

ZHULIAN CORPORATION BERHAD (415527-P)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2016**

	As at end of Current Quarter 31.08.2016 RM'000 (Unaudited)	As at Preceding Financial Year End 30.11.2015 RM'000 (Audited)
Assets		
Property, plant and equipment	158,588	151,248
Investment properties	15,768	15,955
Investment in an associate	184,030	181,796
Other investments-available for sale financial assets	1,626	1,563
Deferred tax assets	711	953
Total non-current assets	<u>360,723</u>	<u>351,515</u>
Inventories	57,510	66,204
Receivables, deposits and prepayments	34,352	61,327
Current tax assets	5,055	4,300
Cash and cash equivalents	106,883	86,671
Total current assets	<u>203,800</u>	<u>218,502</u>
Total assets	<u><u>564,523</u></u>	<u><u>570,017</u></u>
Equity		
Share capital	230,000	230,000
Reserves	296,038	299,067
Total equity attributable to owners of the Company	<u>526,038</u>	<u>529,067</u>
Non-controlling interests	<u>26</u>	<u>26</u>
Total equity	<u><u>526,064</u></u>	<u><u>529,093</u></u>
Liabilities		
Employee benefit	95	226
Deferred tax liabilities	1,008	2,316
Total non-current liabilities	<u>1,103</u>	<u>2,542</u>
Payables and accruals	35,375	33,263
Current tax liabilities	1,981	5,119
Total current liabilities	<u>37,356</u>	<u>38,382</u>
Total liabilities	<u>38,459</u>	<u>40,924</u>
Total equity and liabilities	<u><u>564,523</u></u>	<u><u>570,017</u></u>
Net assets per share (sen)	114.36	115.02

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 AUGUST 2016**

	Individual Quarter	Preceding	Cumulative Quarters	Preceding
	Current	Year	Current	Year
	Year	Quarter	To Date	To Date
	31.08.2016	31.08.2015	31.08.2016	31.08.2015
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	44,010	50,665	139,392	161,153
Results from operating activities	4,801	15,959	18,227	36,334
Share of profit of equity accounted investee, net of tax	2,999	4,951	11,698	16,473
Profit before tax	7,800	20,910	29,925	52,807
Income tax expense	(1,686)	(4,049)	(8,792)	(12,293)
Profit for the period	6,114	16,861	21,133	40,514
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(530)	(1,236)	794	(1,453)
Fair value of available-for-sale financial assets	93	(935)	55	(536)
Share of other comprehensive (expense) / income of equity accounted investee, net of tax	2,852	3,449	(4,311)	8,145
Other comprehensive (expenses) / income for the period, net of tax	2,415	1,278	(3,462)	6,156
Total comprehensive income for the period	8,529	18,139	17,671	46,670
Profit attributable to:				
Owners of the Company	6,114	16,861	21,133	40,514
Non-controlling interests	-	-	-	-
Profit for the period	6,114	16,861	21,133	40,514
Total comprehensive income attributable to:				
Owners of the Company	8,529	18,139	17,671	46,670
Non-controlling interests	-	-	-	-
Total comprehensive income for the period	8,529	18,139	17,671	46,670
<i>Weighted average number of shares in issue ('000)</i>	460,000	460,000	460,000	460,000
Basic earnings per share (sen)	1.33	3.67	4.59	8.81

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 AUGUST 2016**

Individual Quarter		Cumulative Quarters	
Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
31.08.2016	31.08.2015	31.08.2016	31.08.2015
RM'000	RM'000	RM'000	RM'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

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

Interest income	(769)	(700)	(2,154)	(2,460)
Other income including investment income	-	-	-	-
Interest expense	-	-	-	-
Depreciation and amortisation	3,120	2,830	9,205	8,351
(Reversal of) / Provision for and write off of receivables	-	-	(1)	(1)
Provision / (Reversal of) for and write off of inventories	802	(254)	1,123	48
(Gain) / Loss on disposal of quoted / unquoted investments	-	(762)	-	(762)
(Gain) / Loss on disposal of properties	-	-	-	-
Impairment of assets	-	-	-	-
Foreign exchange (gain) or loss	(1,426)	(7,459)	7,015	(10,683)
(Gain) or Loss on derivatives	-	-	-	-

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 AUGUST 2016**

	Share Capital RM'000	Non- distributable Translation Reserve RM'000	Non- distributable Fair Value Reserve RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
At 1 December 2014	230,000	1,503	746	250,966	483,215	26	483,241
Foreign currency translation differences for foreign operations	-	(1,453)	-	-	(1,453)	-	(1,453)
Fair value of available-for-sale financial assets	-	-	(536)	-	(536)	-	(536)
Share of other comprehensive income of equity accounted investee, net of tax	-	8,145	-	-	8,145	-	8,145
Total other comprehensive income for the period	-	6,692	(536)	-	6,156	-	6,156
Profit for the period	-	-	-	40,514	40,514	-	40,514
Total comprehensive income for the period	-	6,692	(536)	40,514	46,670	-	46,670
Dividends to owners of the Company	-	-	-	(23,000)	(23,000)	-	(23,000)
At 31 AUGUST 2015	<u>230,000</u>	<u>8,195</u>	<u>210</u>	<u>268,480</u>	<u>506,885</u>	<u>26</u>	<u>506,911</u>
	Share Capital RM'000	Non- distributable Translation Reserve RM'000	Non- distributable Fair Value Reserve RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
At 1 December 2015	230,000	24,759	252	274,056	529,067	26	529,093
Foreign currency translation differences for foreign operations	-	794	-	-	794	-	794
Fair value of available-for-sale financial assets	-	-	55	-	55	-	55
Share of other comprehensive income of equity accounted investee, net of tax	-	(4,311)	-	-	(4,311)	-	(4,311)
Total other comprehensive income for the period	-	(3,517)	55	-	(3,462)	-	(3,462)
Profit for the period	-	-	-	21,133	21,133	-	21,133
Total comprehensive income for the period	-	(3,517)	55	21,133	17,671	-	17,671
Dividends to owners of the Company	-	-	-	(20,700)	(20,700)	-	(20,700)
At 31 AUGUST 2016	<u>230,000</u>	<u>21,242</u>	<u>307</u>	<u>274,489</u>	<u>526,038</u>	<u>26</u>	<u>526,064</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 AUGUST 2016**

	Current Year To Date 31.08.2016 RM'000 (Unaudited)	Preceding Year To Date 31.08.2015 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	29,925	52,807
Adjustments for		
Non-cash items	(2,954)	(9,589)
Non-operating items	(2,154)	(2,460)
Operating profit before working capital changes	<u>24,817</u>	<u>40,758</u>
Changes in working capital	31,979	(11,124)
Cash generated from operating activities	<u>56,796</u>	<u>29,634</u>
Tax paid	(13,168)	(7,772)
Dividends received from associate	5,248	9,837
<i>Net cash from operating activities</i>	<u>48,876</u>	<u>31,699</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other investments	(8)	(409)
Proceeds from disposal of other investments	-	5,689
Capital expenditure	(16,930)	(18,848)
Interest received	2,154	2,460
<i>Net cash used in investing activities</i>	(14,784)	(11,108)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid to owners of the Company	(13,800)	(23,000)
<i>Net cash used in financing activity</i>	(13,800)	(23,000)
Net increase / (decrease) in cash and cash equivalents	<u>20,292</u>	<u>(2,409)</u>
Cash and cash equivalents at 1 December	86,671	92,369
Effects of exchange rates on cash and cash equivalents	(80)	132
Cash and cash equivalents at 31 AUGUST (Note 1)	<u><u>106,883</u></u>	<u><u>90,092</u></u>
NOTE 1:		
Cash and cash equivalents consist of :-		
	RM'000	RM'000
Short term deposits with licensed banks	89,080	71,562
Cash and bank balances	17,803	18,530
Total cash and cash equivalents	<u><u>106,883</u></u>	<u><u>90,092</u></u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2016

1. **Basis of Preparation**

These condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

2. **Auditors’ Qualification**

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

3. **Seasonal or Cyclical Factors**

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

4. **Exceptional Items**

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

5. **Changes in Estimates**

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

6. **Debt and Equity Securities**

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

7. **Dividends Paid**

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

- i) A fourth interim single tier dividend of 1.5 sen per ordinary share of RM0.50 each, totalling RM6,900,000 in respect of financial year ended 30 Nov 2015 on 16 March 2016. The total dividend paid by the Company for the year ended 30 November 2015 was 6 sen per ordinary share of RM 0.50 each;
- ii) A first interim single tier dividend of 1.5 sen per ordinary share of RM0.50 each, totalling RM6,900,000 in respect of financial year ending 30 November 2016 on 3 June 2016; and
- iii) A second interim single tier dividend of 1.5 sen per ordinary share of RM0.50 each, totalling RM6,900,000 in respect of financial year ending 30 November 2016 on 9 September 2016.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2016 (cont'd)**

8. Segment Revenue and Results

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

9. Revaluation of Property, Plant and Equipment

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

10. Material Post Balance Sheet Events

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

11. Changes in Group's Composition

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

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

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

13. Review of Group's Performance

The Group's revenue for the period under review of RM139.392 million was lower by RM21.761 million, as compared to the revenue in last year corresponding period of RM161.153 million. The decrease in revenue was mainly due to drop in both local and overseas market demands.

The Group's profit before tax was RM29.925million, with a drop of RM22.882 million as compared to last year's corresponding period of RM52.807 million, which was in line with the drop in revenue and share of profit from the associate. The drop in profit before tax was also due to increase in the foreign exchange loss during the period, as compared to last financial period.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2016 (cont'd)****14. Material Change in Profit Before Taxation reported on as compared with the immediate preceding quarter**

The revenue for the current quarter under review of RM44.010 million was slightly lower than the immediate preceding quarter's revenue of RM47.218 million. This was mainly due to drop in export sales.

The current quarter's profit before tax of RM7.800 million was lower as compared to the immediate preceding quarter's profit before tax of RM11.158 million, following the drop in revenue.

15. Current year prospects

We are of the view that the market condition for Year 2016 is expected to stay challenging due to the soft local market demand and current market sentiment. We also expect 2016 sales will be mainly driven by the export sales.

Despite the current challenging market, the Group will continue to take prudent measure in evaluating various opportunities to ensure that our business continues to improve the effectiveness of R&D in developing various premium products and venture into the new business opportunities in various markets.

Barring unforeseen circumstances, the Board of Directors remains cautiously optimistic that the Group should be able to sustain its performance in 2016.

16. Variance of Actual Profit from Forecast Profit

Not applicable.

17. Taxation

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.08.2016 RM'000 (Unaudited)	Preceding Year Quarter 31.08.2015 RM'000 (Unaudited)	Current Year To date 31.08.2016 RM'000 (Unaudited)	Preceding Year To date 31.08.2015 RM'000 (Unaudited)
-Current Year	1,764	4,046	8,896	12,288
-Prior Year	<u>(78)</u>	<u>3</u>	<u>(104)</u>	<u>5</u>
Total	<u>1,686</u>	<u>4,049</u>	<u>8,792</u>	<u>12,293</u>

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

18. Status of Corporate Proposals

There was no corporate proposal being announced during the period.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2016 (cont'd)****19. Group Borrowings**

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

20. Off Balance Sheet Financial Instruments

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

21. Dividend Declared

A third interim single tier dividend of 1.5 sen per ordinary share of RM0.50 each, totalling RM6,900,000 in respect of financial year ending 30 November 2016 have been declared on 12 October 2016, based on the share capital of 460,000,000 ordinary shares.

In respect of deposited securities, entitlements to the interim dividend will be determined based on shareholders registered in the record of depositors as at 3 November 2016. The payment date is 25 November 2016.

22. Capital Commitment

As at 31 August 2016, there were capital commitments of RM 0.535 million.

23. Basic Earnings per Share

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

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.08.2016 RM'000 (Unaudited)	Preceding Year Quarter 31.08.2015 RM'000 (Unaudited)	Current Year To Date 31.08.2016 RM'000 (Unaudited)	Preceding Year To Date 31.08.2015 RM'000 (Unaudited)
Net profit for the period (RM'000)	6,114	16,861	21,133	40,514
<i>Number of shares in issue ('000)</i>	460,000	460,000	460,000	460,000
Basic earnings per share (sen)	1.33	3.67	4.59	8.81

The Group has no potential ordinary shares in issue, therefore diluted earnings per share has not been presented.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 AUGUST 2016 (cont'd)****24. Realised and Unrealised Profit or Losses Disclosure**

Total retained earnings of the Company and its subsidiaries:	As at financial period 31.08.2016 RM'000	As at financial period 31.08.2015 RM'000
-Realised	241,162	238,528
-Unrealised	1,639	4,249
	<hr/>	<hr/>
	242,801	242,777
 Total share of retained earnings of an associate:		
-Realised	151,749	145,061
-Unrealised	78	286
	<hr/>	<hr/>
	151,827	145,347
 Less: consolidation adjustments	(120,141)	(119,644)
 Total retained earnings	<hr/>	<hr/>
	274,487	268,480

By Order of the Board

Tai Yit Chan (MAICSA 7009143)
Ong Tze-En (MAICSA 7026537)
Joint Company Secretaries
12 October 2016
Penang