Ridzuan.	05-7217820 012-5126739	05-7217820
TANJUNG MALIM (TJA)	CHE'MAH BT ADAM RAMLAH BT ADAM FATIMAH NOOR BT ZAINAL ABIDIN	No. 18, (Atas), Jalan Wangsa Jaya, Taman Wangsa Jaya, 35900 Tanjung Malim, Perak Darul Ridzuan.	05-4583303 019-4466355	05-4583303
TELUK INTAN (TTB)	ZAKIAH BT YAHYA LAU SHENG MING	No. 8B, Lorong 1, Taman Mewah, 36000 Teluk Intan, Perak Darul Ridzuan.	05-6215952 019-5757336	05-6227453

Wilayah Persekutuan				
Location	Authorised Agent(s)	Address	Tel	Fax
SETAPAK (SPA)	ROSLINA BT SAMAT	No. 10-2, Jalan Rampai Niaga 1, Rampai Business Park, 53300 Wilayah Persekutuan, Kuala Lumpur.	03-41431545 019-3803659	03-41431545
PUTRAJAYA (PTY)	AZMAN BIN IBRAHIM	No. 11A, Ayer@8 Presint 8, 62250 Wilayah Persekutuan, Putrajaya.	03-88936607 012-3132884	03-88936608

District Agents

Selangor				
Location	Authorised Agent(s)	Address	Tel	Fax
SERI KEMBANGAN (BSR)	IR. ANIS BIN MD. SALLEH	No. 3, Jalan Putra Permai 5/8, Putra Permai, 43300 Seri Kembangan, Selangor Darul Ehsan.	03-89582265 012-3352912	03-89592264
KLANG (KLD)	AISHAH BT MOHAMED	No. 15-01-1, Lorong Batu Nilam 1A, Bandar Bukit Tinggi, 41200 Klang, Selangor Darul Ehsan.	03-33180013 019-5735786	03-33237961
SUNGAI BESAR (SGB)	HAMIDIN BIN SAIRI	No. 6, PT 1476, Jalan SBBC 4, Sungai Besar Business Centre, 45300 Selangor Darul Ehsan.	03-32243413 019-5642332 016-5262332	03-32245958
AMPANG (AMG)	DING MOY NGUK	No. 4A & 4B, Pusat Komersial Ara Ampang, Jalan Ampang, 68000 Ampang, Selangor Darul Ehsan.	03-92012668 012-3938112	03-92012668
SHAH ALAM (SAC)	SALINA BT SELAMAT SHAIDA NAFISHA BT AZIZAN	No. 9, Jalan Tukul N15/N, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan.	03-55235505 03-55238722 019-3338848	03-55107841
BANTING (BNA)	AZMI BIN ABDUL MANAF	B-30-1, Tingkat 1, Jalan Bunga Pekan 9, Pusat Perniagaan Banting Uptown, 42700 Banting, Selangor Darul Ehsan.	03-31812253 013-3951552 019-2743953	03-31812253
PETALING JAYA (PJU)	RAMLAH BT ABU BAKAR	No. 11 & 13, Jalan PJU 5/9, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.	03-61408134 03-61408135	03-61408154
KAJANG (KJA)	TEOH SENG LOCK CHONG KIOOK HEONG	C-12A-GB, Jalan Prima Saujana 2/B, Seksyen 2, Taman Prima Saujana, 43000 Kajang, Selangor Darul Ehsan.	03-87379878 012-2169878 012-3229878	03-87396248
RAWANG (RWC)	MOHD BIN ABAS	No. 83, Jalan Bandar Rawang 2, Pusat Bandar Rawang, 48000 Selangor Darul Ehsan.	03-60910085 012-3197059	03-60910085
KUALA SELANGOR (KSA)	SANIAH BT SAYUTI ANIZAH BT SYED ALWEE	21, Jalan Raja Lumu, Bandar Kuala Selangor, 45000 Kuala Selangor, Selangor Darul Ehsan.	03-32896036 019-7285626	03-32896027
BANDAR BARU BANGI (BGB)	AZMAH BT YAHAYA	2-1-1, Jalan Medan Pusat Bandar 4A, Pusat Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.	03-89201594 012-3668474	03-89222214

Negeri Sembilan				
Location	Authorised Agent(s)	Address	Tel	Fax
BAHAU (BHA)	ZARINA BT ZAINUDIN	No. 15, Tingkat 1, Jalan Mahligai, 72100 Bahau, Negeri Sembilan.	06-4540562 012-2083660	06-4540562
SENAWANG (NLB)	SITI NORBAYA BT ABD. KADIR	No. 222 Tingkat 1, Jalan Lavender Height 2, Senawang, 70450 Seremban, Negeri Sembilan.	06-6751087 019-2246271	06-6751087

District Agents

Melaka				
Location	Authorised Agent(s)	Address	Tel	Fax
AYER KEROH (AKY)	ZAIDAH BT YET	No. 152, 152-1, Jalan TU 2, Taman Tasik Utama, Ayer Keroh, 75450 Melaka.	06-2322887 012-6117495	06-2320326 016-5207128
MASJID TANAH (MJT)	GAN CHIN KEONG	MT 1408, Pusat Perdagangan Masjid Tanah, 78300 Masjid Tanah, Melaka.	06-3848128 016-5207128	06-3848127
BATU BERENDAM (BBM)	DR. ROSNANI BT SABTU SITI AMALINA BT YAZID	No. 17, Jalan Mutiara Melaka 5, Taman Mutiara Melaka, 75350 Batu Berendam, Melaka.	06-3178607 012-6239447 011-12863819	06-3178609
JASIN (JAS)	ROсна BT IBRAHIM	JB 8796, Jalan BH1, Taman Bemban Heights, Fasa 1, Bemban, 77200 Jasin, Melaka.	06-5341222 012-6353752	06-5341212

Johor				
Location	Authorised Agent(s)	Address	Tel	Fax
BATU PAHAT (BPH)	TAN TIONG WI @ TAN TIONG HUI LIM CHWEE CHOO TAN CHIAT MING	No. 16, Jalan Rotan Cucur, Taman Sri Jaya, 83000 Batu Pahat, Johor Darul Takzim.	07-4334331 07-4337331 012-7079385	07-4338331
JOHOR BAHRU (JHA)	AZAHARI BIN BAHARUM	No. 12, Jalan Suria 19, Taman Suria, 81100 Johor Bahru, Johor Darul Takzim.	07-3322020 07-3340958 019-7252257 019-7252262	07-3323020
KLUANG (KLG)	LIM KOR	No. 21A, Tingkat Bawah, Jalan Sultanah, 86000 Kluang, Johor Darul Takzim.	07-7712829 012-7878899	07-7712829
KOTA TINGGI (KTI)	CHIA CHENG MING	No. 3-G, Jalan Abdullah, 81900 Kota Tinggi, Johor Darul Takzim.	07-8834933 019-7765799	07-8834933
MUAR (TKA)	SIMON TEW KAM HOCK	No. 37, Jalan Pesta 1-2, Taman Tun Dr Ismail-1, 84000 Muar, Johor Darul Takzim.	06-9547996 012-6237996 012-6287996	06-9547996
KULAI (JAH)	PUA YEE LING	No. 4960, Jalan Merbau 2, Bandar Putra Kulai, 81000 Johor Darul Takzim.	07-5908899 013-7098899	07-5908899
SKUDAI (SKA)	JAMALIAH BT ESA JAMILAH BT MOHAMMAD	No. 22, Jalan Pendidikan 3, Taman Universiti, 81300 Skudai, Johor Darul Takzim.	07-5626907 019-7788848	07-5204021
SEGAMAT (SMT)	NGOI MEE CHIN TAN KIAN SAI	No. 1, Jalan Nagasari 14, Bandar Segamat Baru, 85000 Segamat, Johor Darul Takzim.	07-9437008 019-7587289	07-9437168

Kelantan				
Location	Authorised Agent(s)	Address	Tel	Fax
PASIR TUMBOH (PSA)	WAN YAHYA @ WAN AHMAD BIN WAN IDRIS LONG HABSAH BT ISMAIL	PT 904, Desa Darul Naim, Pasir Tumboh, 16150 Kota Bharu, Kelantan Darul Naim.	09-7656588 013-9805020 016-9236937	09-7647588
TANAH MERAH (TMA)	CHE RUHANA BT CHE MOHD AMIN RASDI BIN MAMAT	PT 4953 Taman Kota Harmoni, Jalan Chempaka Merah, 17500 Tanah Merah, Kelantan Darul Naim.	09-9550461 019-9390173	09-9550461

District Agents

Kelantan				
Location	Authorised Agent(s)	Address	Tel	Fax
KOTA BHARU (KBB)	HAMIAH BT WAN OMAR CHE SUHAIMI BIN CHE HAMID	Lot 223, Tingkat Bawah Sek.24, Jalan Sultan Yahya Petra, 15200 Kota Bharu, Kelantan Darul Naim.	09-7486866 017-9812102	09-7487866
PASIR MAS (PMC)	FUDZIAH BT A. HALIM	PT9644, Wisma Nawar, 17070 Lubok Jong, Pasir Mas, Kelantan Darul Naim.	09-7916095 016-9257029	09-7916095

Terengganu				
Location	Authorised Agent(s)	Address	Tel	Fax
KUALA TERENGGANU (KTR)	AS'ARI BIN OMAR	No. 51B, 1st Floor, Jalan Tok Lam, 20100 Kuala Terengganu, Terengganu Darul Iman.	09-6311868 013-9305776	09-6311868
SETIU (STA)	NOR IRDAWANI BT CHE RAZALI	Lot 7308, Bangunan PMINT, Kampung Guntong Luar, Bandar Permaisuri, Guntong, 22100 Setiu, Terengganu Darul Iman.	09-6097076 013-9997107	09-6097076
JERTEH (JAG)	SITI HAJAR BT ABDUL RAHIM NATASHA ADILLA BT MOHD NIZAM	Lot 5068, Tingkat Bawah, Tepi Hospital Besut, Jalan Pasir Akar, 22000 Jerteh, Terengganu Darul Iman.	09-6974848 013-8818848	09-6979858 09-6974848

Pahang				
Location	Authorised Agent(s)	Address	Tel	Fax
KUANTAN (MSB)	VICTOR KEOW WUN LIONG CHONG CHIU HIONG	No. 94B, Jalan Wong Ah Jang, 25100 Kuantan, Pahang Darul Makmur.	09-5094833 019-9159967	

Sarawak				
Location	Authorised Agent(s)	Address	Tel	Fax
TABUAN STUTONG (TSA)	DAVID LAM TAH WI NAH KHENG ANG	1st Floor, Lot 153, Jalan Haji Taha, 93400 Kuching, Sarawak.	082-232022 017-2200022	082-236022

Sabah				
Location	Authorised Agent(s)	Address	Tel	Fax
TAWAU (TWB)	ARMINOH BT JAPAR	TB 15030 Ground Floor, Blok F5, Bandar Sri Indah, Mile 10, Jalan Apas, 91000 Tawau, Sabah.	089-759768 019-8134269	089-759768
SANDAKAN (SDB)	SALASIAH BT MASBAKUN AZMINUDDIN BIN MOHD ISA	No. 1-46, Shopping Arcade Tyng Garden, Mile 6, 90000 Sandakan, Sabah.	089-668848 013-8562882	089-669848

ANALYSIS OF SHAREHOLDINGS as at 15 February 2019

TOTAL NUMBER OF ISSUED SHARES	:	460,000,000
CLASS OF SHARE	:	Ordinary shares
VOTING RIGHT	:	One vote for every ordinary share held

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS

No. of Holders	Size of Holdings	Total Holdings	%
248	less than 100 shares	9,918	0.00
697	100 to 1,000 shares	505,722	0.11
2,773	1,001 to 10,000 shares	12,690,714	2.76
993	10,001 to 100,000 shares	28,857,354	6.27
110	100,001 to less than 5% of issued shares	102,349,957	22.25
4	5% and above of issued shares	315,586,335	68.61
4,825		460,000,000	100.00

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

No. Name	Direct Interest		Deemed interest	
	No. of Shares	%	No. of Shares	%
1 Haji Wan Mansoor Bin Wan Omar	13,333	0.00	—	—
2 Teoh Meng Keat	26,869,600	5.84	2,666,666 ^(a)	0.58
3 Teoh Meng Lee	6,375,999	1.39	—	—
4 Teoh Meng Soon	6,306,666	1.37	—	—
5 Tan Lip Gay	20,000	0.00	—	—
6 Diong Chin Teck @ Tiong Chin Sang	33,333	0.01	—	—
7 Oon Hock Chye	—	—	—	—

Notes: -

(a) Shares held in the name of the spouse and are treated as interest of the Director in accordance with Section 59(1)(c) of the Companies Act 2016.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

No. Name	Direct Interest		Deemed interest	
	No. of Shares	%	No. of Shares	%
1 Teoh Beng Seng	47,900,280 ^(a)	10.41	240,816,455 ^(b)	52.35
2 Teoh Meng Keat	26,869,600	5.84	—	—
3 The Best Source Holdings Pte. Ltd.	79,769,789 ^(c)	17.34	—	—
4 Zhulian Holdings Sdn. Bhd.	161,046,666	35.01	—	—

Notes: -

(a) Beneficial interest held via DB (Malaysia) Nominee (Tempatan) Sendirian Berhad exempt an for Bank of Singapore Limited.

(b) Deemed interest via Zhulian Holdings Sdn. Bhd. and The Best Source Holdings Pte. Ltd. pursuant to Section 8(4) of the Companies Act 2016.

(c) Beneficial interest held via DB (Malaysia) Nominee (Asing) Sdn. Bhd. exempt an for Bank of Singapore Limited.

THIRTY LARGEST SHAREHOLDERS as at 15 February 2019

No.	Name	Holdings	%
1	Zhulian Holdings Sdn. Bhd.	161,046,666	35.01
2	DB (Malaysia) Nominee (Asing) Sdn Bhd exempt an for Bank of Singapore Limited	79,769,789	17.34
3	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad exempt an for Bank of Singapore Limited	47,900,280	10.41
4	Teoh Meng Keat	26,869,600	5.84
5	Chong Siew Kam	20,000,000	4.35
6	Urusharta Jamaah Sdn. Bhd.	17,948,700	3.90
7	Teoh Meng Lee	5,666,666	1.23
8	Teoh Meng Soon	5,666,666	1.23
9	Teoh Beng Chye	5,262,533	1.14
10	Yayasan Terengganu	2,679,478	0.58
11	Khoo Lay Boon	2,666,666	0.58
12	Citigroup Nominees (Asing) Sdn Bhd exempt an for Citibank New York (Norges Bank 9)	2,366,300	0.51
13	Yeap Chin Loon	2,164,800	0.47
14	Teoh Siew Choo	1,700,000	0.37
15	Teoh Siew Hong	1,666,669	0.36
16	Koo Guat Ean	1,652,353	0.36
17	Mohd Munir Bin Abdul Majid	1,504,666	0.33
18	Ng Gaik Hua	1,400,000	0.30
19	Khoo Ah Siew	1,224,000	0.27
20	Yeap Mong Sie	1,041,500	0.23
21	Sin Poh Seah	1,033,033	0.22
22	Perbadanan Kemajuan Negeri Kedah	1,007,593	0.22
23	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Yock Chem @ Lee York Soo (E-PKG)	889,200	0.19
24	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Hwee Loong (SECT 17 PJ-CL)	826,000	0.18
25	Golden Fresh Sdn Bhd	800,000	0.17
26	Kueh Bak Poh	742,600	0.16
27	Yeap Hooi Hooi	720,000	0.16
28	Teoh Meng Lee	709,333	0.15
29	Soon Bee Ai	680,000	0.15
30	Teoh Meng Soon	640,000	0.14
		398,245,091	86.55

ZHULIAN CORPORATION BERHAD (415527-P)
(Incorporated in Malaysia)

NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting ("AGM") of ZHULIAN CORPORATION BERHAD ("the Company") will be held at Ballroom 1, Level 2, G Hotel, 168A, Persiaran Gurney, 10250 Georgetown, Penang on Wednesday, 8 May 2019 at 2.30 p.m. for the following purposes: -

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 November 2018 and Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retire in accordance with Article 94 of the Company's Articles of Association (Constitution), and who, being eligible, offered themselves for re-election:
 - a) Haji Wan Mansoor Bin Wan Omar Resolution 1
 - b) Teoh Meng Lee Resolution 2
3. To re-elect Oon Hock Chye, the Independent Non-Executive Director who retire in accordance with Article 101 of the Company's Articles of Association (Constitution), and who, being eligible, offered himself for re-election. Resolution 3
4. To approve the payment of Directors' fees and benefits payable up to an aggregate amount of RM196,000 for the financial year ending 30 November 2019. Resolution 4
5. To re-appoint Messrs KPMG PLT, the retiring Auditors, as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 5

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016** Resolution 6
 "THAT subject always to the Companies Act 2016 ("the Act"), the Articles of Association (Constitution) of the Company and the approvals of any relevant governmental/regulatory authorities, the Directors be and are hereby empowered pursuant to Section 76 of the Act, to allot and issue shares in the capital of the Company at any time until the conclusion of the next AGM and to such person or persons, upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed ten (10) per centum of the issued share capital of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued."
7. **RETENTION OF INDEPENDENT NON-EXECUTIVE CHAIRMAN** Resolution 7
 "THAT, subject to the passing of the Ordinary Resolution 1, Haji Wan Mansoor Bin Wan Omar be retained as Independent Non-Executive Chairman of the Company."
8. **RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR** Resolution 8
 "THAT Tan Lip Gay be retained as Independent Non-Executive Director of the Company."
9. **RETENTION OF SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR** Resolution 9
 "THAT Diong Chin Teck be retained as Senior Independent Non-Executive Director of the Company."

To consider and if thought fit, to pass the following as a Special Resolution with or without modifications:

10. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY** Resolution 10
 "THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Circular to Shareholders dated 29 March 2019 be and is hereby adopted as the Company's Constitution AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effects to the foregoing."

11. To transact any other ordinary business for which due notice has been given.

NOTICE IS HEREBY GIVEN that for purpose of determining a member who shall be entitled to attend this Twenty-Second AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 30 April 2019. Only a depositor whose name appears on the Record of Depositors as at 30 April 2019 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

By Order of the Board

Ch'ng Lay Hoon (MAICSA 0818580)
Company Secretary
Penang, 29 March 2019

ZHULIAN CORPORATION BERHAD (415527-P)
NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING (continued)

Notes:

1. Proxy

- 1.1 A member entitled to attend, speak and vote at the AGM is entitled to appoint proxy(ies) to attend, participate, speak and vote in his stead.
- 1.2 (a) Where a member is an authorised nominee ("AN") as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), the AN may appoint proxy(ies) in respect of each securities account it holds which is credited with ordinary shares of the Company.
 (b) Where a member of the Company is an exempt authorised nominee ("EAN") as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), the EAN may appoint proxy(ies) in respect of each omnibus account it holds.
- 1.3 Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- 1.4 The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, under its common seal or in such other manner approved by its directors. Any alteration to the instrument appointing a proxy must be initialed.
- 1.5 The instrument appointing a proxy must be deposited at the Company's registered office at Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof.
- 1.6 Pursuant to Paragraph 8.29A of the Bursa Securities Main Market Listing Requirements, all resolutions set out in the Notice of Twenty-Second AGM will be put to vote on a poll.

2. Audited Financial Statements for financial year ended 30 November 2018

The audited financial statements are laid in accordance with Section 340(1)(a) of the Act for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

**3. Explanatory Notes:
 On Ordinary Business**

Under the proposed Ordinary Resolution 4, the Directors' fees and benefits payable to the Directors have been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the Directors' fees and benefits payable is in the best interest of the Company. The benefits comprised solely of meeting allowance. In determining the estimated total amount of Directors' fees and benefits the Board considered various factors including the number of scheduled meetings as well as the number of Directors involved in these meetings.

On Special Business

The proposed Ordinary Resolution 6, if passed, will give a renewed mandate to the Directors of the Company, from the date of above AGM, authority to issue and allot shares in the Company up to and not exceeding in total ten (10) per centum of the issued share capital of the Company for the time being, for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors of the Company at the Twenty-First AGM held on 25 April 2018. The renewal of the general mandate is to provide flexibility to the Company for any possible fund raising activities, including but not limiting to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

At this juncture, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is obtained, the Company would make an announcement in respect of the purpose and utilisation of the proceeds arising from such issue.

The proposed Ordinary Resolution 7, if approved, will allow Haji Wan Mansoor bin Wan Omar to be retained as Independent Non-Executive Chairman of the Company. The Board of Directors, had, via its Nominating Committee, conducted an annual performance evaluation and assessment of Haji Wan Mansoor bin Wan Omar, who will serve as Independent Non-Executive Chairman of the Company for a cumulative term of more than twelve (12) years and recommend him to continue to act as Independent Non-Executive Chairman of the Company based on the justifications as set out in Corporate Governance Overview in the Annual Report 2018.

ZHULIAN CORPORATION BERHAD (415527-P)
NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING (continued)

The proposed Ordinary Resolution 8, if approved, will allow Tan Lip Gay to be retained as Independent Non-Executive Director of the Company. The Board of Directors, had, via its Nominating Committee, conducted an annual performance evaluation and assessment of Tan Lip Gay, who will serve as Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years and recommend him to continue to act as Independent Non-Executive Director of the Company based on the justifications as set out in Corporate Governance Overview in the Annual Report 2018.

The proposed Ordinary Resolution 9, if approved, will allow Diong Chin Teck to be retained as Senior Independent Non-Executive Director of the Company. The Board of Directors, had, via its Nominating Committee, conducted an annual performance evaluation and assessment of Diong Chin Teck, who will serve as Senior Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years and recommend him to continue to act as Senior Independent Non-Executive Director of the Company based on the justifications as set out in Corporate Governance Overview in the Annual Report 2018.

Special Resolution 10: Proposed Adoption of New Constitution of the Company

The proposed adoption of new Constitution of the Company are mainly for the following purposes: -

- (a) To provide clarity and consistency with the amendments that arise from the Act effective 31 January 2017; and
- (b) To ensure compliance with the amended Bursa Securities' Main Market Listing Requirements which was issued on 29 November 2017.

In view of the substantial amount of proposed amendments to the Constitution, the Board proposed that the existing Constitution be revoked in its entirety by the replacement thereof with the Proposed New Constitution as set out in Appendix I of the Circular to Shareholders dated 29 March 2019. Thus, the shareholders' approval is sought by the Company to revoke the existing Constitution by the replacement thereof with the proposed new Constitution as per Appendix I of the Circular to Shareholders dated 29 March 2019 in accordance with Section 36(1) of the Act. The Appendix I on the Proposed New Constitution of the Company, which is circulated together with the Notice of Twenty-Second AGM dated 29 March 2019, shall take effect once the proposed Special Resolution 10 has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or proxy at the Twenty-Second AGM.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of Bursa Securities

No individual is standing for election as a Director at the forthcoming Twenty-Second AGM of the Company.

The proposed Ordinary Resolution 6 for the general mandate for issue of securities is a renewal mandate. As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors of the Company at last AGM held on 25 April 2018.

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CDS ACCOUNT NO.	NO. OF SHARES HELD

PROXY FORM

I / We,
(Full name of a member in BLOCK LETTERS as per Identity Card("MYKAD")/Passport/Certificate of Incorporation)

MYKAD / Passport No. / Company No. of

(Address in full)

telephone no., being a member of ZHULIAN CORPORATION BERHAD ("the Company") hereby appoint

(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD / Passport No. of

(Address in full)

And/or failing him
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD / Passport No. of

(Address in full)

or failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the 22nd Annual General Meeting of the Company, to be held at **Ballroom 1, Level 2, G Hotel, 168A, Persiaran Gurney, 10250 Georgetown, Penang on Wednesday, 8 May 2019 at 2.30 p.m.** and at any adjournment thereof in the manner as indicated below:

Resolutions	For	Against
1. Re-election of Haji Wan Mansoor Bin Wan Omar as Director		
2. Re-election of Teoh Meng Lee as Director		
3. Re-election of Oon Hock Chye as Director		
4. Approval of Directors' Fees & Other Benefits for the financial year ending 30 November 2019		
5. Re-appointment of Auditors		
6. Approval to issue and allot shares pursuant to Section 76 of the Companies Act 2016		
7. Retention of Haji Wan Mansoor Bin Wan Omar as Independent Non-Executive Chairman of the Company		
8. Retention of Tan Lip Gay as Independent Non-Executive Director of the Company		
9. Retention of Diong Chin Teck as Senior Independent Non-Executive Director of the Company		
10. Adoption of a New Constitution		

(Please indicate with "X" in the spaces on how you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain from voting at his discretion.)

Dated this day of 20

The proportions of my/our holding to be represented by my/our proxies are as follows: -

	No. of Shares	Percentage
First Proxy		
Second Proxy		
Total		100%

.....
Signature(s)/Common Seal of Member(s)

Notes:

1. A member entitled to attend, speak and vote at the AGM is entitled to appoint proxy(ies) to attend, participate, speak and vote in his stead.
2. Where a member is an authorised nominee ("AN") as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), the AN may appoint proxy(ies) in respect of each securities account it holds which is credited with ordinary shares of the Company.
3. Where a member of the Company is an exempt authorised nominee ("EAN") as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), the EAN may appoint proxy(ies) in respect of each omnibus account it holds.
4. Where a member appoints more than one (1) Proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, under its common seal or in such other manner approved by its directors. Any alteration to the instrument appointing a proxy must be initialed.
6. The instrument appointing a proxy must be deposited at the Company's registered office at Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof.
7. For the purpose of determining a member who shall be entitled to attend this 22nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 30 April 2019. Only a depositor whose name appears on the Record of Depositors as at 30 April 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Personal Data Privacy:

By submitting the duly executed proxy form, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM of the Company and any adjournment thereof.

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(STAMP)

TO,
The Company Secretary
ZHULIAN CORPORATION BERHAD (415527-P)
Suite 12-A, Level 12, Menara Northam
No. 55, Jalan Sultan Ahmad Shah
10050 Georgetown, Penang

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Fold this flap for sealing

ZHULIAN CORPORATION BERHAD (415527-P)

Plot 42, Bayan Lepas Industrial Estate, Phase IV, 11900 Bayan Lepas, Penang, Malaysia.
Tel: 604-616 2020 Fax: 604-642 5989 Website: www.zhulian.com