

XI. FINANCIAL INFORMATION

1. PROFORMA CONSOLIDATED FINANCIAL INFORMATION

The following tables summarise our proforma consolidated financial statements based on the audited financial statements of our Company and our subsidiaries and associated company. The financial statements used in the preparation of the proforma financial statements were prepared in accordance with approved accounting standards in Malaysia. The proforma consolidated financial statements are provided for illustrative purposes only, assuming that the present structure of our Group had been in existence throughout the financial years under review (except for ZTH which became our associated company on 27 September 2004). You should read it in conjunction with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information and the related notes thereto, and the management discussion and analysis of financial condition and results of operations as set out in Section XI of this Prospectus.

1.1 Proforma Consolidated Income Statement

The financial results of our proforma Group for the past three (3) financial years ended 30 November 2006 are set out below:

Financial year ended 30 November	2004 RM 000	2005 RM 000	2006 RM 000
Revenue	216,901	245,992	225,377
Cost of sales	(72,279)	(86,744)	(84,576)
Gross profit	144,622	159,248	140,801
Proforma consolidated profit before depreciation, interest and R&D expenses	57,631	67,988	68,068
Depreciation	(4,539)	(4,464)	(4,408)
Interest expenses	(418)	(364)	(209)
R&D expenses	(5)	(52)	(26)
Share of profit in associated company	10	11,114	18,234
Proforma consolidated PBT	52,679	74,222	81,659
Taxation			
- Company and subsidiaries	(14,568)	(18,702)	(18,321)
- Associated company	(34)	(3,664)	(5,459)
	(14,602)	(22,366)	(23,780)
Proforma consolidated PAT	38,077	51,856	57,879
Pre-acquisition profits*	-	-	(33,403)
MI	-	-	-
Consolidated PAT and MI but before negative goodwill	38,077	51,856	24,476
Negative goodwill recognised	-	-	40,296
Consolidated PAT attributable to shareholders	38,077	51,856	64,772
No. of ZCB Shares assumed in issue (000) ⁽ⁱ⁾	284,451	284,451	284,451
Gross EPS (sen) ⁽ⁱⁱ⁾	18.52	26.09	28.71
Net EPS (sen) ⁽ⁱⁱⁱ⁾	13.39	18.23	20.35
Gross profit margin (%)	66.68	64.74	62.47
Net profit margin (%)	17.56	21.08	25.68

Notes:

* The pre-acquisition profits relate to profits generated during the period from 1 December 2005 to 28 April 2006, being the completion date of the acquisition of the subsidiaries by ZCB

(i) Being the number of ordinary shares assumed in issue after the Restructuring but before the Rights Issue.

(ii) The gross EPS is computed based on the proforma consolidated PBT divided by the number of ZCB Shares assumed in issue.

(iii) The net EPS is computed based on the proforma consolidated PAT and minority interest divided by the number of ZCB Shares assumed in issue.

(iv) There were no exceptional or extraordinary item during the financial years under review.

XI. FINANCIAL INFORMATION (CONT'D)

The audited financial statements of our Company and subsidiaries for the financial years under review have been reported without any qualification.

1.2 Proforma Consolidated Balance Sheet of our Group as at 30 November 2006

The proforma consolidated balance sheets of our Group as at 30 November 2006 as set out below are prepared for illustrative purposes only to show the effects of the Special Additional Dividends, Rights Issue and Offer For Sale on the assumptions that these events were effected on that date:

	Group audited as at 30 November 2006 RM 000	After the Special Additional Dividends, the Rights Issue and its utilisation RM 000
NON-CURRENT ASSETS		
Property, plant and equipment	63,081	89,767
Land held for development	10,581	10,581
Investment in associated company	14,874	14,874
Deferred tax assets	168	168
Current Assets		
Inventories	45,885	45,885
Trade and other receivables	24,404	24,404
Tax refundable	1,628	1,628
Cash and cash equivalents	88,639	71,346
	160,556	143,263
Current Liabilities		
Trade and other payables	38,804	38,804
Borrowings	299	299
Taxation	2,534	2,534
	41,637	41,637
Net Current Assets	118,919	101,626
	207,623	217,016
Represented by:		
Share capital	142,226	172,500
Exchange fluctuation reserve	(11)	(11)
Retained profits	64,704	43,823
Shareholders' Funds	206,919	216,312
MI	76	76
Borrowings	628	628
	207,623	217,016
Number of shares assumed in issue (000)	284,451	345,000
NTA per share (RM)	0.73	0.63

XI. FINANCIAL INFORMATION (CONT'D)

1.3 Proforma Consolidated Cashflows Statement of our Group as at 30 November 2006

	Financial year ended 30 November 2006 RM 000
CASH FLOWS FROM OPERATING ACTIVITIES	
PBT	81,659
Adjustments for :	
Depreciation	4,408
Interest expense	209
Plant and equipment written off	384
Gain on disposal of property, plant and equipment	(243)
Interest income	(2,449)
Share of profit of associated company	(18,234)
Operating profit before working capital changes	65,734
(Increase)/Decrease in :	
Inventories	(2,578)
Trade and other receivables	(37,743)
Increase in :	
Trade and other payables	34,585
Cash generated from operating activities	59,998
Tax paid	(18,325)
Interest paid	(209)
Net cash generated from operating activities	41,464
CASH FLOWS FROM INVESTING ACTIVITIES	
Dividend received	4,725
Purchase of property, plant and equipment	(8,234)
Proposed purchase of property, plant and equipment	(26,686)
Proceed from disposal of property, plant and equipment	931
Addition to land held for development	(91)
Placement of deposits with licensed banks	(37)
Interest received	2,449
Net cash used in investing activities	(26,943)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from the Rights Issue	32,393
Payment of estimated share issue expenses	(3,000)
Repayment of hire purchase obligations	(302)
Repayment of term loans	(3,666)
Special Dividends paid	(43,550)
Special Additional Dividends paid	(20,000)
Net cash used in financing activities	(38,125)
Net decrease in cash and cash equivalents	(23,604)
Cash and cash equivalents at beginning of year	93,810
Effects of exchange differences on cash and cash equivalents	20
Cash and cash equivalents at end of year ⁽ⁱ⁾	70,226

Note:

(i) The above cash and cash equivalents are stated net of pledged deposits of RM1,120,091.

XI. FINANCIAL INFORMATION (CONT'D)

2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis by our Management is in respect to the three (3) financial years ended 30 November 2006 are based on, and should be read in conjunction with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section XI(4) of this Prospectus and the related notes of our Group for the three (3) financial years ended 30 November 2006.

2.1 Overview

(a) Revenue

We derive our revenue primarily from our direct selling and manufacturing businesses. Our revenue contribution by product categories over the three (3) financial years ended 30 November 2006 are as follows:

Products	2004		2005		2006	
	RM 000	%	RM 000	%	RM 000	%
Jewellery	82,936	38.23	75,059	30.50	66,692	29.59
Home care	8,418	3.88	10,111	4.11	10,462	4.64
Personal care	12,220	5.63	14,971	6.09	20,486	9.09
F&B	29,329	13.52	31,551	12.83	34,301	15.22
Nutritional	41,638	19.18	48,133	19.57	41,156	18.26
Water treatment and air purifier	30,606	14.11	33,777	13.73	29,114	12.92
Baby care	526	0.24	581	0.24	562	0.25
Bolsters, pillows, mattress pads and other therapeutic products	8,339	3.84	26,390	10.73	18,826	8.35
Others	2,889	1.37	5,419	2.20	3,778	1.68
	<u>216,901</u>	<u>100.00</u>	<u>245,992</u>	<u>100.00</u>	<u>225,377</u>	<u>100.00</u>

We experienced a marked increase in revenue from RM216.901 million for the financial year ended 2004 to RM225.377 million for the financial year ended 2006. The increase is mainly due to the growth in our MLM network and introduction of new consumer products.

Jewellery products are our main revenue contributor. However, its revenue contribution has decreased over the years mainly due to the introduction of new product categories as part of our product diversification strategy. We have over the past three (3) financial years experienced encouraging demand for some of our new product categories such as water treatment, air purifier, nutritional, F&B, bolsters, pillows, mattress pads and other therapeutic products, personal care and home care.

We anticipate that jewellery products will continue to remain as one of the main contributor to the Group in the future.

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Our revenue is generated primarily in Malaysia. Our Group's segmental revenue by geographical region over the three (3) financial years ended 30 November 2006 is set out below:

	2004		2005		2006	
	RM 000	%	RM 000	%	RM 000	%
Local	172,073	79.33	186,250	75.71	149,948	66.53
Export						
- Thailand ⁽¹⁾	41,323	19.05	53,153	21.61	66,343	29.44
- Singapore ⁽²⁾	729	0.34	1,586	0.64	1,994	0.89
- Indonesia ⁽³⁾	429	0.20	3,837	1.60	6,499	2.88
- Other ⁽⁴⁾	2,347	1.08	1,166	0.44	593	0.26
	<u>216,901</u>	<u>100.00</u>	<u>245,992</u>	<u>100.00</u>	<u>225,377</u>	<u>100.00</u>

Notes:

- (1) Constitutes sales to ZTH.
- (2) Constitutes sales of ZSG.
- (3) Constitutes sales to PT Zhulian.
- (4) Comprising exports to other countries such as USA, Australia, UK, Holland, Germany and Japan.

Our Malaysian and Singaporean direct selling business are carried out by our wholly-owned subsidiaries ZMMSB and ZSG respectively. Sale of goods to our Agents in Malaysia are made on consignment basis. We recognise revenue at the point of sales from our Agents to Independent Distributors.

We operate in Thailand through our associated company, ZTH, who has been appointed a Master Agent and is authorised to use our MLM business model, namely the "Zhulian Golden Business Guide" and the "ZHULIAN" brand name exclusively in Thailand. ZTH purchases its products solely from us and we recognise revenue at the point of sale of goods from our Group to ZTH. As ZTH is our associated company, we do not consolidate ZTH's revenue but record our share of its profits in our consolidated financial statements.

PT Zhulian is our Master Agent in Indonesia. Due to the need to establish a foothold in Indonesia, we sell our products to PT Zhulian on a consignment basis and recognise revenue at the point of sales from PT Zhulian to its Independent Distributors.

The following factors will have an effect on our revenue:

- (i) our ability to maintain and grow our Independent Distributor base and our network of Agents, including our ability to train, motivate and incentivise them. As our revenue is ultimately derived from our direct selling business, the size, productivity and dedication of our Independent Distributors and Agents will significantly affect our revenue;
- (ii) our ability to introduce new quality products for our direct selling business as well as our ability to manage and innovate our existing product lines;

XI. FINANCIAL INFORMATION (CONT'D)

- (iii) our ability to market and promote our products and our MLM business model, and compete effectively against our competitors especially as the MLM business in Malaysia is regarded as highly competitive; and
- (iv) our ability to manage our "ZHULIAN" brand and maintain the good public image for our line of products.

(b) Cost of Sales

Cost of sales for ZMMSB and ZSG comprise mainly purchase cost of our inventory. A large proportion of the products sold by our direct selling business are manufactured by our subsidiaries namely, ZJMSB, BPTSB, ZMFSB and ZISB. Purchases of inventory for both ZMMSB and ZSG for items manufactured by our manufacturing arm, is determined on a cost plus basis.

Items not manufactured by us are procured by MSSB from contract manufacturers or third party suppliers and are packaged and sold to ZMMSB, ZSG, ZTH and PT Zhulian. Generally, we experience a decrease in unit cost of sales for new products as our sales volume increases due to better bulk discounts from suppliers. Our cost of sales will be affected if we are unable to procure products at competitive prices from our contract manufacturers or third party suppliers.

Cost of sales for ZJMSB, BPTSB, ZMFSB and ZISB comprise mainly of cost of purchases of raw materials, direct labour costs and factory overheads.

Raw materials required by ZJMSB mainly comprise gold, silver and other metals, high quality synthetic stones and chemicals used in the electroplating process, while raw materials used by ZISB's primarily consist of herbal and plant extracts, food additives and ingredients. BPTSB and ZMFSB's principal raw materials used in the production of water filters, pillows and mattress pads are plastic injection moulded parts, minerals, filter material and jade stones.

The cost of sales of ZJMSB, BPTSB, ZMFSB and ZISB will be affected if we are unable to obtain continued supply of these raw materials of consistent quality and at competitive prices. Raw material requirements of ZJMSB, ZISB, BPTSB and ZMFSB are mostly sourced locally. ZJMSB, BPTSB, ZMFSB and ZISB also import some raw materials from overseas.

Direct labour costs is a major cost component for ZJMSB, ZISB, BPTSB and ZMFSB. Labour requirements in the production process for ZISB, BPTSB and ZMFSB are mostly fulfilled by unskilled labour. However, jewellery manufacturing requires a pool of skilled craftsmen and production line workforce. As such, direct labour costs is affected by the availability of skilled workforce which is crucial in various stages of jewellery production such as design, engraving, assembly and polishing.

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(c) Operating Expenditure

Operating expenditure for our direct selling business consists mainly of sales bonuses, incentives and commissions paid to our Independent Distributors and Agents based on the sales of our products. For the financial year ended 30 November 2006, sales bonuses, incentives and commissions of ZMMSB and ZSG amounted to RM59.2 million. Our Independent Distributors and Agents are compensated based on, amongst others, sales value, types of products sold and the rank of the Independent Distributor. The compensation plan for our Independent Distributors is determined by the Zhulian Golden Business Plan. Our operating expenditure may be affected if we are required to change the compensation plan set out in the Zhulian Golden Business Plan in the future.

Operating expenditure for our manufacturing activities consists mainly of administration expenses, staff costs, rental and depreciation charges.

(d) Inventory Management

Our Group's inventories comprise raw materials, work-in-progress, manufactured/trading inventory, consumables and packing materials used in the manufacturing process and direct selling businesses.

Due to the nature of our direct selling business, ZMMSB and ZSG carry a wide range of products at any one time in order to meet the demand of our Independent Distributors in Malaysia and Singapore. Products sold to our Agents in Malaysia and PT Zhulian, our master agent in Indonesia are on consignment basis and are considered our inventory until sold to Independent Distributors.

Inventory management is crucial for our Group's F&B, health supplements and food products as shelf life of these products are limited. We review our stocks every six (6) months to determine the level of stock obsolescence and whether allowances for obsolescence is adequate relative to turnover level. Inventories are utilised on a first in first out basis.

Inventory turnover period for ZMMSB and ZSG for the three (3) financial years ended 30 November 2006 are set out below:

Trading inventory turnover period (months)	2004	2005	2006
ZMMSB	3.24	2.95	3.86
ZSG	#>8.00	>12.00	>12.00

Note:

From 1 April 2004 (date of commencement of operation) to 30 November 2004.

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Inventory turnover period for ZMMSB improved from 3.24 months in financial year ended 30 November 2004 to 2.95 months in financial year ended 30 November 2005 which is attributable to our policy of minimising inventory holdings and adopting a more efficient inventory management. However, the inventory turnover period for ZMMSB increased to 3.86 months in the financial year ended 30 November 2006 due to jewellery price increase effective December 2005. The inventory turnover period for ZSG increased from more than 8.00 months in the financial year ended 30 November 2004 to more than 12 months in the recent financial year ended 30 November 2006 as ZSG only commenced business in April 2004 and our Board is of the opinion that inventory build up and slower trading inventory turnover period is characteristic of a new business undertaking in new markets.

For our manufacturing activities which are carried out by ZJMSB, BPTSB, ZMFSB and ZISB, inventory consist mainly of raw materials, work-in-progress and finished goods. We generally maintain a buffer level of raw materials to cater for surges in production. Due to the nature of products manufactured, ZJMSB, BPTSB and ZMFSB tend to have longer inventory turnover periods while ZISB which manufactures, amongst others, food related products typically maintains a shorter inventory turnover period reflecting shorter lifespan of raw materials and products manufactured.

(e) Trade Receivables

As at 30 November 2006, our Group's total trade receivables amount to approximately RM18.782 million. The normal credit period of our Group ranges from 30 days to 90 days. The ageing analysis of our Group's trade receivables as at 30 November 2006 is as follows:

	0-30 days RM 000	31-60 days RM 000	61-90 days RM 000	>90 days RM 000	Total RM 000
Trade receivables	8,986	6,126	3,652	2,187	20,951
Less: Provision for doubtful debts	-	-	-	(2,169)	(2,169)
Net trade receivables	8,986	6,126	3,652	18	18,782
% of net trade receivables	48	33	19	-	100

Provision for doubtful debts has been made in the financial statements of our Group for the financial period ended 30 November 2006 for trade receivables exceeding 180 days or under legal action amounting to approximately RM2.169 million. Our Directors have not made full provision for trade receivables exceeding the normal credit period (excluding those under legal action and exceeding 180 days) as our Directors are confident of recovering these trade receivables.

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Due to a more stringent credit control system in place, the trade receivables turnover days of our Group has improved from 50.8 days in the financial year ended 30 November 2002 to 30.4 days in the financial year ended 30 November 2006 as set out below:

	2002	2003	2004	2005	2006
	RM 000	RM 000	RM 000	RM 000	RM 000
Revenue	144,091	184,062	216,901	245,992	225,377
Trade receivables	20,059	7,901	6,710	13,338	18,782
Trade receivable turnover (days)	50.8	15.7	11.3	19.8	30.4

In addition, our Group's historical experience in collection shows recovery with no major default. As such, our Directors believe that there will not be any foreseeable collection losses inherent in our Group's trade receivables.

2.2 Review of past performance**(a) Financial year ended 30 November 2006 compared to financial year ended 30 November 2005****Revenue**

For the financial year ended 30 November 2006, our Group's revenue fell by 8.38% from RM245.992 million in the financial year ended 30 November 2005 to RM225.377 million due to the drop in local sales mainly on jewellery, nutritional, water treatment products and therapeutic products.

Export sales increased by 26.26% from RM59.742 million in the financial year ended 30 November 2005 to RM75.429 million in the financial year ended 30 November 2006 primarily due to our increased sales to ZTH (24.82%), PT Zhulian (69.38%) and ZSG (25.73%).

PBT

For the financial year ended 30 November 2006, we recorded a PBT of RM81.659 million, representing an increase of RM7.437 million or 10.02% compared to RM74.222 million in the financial year ended 30 November 2005. The PBT was mainly attributable to the higher share of profit from ZTH amounted to RM18.234 million as compared to RM11.114 million for the financial year ended 30 November 2005. ZTH has successfully developed its direct selling business in Thailand and ZTH has also been aggressively and actively involved in promoting its products and motivating its distributors in attaining the sales target during the year. The higher PBT was also attributed to the lower selling and distribution expenses incurred during the year.

XI. FINANCIAL INFORMATION (CONT'D)

Impact of Foreign Exchange, Interest Rates or Commodity Prices on Operating Profits

Our sales to the export markets accounted for 33.5% of our total revenue, which is mainly denominated in USD. However, as most of our sales are derived from local market and our purchases are denominated in RM, our Group's operating profits have not been adversely affected by foreign exchange fluctuations for the financial year ended 30 November 2006. In addition, there was no material impact of interest rates or commodity prices on our Group's operating profits for the financial year ended 30 November 2006.

PAT

For the financial year ended 30 November 2006, our Group recorded a PAT of RM57.879 million, compared to RM51.856 million in the financial year ended 30 November 2005. Effective tax rate in financial year ended 30 November 2006 has been improved from 30% to 29%.

(b) Financial year ended 30 November 2005 compared to financial year ended 30 November 2004**Revenue**

Our Group's revenue increased by 13.41% from RM216.901 million in financial year ended 30 November 2004 to RM245.992 million in the financial year ended 30 November 2005 mainly attributed to the continued strength in our Group's MLM network, aggressive marketing campaign and the introduction of new products such as mattress pads and pillows. In addition, air purifier, new nutritional and F&B products were launched during the year.

The number of Independent Distributors in Malaysia fell from 144,350 in financial year ended 30 November 2004 to 134,596 in financial year ended 30 November 2005 as the Group started collection of renewal fee for Independent Distributors who sell less than the required minimum amount in order to maintain only active Independent Distributors. However, the number of agencies increased from 69 to 74.

All product categories except for jewellery registered positive growth in sales. The significant contributors to revenue growth are therapeutic products, nutritional products and personal care products, which accounted for 62.05%, 22.33% and 9.46% of the increase in revenue respectively.

Export sales increased by 33.3% from RM44.828 million in financial year ended 30 November 2004 to RM59.742 million in financial year ended 30 November 2005 primarily due to increase in our sales to ZTH (29%), ZSG (118%) and PT Zhulian (794%).

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PBT

PBT increased by 40.89% from RM52.679 million in financial year ended 30 November 2004 to RM74.222 million in financial year ended 30 November 2005. The increase in PBT margin in financial year ended 30 November 2005 was mainly attributable to the introduction of new products which have better margins and decrease in administration expenses, selling and distribution costs.

Impact of Foreign Exchange, Interest Rates or Commodity Prices on Operating Profits

Our sales to the export markets accounted for 24.3% of our total revenue, which is mainly denominated in USD. However, as most of our sales are derived from local market and our purchases are denominated in RM, our Group's operating profits have not been adversely affected by foreign exchange fluctuations for the financial year ended 30 November 2005. In addition, there was no material impact of interest rates or commodity prices on our Group's operating profits for the financial year ended 30 November 2005.

PAT

We registered a PAT of RM51.856 million in financial year ended 30 November 2005 compared to RM38.077 million in financial year ended 30 November 2004. Effective tax rate in financial year ended 30 November 2005 is higher than the statutory tax rate mainly due to underprovision of tax in prior year.

(c) Financial year ended 30 November 2004 compared to financial year ended 30 November 2003**Revenue**

Our Group's revenue increased by 17.84% from RM184.062 million in financial year ended 30 November 2003 to RM216.901 million in financial year ended 30 November 2004 mainly due to the continued strength of our MLM network and the introduction of new products such as mattress pads and pillows. In addition, new nutritional and F&B products were launched during the year.

The number of Independent Distributors in Malaysia fell slightly from 150,198 in financial year ended 30 November 2003 to 144,350 in financial year ended 30 November 2004 as the Group started collection of renewal fee for Independent Distributors who sell less than the required minimum amount in order to maintain only active Independent Distributors. However, the number of agencies increased from 61 to 69.

All product categories except for personal care registered positive growth in sales. The significant contributors to revenue growth are water treatment, jewellery and nutritional products, which accounted for 22.1%, 21.4% and 20.0% of the increase in revenue respectively.

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Export sales increased by 48.11% from RM30.267 million in financial year ended 30 November 2003 to RM44.828 million in financial year ended 30 November 2004 primarily due to increase in our sales to ZTH.

PBT

PBT increased by 60.51% from RM32.819 million in financial year ended 30 November 2003 to RM52.679 million in financial year ended 30 November 2004. The increase in PBT was mainly attributable to the increase in the gross profit margin due to introduction of new consumer products which have better margins, decrease in allowance for doubtful debt and a lower than proportionate increase in administration expenses, selling and distribution costs against revenue growth.

Impact of Foreign Exchange, Interest Rates or Commodity Prices on Operating Profits

Our Group's operating profits have not been adversely affected by foreign exchange fluctuations as most our sales and purchases are denominated in RM. In addition, there was no material impact of interest rates or commodity prices on our Group's operating profits for the financial year ended 30 November 2004.

PAT

We registered a PAT of RM38.077 million in financial year ended 30 November 2004 compared to RM23.780 million in financial year ended 30 November 2003. Effective tax rate in financial year ended 30 November 2003 approximated the statutory tax rate of 28%.

3. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENTS
3.1 Working Capital

The proforma cashflows of our Group for the financial year ended 30 November 2006 are as below:

	2006
	RM 000
Net cash generated from operating activities	41,464
Net cash used in investing activities ⁽ⁱ⁾	(26,943)
Net cash used in financing activities ⁽ⁱⁱ⁾	(38,125)
Net decrease in cash and cash equivalents	(23,604)
Cash and cash equivalents at beginning of year	93,810
Effects of exchange difference on cash	20
Cash and cash equivalents at end of year	<u>70,226*</u>

Notes:

* The above above cash and cash equivalents are stated net of pledged deposits of RM1,120,091.

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(i) The cash outflow from the investing activities is mainly attributable to the following:

	2006 RM million
1. Purchase of a property by ZSG	5,588
2. Purchase of machinery and equipment by our Group	2,646
3. From the Rights Issue proceeds:	
- Construction of new factory	23,686
- Purchase of new machineries	3,000
	<u>34,920</u>

(ii) The cash outflow from the financing activities is mainly attributable to the Special Dividends and Special Additional Dividends payout of RM43.550 million and RM20.000 million together with the listing expenses of RM3 million and proceeds of RM32.393 million arising from the Rights Issue, which are assumed to be completed in the financial year ended 30 November 2006.

We are of the opinion that, after taking into consideration our cashflow position shown above and the banking facilities available to us, we will have sufficient working capital for a period of (12) twelve months from the date of this Prospectus for our existing needs and foreseeable requirements.

3.2 Borrowings

As at 30 November 2006, we have the following interest bearing borrowings:

	RM 000
Long-term borrowings (due after 12 months)	628
Short-term borrowings (due within 12 months)	299
Total borrowings	<u>927</u>
Gearing ratio ⁽¹⁾	0.004

Note:

(1) Computed based on total borrowings as at 30 November 2006 of RM927,000 over the proforma shareholders' funds of our Group of RM216,312,000 as at 30 November 2006.

We have not defaulted on any payments of interest and/or principal sums on any borrowings throughout the past one (1) financial year ended 30 November 2006 up to the Latest Practicable Date.

We do not have any foreign borrowings. Save as disclosed above, we do not have any other loan capital outstanding or loan capital created but unissued or mortgages or charges outstanding on that date.

3.3 Contingent Liabilities

As at the Latest Practicable Date, we are not aware of any contingent liabilities that upon materialisation would have a substantial impact on our financial position.

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3.4 Material Capital Commitments

Save as disclosed below and in Section V(2.6) of this Prospectus, as at the Latest Practicable Date, we do not have any material capital commitments which, upon becoming enforceable, may have a material impact our financial position.

	RM 000
Approved but not contracted for	
- Construction of new factory*	23,686
- Purchase of new machineries*	3,000
	26,686

Note:

- * *We intend to use part of the Rights Issue proceeds amounting to RM26.686 million for the construction of a new factory and purchase of new machineries for our new factory to increase our current production capacity.*

3.5 Material Litigation

Save as disclosed in Section XIV(5) of this Prospectus, as at the Latest Practicable Date, our Company and our subsidiaries are not engaged in any litigation or arbitration, either as a plaintiff or defendant, which has a material effect on our financial or business position. Our Board does not know of any proceedings pending or threatened or of any fact which is of their opinion, with the advise from their legal adviser, likely to give rise to any proceedings which might materially affect our financial or business position.

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XI. FINANCIAL INFORMATION (CONT'D)

4. REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)



KPMG (Firm No. AF 0758)
Chartered Accountants
1st Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

Telephone +60 (4) 227 2288
Fax +60 (4) 227 1888
Internet www.kpmg.com.my

The Board of Directors
Zhulian Corporation Berhad
Suite 2-1, 2nd Floor
Menara Penang Garden
42-A Jalan Sultan Ahmad Shah
10050 Pulau Pinang

Our ref LSL-LKT-ZCB-PF1let

Date 26 March 2007

Dear Sirs

**Zhulian Corporation Berhad (“ZCB” or “The Company”)
Reporting accountants' letter on the proforma consolidated financial information**

We report on the proforma consolidated financial information of ZCB and its subsidiaries (“ZCB Group”) which has been prepared for illustrative purposes only and based on basis and assumptions (as set out in Section 9), and after making certain adjustments to show what:

- i) the financial results of ZCB Group for the financial years ended 30 November 2004 to 2006 would have been if the group structure as of the date of issuance of the Prospectus had been in place since the beginning of the periods being reported on (except for Zhulian Thailand Ltd who only became an associate of Zhulian Marketing Sdn Bhd on 27 September 2004);
- ii) the financial position of ZCB Group as of the date of the balance sheet as at 30 November 2006 adjusted for the payment of the Special Additional Dividends, the proceeds of the Rights Issue and proposed utilisation of funds (as set out herein); and
- iii) the cash flows of ZCB Group for the year ended 30 November 2006 adjusted for the payment of the Special Additional Dividends, the proceeds of the Rights Issue and proposed utilisation of funds (as set out herein).

It is the responsibility solely of the Board of Directors of ZCB to prepare the proforma consolidated financial information. Our responsibility is to form an opinion on the proforma consolidated financial information and to report our opinion to you based on our work. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the proforma information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

XI. FINANCIAL INFORMATION (CONT'D)



Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated financial information to the audited financial statements of ZCB and its subsidiaries for the financial years ended 30 November 2004 to 2006, and considering the evidence supporting the adjustments, and discussing the proforma consolidated financial information with the Directors of ZCB.

The proforma consolidated financial information has been compiled based on hypothetical assumption that the Group existed three years ago, although in fact it had not been. Hence, users of the financial information should take note of the following:

- The proforma consolidated financial information should not in anyway be regarded as audited;
- The proforma consolidated financial information, because of its nature, may not give a true and fair view of ZCB Group's actual financial results, financial position and cash flows;
- The issuance of this letter by us should not in anyway indicate that the proforma consolidated financial information may be used as a valid basis for assessing the future performance of ZCB Group.

Users of the proforma consolidated financial information should therefore take note of the above limitations and use the financial information entirely at their own risk.

Except for the matters discussed in the preceding paragraphs, in our opinion,

- i) the proforma consolidated financial information has been properly prepared from the audited financial statements of ZCB and its subsidiaries, which were prepared in accordance with approved accounting standards in Malaysia except for the audited financial statements of Zhulian (Singapore) Pte Ltd which have been prepared in accordance with the approved accounting standards applicable in Singapore;
- ii) such basis is consistent with the accounting policies (as set out in Section 6.1) adopted by ZCB Group;
- iii) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing the proforma consolidated financial information; and
- iv) the proforma consolidated financial information have been properly prepared on the basis of assumptions stated.

Yours faithfully

KPMG
Chartered Accountants

XI. FINANCIAL INFORMATION (CONT'D)**1. INTRODUCTION**

The proforma consolidated financial information, comprising the proforma consolidated income statements for the years ended 30 November 2004 to 2006, the proforma consolidated balance sheets as at 30 November 2006, the proforma consolidated cash flow statement for the year ended 30 November 2006, the statement of assets and liabilities as at 30 November 2006 and the notes thereto, have been prepared for inclusion in the Prospectus of Zhulian Corporation Berhad ("ZCB" or "the Company") dated 3 April 2007 in connection with the restructuring and listing of ZCB on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

2. RESTRUCTURING AND LISTING

2.1 As part of the restructuring and listing, ZCB undertook the following restructuring exercises:

2.1.1 Share Split

ZCB implemented a share split of its existing share capital on 28 April 2006 by way of sub-dividing its existing ordinary shares of RM1.00 each into ordinary shares of RM0.50 each. Pursuant thereto, the existing authorised share capital of the Company was changed from RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM100,000 comprising 200,000 ordinary shares of RM0.50 each ("ZCB Shares"). Consequently, the existing issued and paid-up share capital of the Company has changed from RM2 comprising 2 ordinary shares of RM1.00 each to RM2 comprising 4 ZCB Shares ("Share Split").

2.1.2 Increase in Authorised Share Capital

ZCB increased its authorised share capital of RM100,000 comprising 200,000 ordinary shares of RM0.50 each to RM500,000,000 comprising 1,000,000,000 ZCB Shares ("IASC") on 28 April 2006.

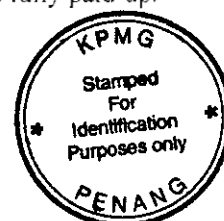
2.1.3 Special Dividends and Special Additional Dividends

Prior to the implementation of the Acquisitions and Transfers as set out in paragraphs 2.1.4 and 2.1.5 respectively below, certain subsidiaries of ZCB paid special final dividends totalling RM43.55 million for the financial year ended 30 November 2005 ("Special Dividends") on 21 April 2006.

Prior to the implementation of the Offer for Sale as set out in paragraph 2.2 below, ZCB declared and paid the special dividend of 1.257% less 27% tax and tax exempt dividend of 6.114% totalling RM20,000,000 in respect of the year ended 30 November 2006 on 23 March 2007 ("Special Additional Dividends").

2.1.4 Acquisitions

(i) ZCB acquired the entire issued and paid-up capital of Zhulian Jewellery Manufacturing Sdn Bhd ("ZJMSB") comprising 10,000,000 ordinary shares of RM1.00 each in ZJMSB for a purchase consideration of RM63,802,035 satisfied by the issuance of 127,604,070 new ZCB Shares credited as fully paid-up.



XI. FINANCIAL INFORMATION (CONT'D)*2.1.4 Acquisitions (Cont'd)*

The purchase consideration of RM63,802,035 was arrived at based on the net tangible assets ("NTA") of ZJMSB and its subsidiaries, based on the audited consolidated financial statements of ZJMSB and its subsidiaries as at 30 November 2004 of RM63,802,035.

- (ii) ZCB acquired the entire issued and paid-up capital of Zhulian Industries Sdn Bhd ("ZISB") comprising 300,000 ordinary shares of RM1.00 each in ZISB for a purchase consideration of RM35,873,175 satisfied by the issuance of 71,746,350 new ZCB Shares credited as fully paid-up.

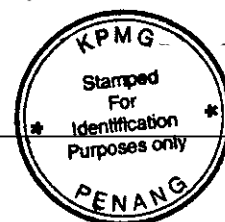
The purchase consideration of RM35,873,175 was arrived at based on the NTA of ZISB and its subsidiaries, based on the audited consolidated financial statements of ZISB and its subsidiaries as at 30 November 2004 of RM35,873,175.

- (iii) ZCB acquired the entire issued and paid-up capital of Zhulian Marketing (M) Sdn Bhd ("ZMMSB") comprising 3,000,000 ordinary shares of RM1.00 each in ZMMSB for a purchase consideration of RM36,528,231 satisfied by the issuance of 73,056,462 new ZCB Shares credited as fully paid-up.

The purchase consideration of RM36,528,231 was arrived at based on the adjusted NTA of ZMMSB and its subsidiaries, based on the audited consolidated financial statements of ZMMSB and its subsidiaries as at 30 November 2004 of RM36,528,231 after adjusting for the following transactions which were completed subsequent to 30 November 2004:

- (a) the subscription by ZMMSB of 99,998 ordinary shares in Zhulian Ventures Sdn Bhd ("ZVSB") at its par value ("ZVSB Subscription");
- (b) the acquisition by Zhulian Development Sdn Bhd ("ZDSB") of 20,000 ordinary shares of RM1.00 each in Zhulian Construction Sdn Bhd ("ZCSB") from Khoo Teng It for a cash consideration of RM20,000 ("Acquisition of 10% in ZCSB");
- (c) the acquisition by ZDSB of the entire issued and paid-up share capital of Amazing Vestrax Sdn Bhd ("AVSB") for a cash consideration of RM2 ("AVSB Acquisition"); and
- (d) the acquisition by ZDSB of the entire issued and paid-up share capital of Dexassets Sdn Bhd ("DSB") for a cash consideration of RM2 ("DSB Acquisition").
- (iv) ZCB acquired 500,000 ordinary shares of RM1.00 each in ZDSB representing 47.62% equity interest in ZDSB not held by ZMMSB for a purchase consideration of about RM327,216 satisfied via the issuance of 654,431 new ZCB Shares credited as fully paid-up.

The purchase consideration of about RM327,216 was arrived at based on the adjusted NTA of ZDSB and its subsidiaries, based on the audited consolidated financial statements of ZDSB and its subsidiaries as at 30 November 2004 after adjusting for the Acquisition of 10% in ZCSB, AVSB Acquisition and DSB Acquisition of RM687,153.



XI. FINANCIAL INFORMATION (CONT'D)*2.1.4 Acquisitions (Cont'd)*

- (v) ZCB acquired the entire issued and paid-up capital of Zhulian Management Sdn Bhd ("ZMSB") comprising 100,000 ordinary shares of RM1.00 each in ZMSB for a purchase consideration of RM3,622,367 satisfied by the issuance of 7,244,734 new ZCB Shares credited as fully paid-up.

The purchase consideration of RM3,622,367 was arrived at based on the NTA of ZMSB and its subsidiary, based on the audited consolidated financial statements of ZMSB and its subsidiary as at 30 November 2004 of RM3,622,367.

- (vi) ZCB acquired the issued and paid-up capital of Zhulian Printing Industries Sdn Bhd ("ZPISB") comprising 100,000 ordinary shares of RM1.00 each in ZPISB from Teoh Beng Seng, Teoh Meng Keat and P'ng Swee Guan for a purchase consideration of RM2,072,698 satisfied by the issuance of 4,145,396 new ZCB Shares credited as fully paid-up.

The purchase consideration of RM2,072,698 was arrived at based on the NTA of ZPISB, based on the audited financial statements of ZPISB as at 30 November 2004 of RM2,072,698.

- (vii) ZCB acquired the entire issued and paid-up capital of Zhulian Properties Sdn Bhd ("ZPSB") comprising two (2) ordinary shares of RM1.00 each in ZPSB from Teoh Beng Seng and Teoh Meng Keat for a cash consideration of RM1 per share.

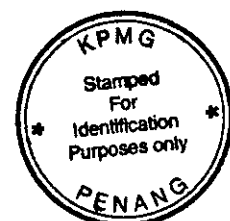
- (viii) ZCB acquired the entire issued and paid-up capital of Selat Nusantara Development Sdn Bhd ("SNDSB") comprising two (2) ordinary shares of RM1.00 each in SNDSB from Teoh Beng Seng and Teoh Meng Keat for a cash consideration of RM1 per share.

The Acquisitions were completed on 28 April 2006.

2.1.5 Transfers

- (i) The transfer of ZJMSB's entire shareholdings in its wholly-owned subsidiaries, namely Beyond Products Technology Sdn. Bhd. ("BPTSB"), Zhulian Manufacturing Sdn Bhd ("ZMFSB") and Diamond Inspiration Sdn Bhd ("DISB") to ZCB for a cash consideration of RM1,200,000. The consideration for the transfers was arrived at based on ZJMSB's cost of investment in BPTSB, ZMFSB and DISB as at 30 November 2004 as follows:

	RM
BPTSB	100,000
ZMFSB	1,000,000
DISB	100,000
	<u>1,200,000</u>

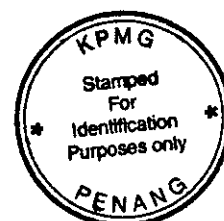


XI. FINANCIAL INFORMATION (CONT'D)

2.1.5 Transfers (Cont'd)

- (ii) The transfer of Master Square Sdn. Bhd. ("MSSB") and Zhulian Nutraceutical Sdn Bhd ("ZNSB") that entail the following:
- (a) Transfer of MSSB involving the transfer of ZISB's entire shareholding in its wholly-owned subsidiary, namely MSSB to ZCB for a cash consideration of RM100,000. The purchase consideration for the transfer was arrived at based on the cost of investment of ZISB in MSSB as at 30 November 2004 of RM100,000; and
 - (b) Transfer of ZNSB involving the:
 - (aa) Transfer of ZISB's entire shareholdings in ZNSB comprising 199,998 ordinary shares of RM1.00 each in ZNSB to ZCB for a cash consideration of RM199,998. The purchase consideration was arrived at based on the cost of investment of ZISB in ZNSB as at 30 November 2004 of RM199,998; and
 - (bb) Transfer of the entire shareholdings of Teoh Beng Seng and Teoh Meng Keat in ZNSB comprising one (1) ordinary share of RM1.00 each in ZNSB each to ZCB at a nominal cash consideration of RM1.00 per share.
- (iii) The transfer of ZDSB and ZVSB that entail the following:
- (a) Transfer of ZDSB to ZCB involving the transfer of ZMMSB's entire shareholdings of 550,000 ordinary shares of RM1.00 each in ZDSB representing the remaining 52.38% equity interest in ZDSB for a cash consideration of RM550,000. The purchase consideration for the transfer was arrived at based on the cost of investment of ZMMSB in ZDSB of RM550,000, based on the audited financial statements of ZMMSB for the financial year ended 30 November 2004.
 - (b) Transfer of ZVSB to ZCB involving the following:
 - (aa) Transfer of ZMMSB's entire shareholdings in ZVSB comprising 99,998 ordinary shares of RM1.00 each in ZVSB ("ZVSB Shares") for a cash consideration of RM99,998. The purchase consideration was arrived at based on the cost of investment of ZMMSB in ZVSB of RM99,998, based on the audited financial statements of ZMMSB for the financial year ended 30 November 2004 after taking into account the ZVSB Subscription; and
 - (bb) Transfer of the entire shareholdings of Teoh Beng Seng and Teoh Meng Keat in ZVSB comprising one (1) ZVSB Share each, at a nominal cash consideration of RM1.00 cash per ZVSB Share.

The Transfers were completed on 28 April 2006.



XI. FINANCIAL INFORMATION (CONT'D)

2.1.6 Rights Issue

Rights Issue of 60,548,553 new ZCB Shares at an issue price of RM0.535 per ZCB Share, for cash on the basis of approximately 0.213 new ZCB Share for every 1 existing ZCB Share held, based on the existing share capital of 284,451,447 ZCB Shares after the Acquisitions and Transfers ("Rights Issue"). The Rights Issue was completed on 23 March 2007.

2.2 Offer for Sale

Offer for Sale of 122,341,000 ZCB Shares to eligible directors, employees and business associates of ZCB or its subsidiaries ("ZCB Group"), the Malaysian public and Bumiputera investors approved by the Ministry of International Trade and Industry at an offer price of RM1.23 per ZCB Share ("Offer for Sale").

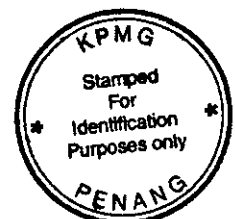
2.3 Listing

Listing of and quotation for the entire enlarged issued and paid-up share capital of ZCB comprising 345,000,000 ZCB Shares on the Main Board of Bursa Securities ("Listing"). The estimated share issue expenses of RM3,000,000 will be set-off against the available Share Premium account and the remaining balance will be charged to the Income Statement.

The above restructuring and listing exercises were approved by the Securities Commission on 19 December 2005, 19 April 2006, 26 June 2006, 11 October 2006 and 3 January 2007.

3. SUMMARISED PROFORMA CONSOLIDATED INCOME STATEMENTS OF ZCB GROUP

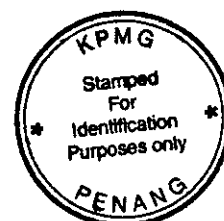
3.1 The summarised proforma consolidated income statements of ZCB Group for the past three (3) financial years ended 30 November 2006 (except for Zhulian Thailand Ltd who only became the associate of ZMMSB on 27 September 2004) have been prepared for illustrative purposes assuming that the ZCB Group had been in existence throughout the years under review.



XI. FINANCIAL INFORMATION (CONT'D)**3. SUMMARISED PROFORMA CONSOLIDATED INCOME STATEMENTS OF ZCB GROUP (Cont'd)****3.1 ZCB Group**

	Proforma results for the years ended 30 November		
	2004	2005	2006
	RM'000	RM'000	RM'000
Revenue	216,901	245,992	225,377
Profit before depreciation, interest, research and development expenditure	57,631*	67,988	68,068
Depreciation	(4,539)	(4,464)	(4,408)
Interest expense	(418)	(364)	(209)
Research and development expenditure	(5)	(52)	(26)
Share of profit in associate	10	11,114	18,234
Profit before taxation	52,679*	74,222	81,659
Taxation			
- Company and subsidiaries	(14,568)	(18,702)	(18,321)
- Associate	(34)	(3,664)	(5,459)
	(14,602)	(22,366)	(23,780)
Profit after taxation	38,077*	51,856	57,879
Minority interest	-	-	-
Profit after taxation and minority interest	38,077*	51,856	57,879
Number of shares assumed in issue during the year ('000)	284,451	284,451	284,451
Earnings per share (sen)			
- Gross	18.52	26.09	28.71
- Net	13.39	18.23	20.35
Gross profit	144,622	159,248	140,801
Gross profit margin (%)	66.68	64.74	62.47
Net profit margin (%)	17.56	21.08	25.68

* Refer Note 3.1.1 (iii)



XI. FINANCIAL INFORMATION (CONT'D)**3.1.1 Notes to the Summarised Proforma Consolidated Income Statements of ZCB Group**

- i) The summarised proforma consolidated income statements of ZCB Group for the financial years ended 30 November 2004 to 2006 are prepared for illustrative purposes only and are based on the audited financial statements of ZCB, ZJMSB, BPTSB, ZMFSB, DISB, ZISB, MSSB, ZNSB, ZMMSB, ZDSB, ZCSB, ZVSB, ZMSB, ZPISB, ZPSB, SNDSB, ZSG, DSB and AVSB.
- ii) There were no extraordinary or exceptional items for all the years under review.
- iii) Had FRS 122₂₀₀₄ (formerly known as MASB 22), Business Combinations been effected in the financial statements for the financial year ended 30 November 2004, the negative goodwill of RM4,063,493 arising from the acquisition of the associate, ZTH by ZMMSB on 27 September 2004 would have been recognised in the income statement in the year it was acquired and the effects thereon would be as follows:

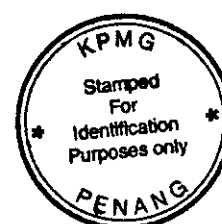
	Before FRS 122 ₂₀₀₄ RM'000	Negative goodwill in ZTH RM'000	After FRS 122 ₂₀₀₄ RM'000
Profit before depreciation and interest	57,631*	4,064	61,695
Profit before taxation	52,679*	4,064	56,743
Profit after taxation	38,077*	4,064	42,141
Profit after taxation and minority interest	38,077*	4,064	42,141

- iv) The proforma gross earnings per share has been calculated based on the profit before taxation and minority interest, and on the assumption that the issued and paid-up share capital of the Group of 284,451,447 ordinary shares of RM0.50 each had been in issue throughout the years under review.

The proforma net earnings per share has been calculated based on the profit after taxation and minority interest, and on the assumption that the issued and paid-up share capital of the Group of 284,451,447 ordinary shares of RM0.50 each had been in issue throughout the years under review.

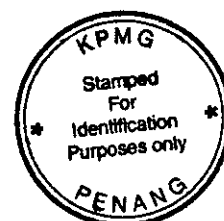
4. PROFORMA CONSOLIDATED BALANCE SHEETS OF ZCB GROUP AS AT 30 NOVEMBER 2006

- 4.1 The proforma consolidated balance sheets of ZCB Group ("ZCB and its subsidiaries") have been prepared for illustrative purposes only and they should be read in conjunction with the basis of assumptions set out in the notes below.



XI. FINANCIAL INFORMATION (CONT'D)**4. PROFORMA CONSOLIDATED BALANCE SHEETS OF ZCB GROUP AS AT 30 NOVEMBER 2006 (CONT'D)**

	Group Audited RM'000	Proforma I RM'000
Property, plant and equipment	63,081	89,767
Land held for development	10,581	10,581
Investment in an associate	14,874	14,874
Deferred tax assets	168	168
Current assets		
Inventories	45,885	45,885
Trade and other receivables	24,404	24,404
Tax refundable	1,628	1,628
Cash and cash equivalents	88,639	71,346
	<u>160,556</u>	<u>143,263</u>
Current liabilities		
Trade and other payables	38,804	38,804
Borrowing	299	299
Taxation	2,534	2,534
	<u>41,637</u>	<u>41,637</u>
Net current assets	<u>118,919</u>	<u>101,626</u>
	<u>207,623</u>	<u>217,016</u>
Financed by :		
Share capital	142,226	172,500
Exchange fluctuation reserve	(11)	(11)
Retained profits	64,704	43,823
Shareholders' funds	<u>206,919</u>	<u>216,312</u>
Minority interest	76	76
Borrowing	628	628
	<u>207,623</u>	<u>217,016</u>
Number of shares in issue ('000)	284,451	345,000
Net tangible assets ("NTA") per ordinary share (RM)	0.73	0.63



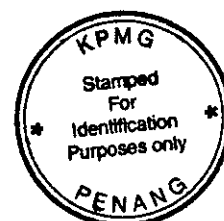
XI. FINANCIAL INFORMATION (CONT'D)**4.2 Notes to the proforma consolidated balance sheets of ZCB Group as at 30 November 2006**

The proforma consolidated balance sheets together with the notes thereon have been prepared based on accounting principles and bases consistent with those adopted by ZCB Group for the financial year ended 30 November 2006, a summary of which is set out in Section 6.1 and are presented in a form suitable for inclusion in the Prospectus. There will be no significant changes in the accounting policies adopted by the Group.

4.2.1. The following definitions are used :

ZJMSB	Zhulian Jewellery Manufacturing Sdn Bhd
BPTSB	Beyond Products Technology Sdn Bhd
ZMFSB	Zhulian Manufacturing Sdn Bhd
DISB	Diamond Inspiration Sdn Bhd
ZISB	Zhulian Industries Sdn Bhd
MSSB	Master Square Sdn Bhd
ZNSB	Zhulian Nutraceutical Sdn Bhd
ZMMSB	Zhulian Marketing (M) Sdn Bhd
ZDSB	Zhulian Development Sdn Bhd
ZCSB	Zhulian Construction Sdn Bhd
ZVSB	Zhulian Ventures Sdn Bhd
ZMSB	Zhulian Management Sdn Bhd
ZPISB	Zhulian Printing Industries Sdn Bhd
ZPSB	Zhulian Properties Sdn Bhd
SNDSB	Selat Nusantara Development Sdn Bhd
AVSB	Amazing Vestrax Sdn Bhd
DSB	Dexassets Sdn Bhd

4.2.2 The proforma consolidated balance sheets of ZCB and its subsidiaries have been prepared for illustrative purposes only and are based on the audited financial statements of ZCB and its subsidiaries as at 30 November 2006. They are prepared using the acquisition method of accounting.



XI. FINANCIAL INFORMATION (CONT'D)**4.2 Notes to the proforma consolidated balance sheets of ZCB Group as at 30 November 2006 (Cont'd)**

4.2.3 The following transactions are assumed to have been effected as at 30 November 2006:

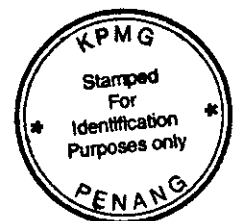
(1) Proforma I

Proforma I incorporates Group, Rights Issue, Offer for Sale, Listing as set out in Sections 2.1.6, 2.2 and 2.3 respectively and the following:

- i) The completion date for the Rights Issue was 23 March 2007.
- ii) The completion date for the Offer for Sale is assumed to be in early May 2007.
- iii) Estimated share issue expenses of RM3,000,000 will be set off against the available Share Premium account and the remaining balance will be charged to the Income Statement.
- iv) Proposed utilisation of gross proceeds from the Rights Issue of RM32,393,476 as set out in Note 4.2.4.
- v) Payment of the Special Additional Dividends by ZCB.

4.2.4 The gross proceeds of RM32,393,476 from the Rights Issue which was completed on 23 March 2007 will be utilised as follows:

	RM'000
Working capital	2,707
Estimated share issue expenses	3,000
Construction of buildings	23,686
Purchase of machineries	3,000
	32,393



XI. FINANCIAL INFORMATION (CONT'D)**4.2 Notes to the proforma consolidated balance sheets of ZCB Group as at 30 November 2006 (Cont'd)**

4.2.5. The movements of the issued and paid up share capital and the share premium account of ZCB after taking into account the transactions mentioned in Notes 4.2.3 to 4.2.4 above are as follows:

	Number of ordinary shares '000	Par value RM	Share Capital RM'000	Share Premium RM'000
Group	284,451		142,226	-
Proforma I				
- Rights Issue	60,549	0.50	30,274	2,119
- Estimated share issue expenses	-		-	(2,119)
After Proforma I	<u>345,000</u>		<u>172,500</u>	<u>-</u>

* - denotes RM2, comprising 2 ordinary shares of RM1.00 each which was subsequently subdivided into 4 ordinary shares of RM0.50 each.

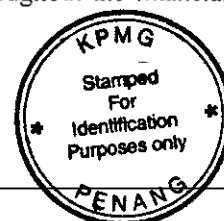
4.2.6 The movements in cash and cash equivalents of ZCB Group after taking into account the transactions mentioned in Notes 4.2.3 to 4.2.4 above are as follows:

	RM'000
Group	88,639
Proforma I	
- Rights Issue	32,393
- Estimated share issue expenses	(3,000)
- Construction of buildings	(23,686)
- Purchase of machineries	(3,000)
- Payment of the Special Additional Dividends by ZCB	(20,000)
After Proforma I	<u>71,346</u>

5. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

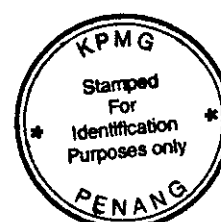
The proforma consolidated cash flow statement of ZCB Group for the year ended 30 November 2006 set out below, is based on the audited financial statements of ZCB, ZJMSB, BPTSB, ZMFSB, DISB, ZISB, MSSB, ZNSB, ZMMSB, ZDSB, ZCSB, ZVSB, ZMSB, ZPISB, ZPSB, SNDSB, ZSG, DSB and AVSB.

The proforma consolidated cash flow statement is provided for illustrative purposes only, and has been presented on the basis that the Share Split, IASC, Special Dividends, Special Additional Dividends, Acquisitions, Transfers and Rights Issue had been in effect throughout the financial year under review.



XI. FINANCIAL INFORMATION (CONT'D)**5. PROFORMA CONSOLIDATED CASH FLOW STATEMENT (Cont'd)****5.1 ZCB Group**

	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	81,659
Adjustments for :	
Depreciation	4,408
Interest expense	209
Plant and equipment written off	384
Gain on disposal of property, plant and equipment	(243)
Interest income	(2,449)
Share of profit of associate	(18,234)
Operating profit before working capital changes	65,734
Increase in :	
Inventories	(2,578)
Trade and other receivables	(37,743)
Increase in trade and other payables	34,585
Cash generated from operating activities	59,998
Tax paid	(18,325)
Interest paid	(209)
Net cash generated from operating activities	41,464
CASH FLOWS FROM INVESTING ACTIVITIES	
Dividend received	4,725
Purchase of property, plant and equipment	(8,234)
Proposed purchase of property, plant and equipment (Note 4.2.6)	(26,686)
Proceed from disposal of property, plant and equipment	931
Addition to land held for development	(91)
Placement of deposits with licensed banks	(37)
Interest received	2,449
Net cash used in investing activities	(26,943)



XI. FINANCIAL INFORMATION (CONT'D)**5. PROFORMA CONSOLIDATED CASH FLOW STATEMENT (Cont'd)****5.1 ZCB Group (Cont'd)**

	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from the Rights Issue	32,393
Payment of estimated share issue expenses	(3,000)
Repayment of hire purchase obligations	(302)
Repayment of term loans	(3,666)
Special Dividends paid	(43,550)
Special Additional Dividends	(20,000)
Net cash used in financing activities	(38,125)
Net decrease in cash and cash equivalents	(23,604)
Cash and cash equivalents at beginning of year	93,810
Effects of exchange differences on cash and cash equivalents	20
Cash and cash equivalents at end of year	70,226

NOTE

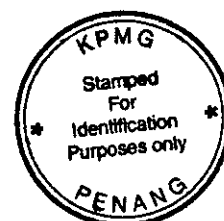
Cash and cash equivalents comprise the following amounts:

	RM'000
Short term deposits with licensed banks	62,179
Cash and bank balances	8,047
	70,226

The above cash and cash equivalents are stated net of pledged deposits of RM1,120,091 as disclosed in Note 6.8.

6. STATEMENT OF ASSETS AND LIABILITIES

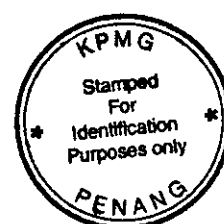
The detailed statement of assets and liabilities has been prepared for illustrative purposes only and is based on the audited balance sheet of ZCB, ZJMSB, BPTSB, ZMFSB, DISB, ZISB, MSSB, ZNSB, ZMMSB, ZDSB, ZCSB, ZVSB, ZMSB, ZPISB, ZPSB, SNDSB, ZSG, DSB and AVSB as at 30 November 2006.



XI. FINANCIAL INFORMATION (CONT'D)**6. STATEMENT OF ASSETS AND LIABILITIES (Cont'd)**

The proforma statement of assets and liabilities has been prepared under the acquisition method of accounting, to show the effects of the utilisation of proceeds from the Rights Issue, the estimated share issue expenses of RM3,000,000 and the Special Additional Dividends by ZCB, on the assumption that the respective transactions had been completed on 30 November 2006 and should be read in conjunction with the notes thereon:-

	Note	Group Audited RM'000	Proforma I RM'000
Property, plant and equipment	6.2	63,081	89,767
Land held for development	6.3	10,581	10,581
Investment in an associate	6.4	14,874	14,874
Deferred tax assets	6.5	168	168
Current assets			
Inventories	6.6	45,885	45,885
Trade and other receivables	6.7	24,404	24,404
Tax refundable		1,628	1,628
Cash and cash equivalents	6.8	88,639	71,346
		160,556	143,263
Current liabilities			
Trade and other payables	6.9	38,804	38,804
Borrowing	6.10	299	299
Taxation		2,534	2,534
		41,637	41,637
Net current (liabilities)/assets		118,919	101,626
		207,623	217,016
Financed by :			
Share capital	6.11	142,226	172,500
Exchange fluctuation reserve		(11)	(11)
Retained profit		64,704	43,823
Shareholders' funds		206,919	216,312
Minority interest		76	76
Borrowing	6.10	628	628
		207,623	217,016
Number of shares in issue ('000)		284,451	345,000
Net tangible assets per ordinary share (RM)		0.73	0.63



XI. FINANCIAL INFORMATION (CONT'D)

6. STATEMENT OF ASSETS AND LIABILITIES (CONT'D)**NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES****6.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies are adopted by the ZCB Group and are consistently applied throughout the year.

a) Basis of Accounting

The Proforma Consolidated Statement of Assets and Liabilities of ZCB Group has been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies, and comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

b) Basis of Consolidation

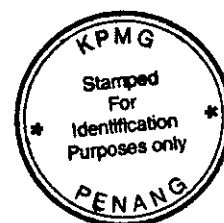
Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

The Proforma Consolidated Statement of Assets and Liabilities include the audited financial statements of the subsidiaries made up to 30 November 2006 as stated in Section 2.1 had been effected as at 30 November 2006. The financial statements of the subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intra-group transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated unless cost cannot be recovered.



XI. FINANCIAL INFORMATION (CONT'D)

c) **Associates**

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered. Goodwill on acquisition is calculated based on the fair value of net assets acquired.

d) **Goodwill on Consolidation**

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated impairment losses, if any.

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is recognised as income in the year of acquisition.

In respect of associate, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

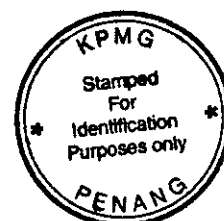
e) **Investments**

Long term investments in subsidiaries and associate are stated at cost in the Company, less impairment loss where applicable.

f) **Property, Plant and Equipment**

Freehold land and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.



XI. FINANCIAL INFORMATION (CONT'D)**g) Depreciation**

Freehold land and capital work-in-progress are not amortised. Leasehold land are amortised in equal instalments over the lease period of 46 to 59 years.

On other property, plant and equipment, depreciation is calculated to write off their cost on a straight line basis over the term of their estimated useful lives at the following principal annual rates :

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

h) Impairment

The carrying amount of the Group's assets, other than inventories and financial assets (other than investments in subsidiaries and associate), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

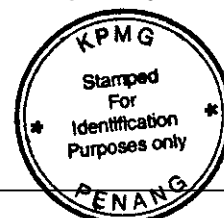
The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it 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. The reversal is recognised in the income statement.

i) Land held for development

Land held for development consist of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Groups' normal operating cycle of 2 to 3 years. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Land held for development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle of 2 to 3 years.



XI. FINANCIAL INFORMATION (CONT'D)**i) Land held for development (Cont'd)**

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

j) Inventories

Inventories are stated at the lower of cost and net realisable value with first-in, first-out cost being the main basis for cost. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

k) 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 value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

l) Trade and Other Receivables

Trade and other receivables are stated at cost net of allowance for doubtful debts.

m) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

n) Liabilities

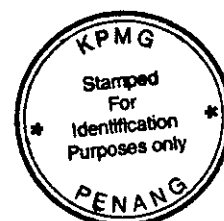
Borrowings and trade and other payables are stated at cost.

o) Employee Benefits**(i) Short term employee benefits**

Wages, salaries and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.



XI. FINANCIAL INFORMATION (CONT'D)**p) Foreign Currency***(i) Foreign currency transactions*

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

(ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising from retranslating the opening net investments in the foreign subsidiaries at the closing exchange rate are recognised directly to the Exchange Fluctuation Reserve.

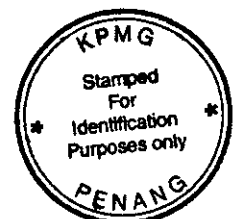
The closing rates used at 30 November 2006 in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows :

	RM
1 SGD	2.346
1 Thai Baht	0.101

q) Revenue*(i) Goods sold and service rendered*

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to survey of works performed/ services performed to date as a percentage of total services to be performed/ the proportion that costs incurred to date that reflect services performed bear to the total estimated costs of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.



XI. FINANCIAL INFORMATION (CONT'D)

q) Revenue (Cont'd)**(ii) Construction contracts**

Revenue from construction contracts are recognised using the percentage of completion method. The percentage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated. All anticipated losses are fully provided for.

(iii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

r) Financing Cost

All interest and other costs incurred in connection with borrowings, other than that capitalised in accordance with note 1(t), are expensed as incurred. The interest component of hire purchase is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

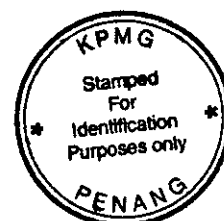
s) Income Tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.



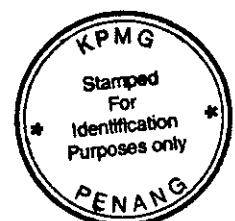
XI. FINANCIAL INFORMATION (CONT'D)

(t) Capitalisation of borrowing costs

Borrowing costs incurred on capital work-in-progress and properties under development are capitalised. Exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs, are also capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific capital work-in-progress and property under development, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowing will be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.



XI. FINANCIAL INFORMATION (CONT'D)

6.2 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Freehold shoplots RM'000	Plant and machinery, moulds, tools and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 December 2005	9,820	2,141	5,317	28,745	530	27,799	11,596	4,447	90,395
Additions	216	-	-	337	5,587	1,562	827	-	8,529
Transfer from land held for development	5,482	-	-	-	-	-	-	-	5,482
Disposals/Write-off	-	-	-	-	-	(8,008)	(4,675)	(1,297)	(13,980)
Effect on foreign exchange	-	-	-	-	-	-	29	-	29
Reclassifications	-	(2,141)	2,141	-	-	-	-	-	-
At 30 November 2006	15,518	-	7,458	29,082	6,117	21,353	7,777	3,150	90,455
Accumulated Depreciation									
At 1 December 2005	-	368	-	4,868	114	20,823	8,237	1,433	35,843
Charge for the year	-	-	152	577	11	1,933	1,076	684	4,433
Disposals/Write-off	-	-	-	-	-	(7,664)	(4,514)	(730)	(12,908)
Effect on foreign exchange	-	-	-	-	-	-	6	-	6
Reclassifications	-	(368)	368	-	-	-	-	-	-
At 30 November 2006	-	-	520	5,445	125	15,092	4,805	1,387	27,374
Net Book Value									
At 30 November 2006	15,518	-	6,938	23,637	5,992	6,261	2,972	1,763	63,081



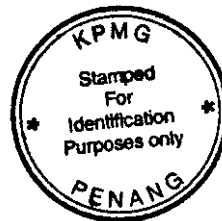
XI. FINANCIAL INFORMATION (CONT'D)

6.2 PROPERTY, PLANT AND EQUIPMENT - PROFORMA I

Cost	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Freehold shoplots RM'000	Plant and machinery, moulds, tools and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At 1 December 2005	9,820	2,141	5,317	28,745	530	27,799	11,596	4,447	90,395
Additions	216	-	-	24,023	5,587	4,562	827	-	35,215
Transfer from land held for development	5,482	-	-	-	-	-	-	-	5,482
Disposals/Write-off	-	-	-	-	-	(8,008)	(4,675)	(1,297)	(13,980)
Effect on foreign exchange	-	-	-	-	-	-	29	-	29
Reclassifications	-	(2,141)	2,141	-	-	-	-	-	-
At 30 November 2006	15,518	-	7,458	52,768	6,117	24,353	7,777	3,150	117,141
Accumulated Depreciation									
At 1 December 2005	-	368	-	4,868	114	20,823	8,237	1,433	35,843
Charge for the year	-	-	152	577	11	1,933	1,076	684	4,433
Disposals/Write-off	-	-	-	-	-	(7,664)	(4,514)	(730)	(12,908)
Effect on foreign exchange	-	-	-	-	-	-	6	-	6
Reclassifications	-	(368)	368	-	-	-	-	-	-
At 30 November 2006	-	-	520	5,445	125	15,092	4,805	1,387	27,374
Net Book Value									
At 30 November 2006	15,518	-	6,938	47,323	5,992	9,261	2,972	1,763	89,767

The short term leasehold land, buildings and freehold shoplots of the Group/Proforma I are charged to licensed banks as security for banking facilities granted to a subsidiary, ZJMSB.

Included in the net book value of property, plant and equipment of the Group/Proforma I is an amount of RM1,337,083 representing assets acquired under hire purchase instalment plans.



XI. FINANCIAL INFORMATION (CONT'D)**6.3 LAND HELD FOR DEVELOPMENT**

	Group/ Proforma I RM'000
Freehold land	8,679
Other outgoings	1,902
	<u>10,581</u>

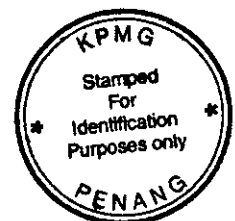
6.4 INVESTMENT IN AN ASSOCIATE

	Group/ Proforma I RM'000
Unquoted shares, at cost	6,222
Share of post acquisition reserves	4,588
Negative goodwill recognised	4,064
	<u>14,874</u>

6.5 DEFERRED TAX

The recognised deferred tax assets are as follows :

	Group/ Proforma I RM'000
Deferred tax assets	
Deductible temporary differences	52
Provisions	116
	<u>168</u>



XI. FINANCIAL INFORMATION (CONT'D)**6.6 INVENTORIES, at cost**

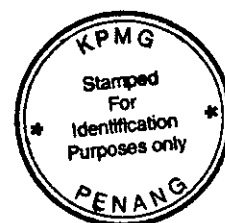
	Group/ Proforma I RM'000
Raw materials	16,462
Work in progress	9,315
Manufactured inventories	17,527
Consumables	2,581
	<u>45,885</u>

6.7 TRADE AND OTHER RECEIVABLES

	Group/ Proforma I RM'000
Trade receivables	18,782
Other receivables, deposits and prepayments	5,622
	<u>24,404</u>

Ageing analysis of trade receivables as at 30 November 2006 of the Group/Proforma I is as follows:

	0-30 days RM'000	31-60 days RM'000	61-90 days RM'000	> 90 days RM'000	Group/ Proforma I Total RM'000
Trade receivables	8,986	6,126	3,652	2,187	20,951
Less :					
Allowance for doubtful debts	-	-	-	(2,169)	(2,169)
Net receivables	<u>8,986</u>	<u>6,126</u>	<u>3,652</u>	<u>18</u>	<u>18,782</u>
% of total trade receivables (net)	48	33	19	-	100



XI. FINANCIAL INFORMATION (CONT'D)**6.7 TRADE AND OTHER RECEIVABLES (CONT'D)**

Allowance for doubtful debts has been made in the financial statements for the Group for the financial year ended 30 November 2006 for trade receivables exceeding 180 days or under legal actions.

Included in the other receivables, deposits and prepayments of the Group was an amount of RM2,130,963 relating to the purchase of an office building by a subsidiary. The transaction was completed on 14 December 2006.

6.8 CASH AND CASH EQUIVALENTS

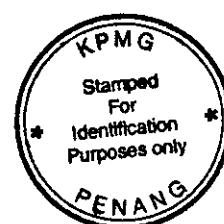
	Group RM'000	Proforma I RM'000
Short term with licensed banks	80,592	63,299
Cash and bank balances	8,047	8,047
	88,639	71,346

Certain deposits amounting to RM1,120,091 were pledged to the licensed banks for banking facilities granted to certain subsidiaries of the Group/Proforma I.

6.9 TRADE AND OTHER PAYABLES

	Group/ Proforma I RM'000
Trade payables	6,329
Other payables and accruals	19,545
Security deposits	12,930
	38,804

The security deposits are in respect of refundable deposits collected from the agents.



XI. FINANCIAL INFORMATION (CONT'D)**6.10 BORROWING**

	Group/ Proforma I RM'000
Current	
Hire purchase obligations	<u>299</u>
Non-current	
Hire purchase obligations	<u>628</u>

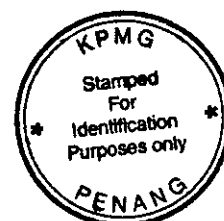
Hire purchase obligations of the Group are subject to fixed rates ranging from 3.25% to 3.55% per annum.

Hire purchase obligations are payable as follows:

	Group/Proforma I		
	Payments RM'000	Interest RM'000	Principal RM'000
Less than 1 year	668	40	628
1 to 2 years	350	51	299
	<u>1,018</u>	<u>91</u>	<u>927</u>

6.11 SHARE CAPITAL

	Group RM'000	Proforma I RM'000
<i>Ordinary shares of RM0.50 each</i>		
Authorised	<u>500,000</u>	<u>500,000</u>
Issued and fully paid :		
Balance at 30 November 2006	142,226	142,226
Rights issue	-	30,274
	<u>142,226</u>	<u>172,500</u>



XI. FINANCIAL INFORMATION (CONT'D)**7. STATEMENT OF ADJUSTMENTS**

As ZCB prepared its first audited consolidated financial statements for the year ended 30 November 2006, the proforma consolidated financial information as set out therein therefore reflect the net adjustments assuming the proforma group has been in place from the beginning of the periods being reported on.

8. PROFORMA NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the statement of assets and liabilities of the proforma ZCB Group as at 30 November 2006, the proforma net tangible assets per ordinary share after the payment of the Special Additional Dividends, the Share Split, Acquisitions and Rights Issue and proposed utilisation of funds is calculated as follows :-

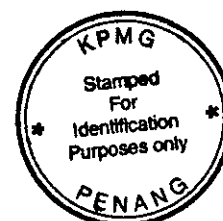
	<i>Proforma Group RM'000</i>
Net Tangible Assets ("NTA")	<u>216,312</u>
Total no of ordinary shares in issue ('000)	345,000
NTA per share (RM)	<u>0.63</u>

9. BASIS OF PREPARATION OF PROFORMA CONSOLIDATED FINANCIAL INFORMATION

9.1 The proforma consolidated financial information has been prepared to illustrate what:

- a) the financial results of ZCB Group for the financial years ended 30 November 2004 to 2006 would have been if the group structure as of the date of issuance of the Prospectus had been in place since the beginning of the periods being reported on (except for Zhulian Thailand Ltd who only became an associate of Zhulian Marketing Sdn Bhd on 27 September 2004);
- b) the financial position of ZCB Group as of the date of the balance sheet as at 30 November 2006 adjusted for the proceeds of the payment of the Special Additional Dividends, the Rights Issue and proposed utilisation of funds; and
- c) the cash flows of ZCB Group for the year ended 30 November 2006 adjusted for the payment of the Special Additional Dividends, proceeds of the Rights Issue and proposed utilisation of funds.

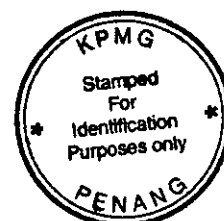
9.2 The proforma consolidated financial information have been prepared based on the audited financial statements of the respective companies within the Group for the financial years ended 30 November 2004 to 2006, after giving effect to the proforma adjustments considered appropriate as set out in the proforma consolidated financial information.



XI. FINANCIAL INFORMATION (CONT'D)**9. BASIS OF PREPARATION OF PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**

- 9.3 For illustrative purposes, it was assumed that the following events took place on 30 November 2006 in arriving at the proforma consolidated balance sheets as at 30 November 2006:
- a) Rights Issue, Offer for Sale and Listing as detailed in Sections 2.1.6, 2.2 and 2.3 respectively; and
 - b) Payment of the Special Additional Dividends as detailed in Section 2.1.3.
- 9.4 For illustrative purposes, it was assumed that the events stated in Sections 2.1.4, 2.1.5 and 2.1.6 including the proposed utilisation of funds took place since the beginning of the periods being reported on in arriving at the proforma consolidated income statements for each of the three (3) years ended 30 November 2004 to 2006.
- 9.5 For illustrative purposes, it was assumed that the events stated in Sections 2.1.4, 2.1.5, 2.1.6 including the proposed utilisation of funds took place since the beginning of the year ended 30 November 2006 in arriving at the proforma consolidated cash flow statement for the year ended 30 November 2006.
- 9.6 The proforma consolidated financial information have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position, results of operations and cash flows of the Group.
- 9.7 The proforma consolidated financial information have been prepared in accordance with the accounting policies adopted by the Company, which are similar to those of its subsidiaries, as set out in the audited financial statements of its subsidiaries presented elsewhere in the Prospectus.
- 9.8 For the purpose of inclusion in the proforma consolidated financial information, the statutory audited financial statements of all ZCB's subsidiaries except for Zhulian (Singapore) Pte Ltd ("ZSG") for the three (3) years ended 30 November 2004 to 2006 have been prepared in accordance with applicable approved accounting standards in Malaysia and were audited by KPMG Penang in accordance with approved Standards on Auditing in Malaysia. The financial statements of ZSG for the three (3) years ended 30 November 2004 to 2006 have been prepared in accordance with relevant accounting standards applicable in Singapore and were audited by Messrs Rohan • Mah & Partners. There is no significant effect between those adopted by ZSG with the applicable approved accounting standards in Malaysia in view of its insignificant size.

The audit reports in respect of the statutory financial statements of all ZCB's subsidiaries for the financial years ended 30 November 2004 to 2006 were not subject to any qualifications.



XI. FINANCIAL INFORMATION (CONT'D)

5. CONSOLIDATED PROFIT FORECAST

Financial year ending 30 November	Forecast 2007 RM 000
Revenue	<u>253,322</u>
Consolidated PBT	88,599
Taxation	<u>(24,731)</u>
Consolidated PAT	63,868
Less: MI	<u>-</u>
Consolidated PAT and MI	<u>63,868</u>

<i>Based on our enlarged share capital:</i>	
Gross EPS (sen) ⁽ⁱ⁾	25.68
Net EPS (sen) ⁽ⁱⁱ⁾	18.51
<i>PE Multiples based on the Offer Price of RM1.23 per Share:</i>	
Gross PE Multiple (times) ⁽ⁱ⁾	4.79
Net PE Multiple (times) ⁽ⁱⁱ⁾	6.65
<i>Based on the weighted average of number of shares in issue:</i>	
Gross EPS (sen) ⁽ⁱ⁾	27.14
Net EPS (sen) ⁽ⁱⁱ⁾	19.57
<i>PE Multiples based on the Offer Price of RM1.23 per Share:</i>	
Gross PE Multiple (times) ⁽ⁱ⁾	4.53
Net PE Multiple (times) ⁽ⁱⁱ⁾	6.29

Notes:

- (i) Computed based on consolidated PBT of RM88.599 million over our enlarged share capital of 345 million Shares or the weighted average number of shares in issue of 326.421 million Shares.
- (ii) Computed based on consolidated PAT of RM63.868 million over our enlarged share capital of 345 million Shares or the weighted average number of shares in issue of 326.421 million Shares

Our consolidated profit forecast has been prepared on bases and accounting principles consistent with those adopted by our Group (as set out in the Reporting Accountants' Letter on the proforma consolidated financial information in Section XI(4) of this Prospectus).

The principal assumptions upon which the above consolidated profit forecast have been made are set out in the Reporting Accountant's Letter on the consolidated profit forecast set out in Section XI(8) of this Prospectus.

XI. FINANCIAL INFORMATION (CONT'D)

6. DIRECTORS' ANALYSIS AND COMMENTARY ON THE CONSOLIDATED PROFIT FORECAST

Our Directors have reviewed and analysed the bases and assumptions used in arriving at our consolidated profit forecast for the financial year ending and 30 November 2007 and are of the opinion that our consolidated profit forecast are achievable in light of the prospects of the direct selling industry in which we operate in and the future plans, strategies and the prospects of our Group as set out in Section VIII of this Prospectus and after taking into consideration our forecast gearing levels, liquidity, capital expenditure and working capital requirements.

Nevertheless, these bases and assumptions are relating to future periods for which there are inherent risks, and therefore should be treated with caution. The bases and assumptions are subject to significant uncertainties and contingencies, which are often outside our control. Therefore certain assumptions used in the preparation of our consolidated profit forecast for the financial year ending 30 November 2007 may differ significantly from the actual situation after the date of this Prospectus.

7. SENSITIVITY ANALYSIS

The following scenarios attempt to show the impact on our consolidated forecast PBT and PAT resulting from changes in revenue and cost of sales.

(i) Variation in Revenue

A sensitivity analysis on our Group consolidated forecast PBT and PAT for the financial year ending 30 November 2007 based on a deviation of 10% to 20% on our Group's revenue for the financial year are set out below:

	<-----PBT----->		<-----PAT----->	
	RM 000	%	RM 000	%
Deviation				
Up 20%	50,664	57.18	36,522	57.18
Up 10%	25,332	28.59	18,261	28.59
Down 10%	(25,332)	(28.59)	(18,261)	(28.59)
Down 20%	50,664	(57.18)	(36,522)	(57.18)

XI. FINANCIAL INFORMATION (CONT'D)

(ii) Variation in Cost of Sales

A sensitivity analysis on our Group forecast consolidated PBT and PAT for the financial year ending 30 November 2007 based on a deviation of 10% to 20% on our Group's cost of sales for the financial year are set out below:

	<-----PBT----->		<-----PAT----->	
	RM 000	%	RM 000	%
Deviation				
Up 20%	(19,587)	(22.11)	(14,119)	(22.11)
Up 10%	(9,793)	(11.05)	(7,060)	(11.05)
Down 10%	9,793	11.05	7,060	11.05
Down 20%	19,587	22.11	14,119	22.11

The sensitivity analysis is prepared based on the principal assumptions as set out in Section XI(8) of this Prospectus and assumes all variables remain unchanged save for the 10% and 20% upward and downward variation in revenue and cost of sales.

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XI. FINANCIAL INFORMATION (CONT'D)

8. REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST

(Prepared for inclusion in this Prospectus)



KPMG (Firm No. AF 0758)
Chartered Accountants
1st Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

Telephone +60 (4) 227 2288
Fax +60 (4) 227 1888
Internet www.kpmg.com.my

The Board of Directors
Zhulian Corporation Berhad
Suite 2-1, 2nd Floor
Menara Penang Garden
42-A Jalan Sultan Ahmad Shah
10050 Pulau Pinang

Date 26 March 2007

Dear Sirs

**Zhulian Corporation Berhad (“ZCB” or “the Company”)
Reporting accountants’ letter on the consolidated profit forecast for the year ending 30
November 2007**

We have reviewed the consolidated profit forecast of ZCB and its subsidiaries (“ZCB Group”) for the year ending 30 November 2007 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the Standard on Auditing AI 3400 – The Examination of Prospective Financial Information (previously known as AI 810) applicable to the review of forecast. The consolidated profit forecast has been prepared for inclusion in the Prospectus of ZCB dated 3 April 2007 in connection with the following and should not be relied on for any other purposes:-

i) Offer for Sale

Offer for Sale of 122,341,000 ordinary shares of RM0.50 each in ZCB (“ZCB Shares”) to eligible directors, employees and business associates of ZCB or its subsidiaries, the Malaysian public and Bumiputera investors approved by the Ministry of International Trade and Industry at an offer price of RM1.23 per ZCB Share (“Offer for Sale”).

ii) Listing

Listing of and quotation for the entire enlarged issued and paid-up share capital of ZCB comprising 345,000,000 ZCB Shares on the Main Board of Bursa Malaysia Securities Berhad (“Listing”).

XI. FINANCIAL INFORMATION (CONT'D)



Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted by the ZCB Group. The Directors of ZCB are solely responsible for the preparation and presentation of the consolidated profit forecast, and the assumptions on which the consolidated profit forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which a forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matter stated in the preceding paragraph:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted by the ZCB Group.

Yours faithfully

A handwritten signature in black ink, appearing to be 'KPMG' or a similar stylized name.

KPMG
Chartered Accountants

XI. FINANCIAL INFORMATION (CONT'D)

**ZHULIAN CORPORATION BERHAD
AND ITS SUBSIDIARIES
("ZCB Group" or "the Group")**

**CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 30 NOVEMBER 2007**

The directors forecast that the consolidated profit forecast for the financial year ending 30 November 2007 will be as follows :-

	Forecast 2007 RM'000
Revenue	253,322
Consolidated profit before taxation	88,599
Taxation	(24,731)
Consolidated profit after taxation	63,868
Less : Minority interest	-
Consolidated profit after taxation and minority interest	63,868

Based on enlarged issued and paid-up share capital

The earnings per share ("EPS") based on the enlarged issued and paid up share capital is as follows :

Gross EPS (sen) ⁽ⁱ⁾	25.68
Net EPS (sen) ⁽ⁱⁱ⁾	18.51

The Price to Earnings Multiple ("PE Multiple") based on the offer price of RM1.23 per ordinary share is as follows :

Gross PE Multiple (times) ⁽ⁱ⁾	4.79
Net PE Multiple (times) ⁽ⁱⁱ⁾	6.65

Based on weighted average shares in issue

The EPS based on the weighted average shares in issue is as follows :

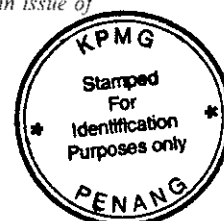
Gross EPS ⁽ⁱ⁾	27.14
Net EPS ⁽ⁱⁱ⁾	19.57

The PE Multiple based on the offer price of RM1.23 per ordinary share is as follows :

Gross PE Multiple (times) ⁽ⁱ⁾	4.53
Net PE Multiple (times) ⁽ⁱⁱ⁾	6.29

Notes:

- (i) Computed based on consolidated PBT of RM88.599 million over the no. of shares in issue of 345 million or weighted average no. of shares in issue of 326.421 million.
- (ii) Computed based on consolidated PAT of RM63.868 million over the no. of shares in issue of 345 million or weighted average no. of shares in issue of 326.421 million.



XI. FINANCIAL INFORMATION (CONT'D)

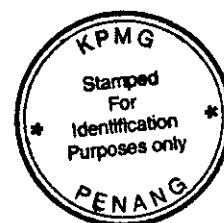
**ZHULIAN CORPORATION BERHAD
AND ITS SUBSIDIARIES
("ZCB Group" or "the Group")**

**CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 30 NOVEMBER 2007**

BASES AND ASSUMPTIONS

The principal bases and assumptions upon which the consolidated profit forecast has been arrived at are set out below:

- a) There will be no significant changes in the principal activities, management structure and business operating policies adopted by the Group.
- b) There will be no significant changes in the accounting policies adopted by the Group.
- c) There will be no change in the ZCB's group structure for the financial year ending 30 November 2007.
- d) There will be no significant changes in the prevailing economic conditions in Malaysia and elsewhere which will directly or indirectly have an adverse effect on the activities or performance of the Group.
- e) There will be no significant changes in the present government regulations and legislations, which would adversely affect the operations of the Group or the market in which it operates.
- f) There will be no major breakdown or disruption in the manufacturing facilities, industrial disputes or any abnormal circumstances, which will adversely affect the achievement of sales at their forecast levels, and/or disrupt the planned operations of the Group.
- g) There will be no unexpected problems that may affect the Group's various manufacturing programmes.
- h) There will be no significant changes in the existing key personnel and management of the Group that will adversely affect the marketing capability and level of activities of the Group.
- i) There will be no significant changes in operating expenses including wages, cost of supplies, administrative and overhead expenses and other costs other than as forecast.
- j) There will be no major changes to the number of agencies and distributors other than those included in the forecast.
- k) There will be no significant changes in the current pricing of Group's products.



XI. FINANCIAL INFORMATION (CONT'D)**BASES AND ASSUMPTIONS (Cont'd)**

- l) The forecast turnover and related costs are based on the estimates of directors after taking into consideration the present conditions of selling prices and related costs of the Group. There will be no material changes to the forecast selling price, sales mix, sales volume and profit margins.
- m) Production/processing costs will not be adversely affected by any abnormal circumstances or events. There will be no shortage in the supply of raw materials and no material fluctuations in raw materials costs.
- n) There will be no significant changes in current demand and in the prevailing market conditions other than those included in the forecast which will adversely affect the performance of the Group.
- o) Existing financial facilities will remain available with no significant changes in the interest rates and the Group will be able to procure sufficient financing activities for working capital purposes, if necessary.
- p) The rates and bases of taxation including the tax incentives and government duties applicable to the Group will be consistent with their present levels. The Malaysian income tax rate relevant to the Group is 27% for 2007, whereas the Thailand tax rate relevant to the Group is expected to remain at 30%.
- q) The Group is not engaged in any material litigation and there will be no legal proceedings against the Group which will adversely affect the activities or performance of the Group or give rise to any contingent liabilities which will materially affect the position or business of the Group. The current litigation and legal proceedings against the Group will also not adversely affect the activities or performance of the Group.
- r) Capital expenditure will be incurred as planned and there will be no significant disposal of property, plant and equipment which could give rise to significant profit or loss on disposal. Planned capital expenditure for the Group will be as follows :-

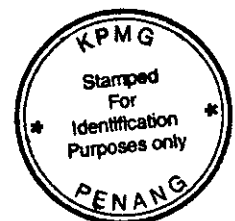
RM'000

Financial year ending 30 November 2007	38,000
--	--------

- s) There will be no major capital and revenue cost item variations that are beyond the control of the Group.
- t) The domestic inflation rates and the exchange rates of Ringgit Malaysia against the foreign currencies the Group transacts in will not change materially from the current levels. The Group assumes the following exchange rates in the profit forecast :-

	Forecast 2007
SGD 1 :	RM2.200
Thai Baht 1 :	RM0.100

- u) There will be no significant incidence of bad debts other than as forecast.



XI. FINANCIAL INFORMATION (CONT'D)

BASES AND ASSUMPTIONS (Cont'd)

- v) The existing terms and conditions of contracts and agreements entered into by the Group will remain in force.
- w) Interest rates will not change significantly and for the purpose of the forecast, the rates used for borrowings are assumed at 3.25 % and 3.55% per annum whilst the rate earned on short term deposits is assumed at 2.5% per annum.
- x) Related party transactions are entered in the normal course of business and are established on a negotiated basis which is no less favorable than those arranged with independent 3rd parties.
- y) ZCB will implement the following:-

Offer for Sale

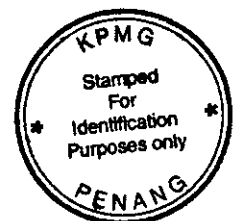
Offer for Sale of 122,341,000 ZCB Shares to eligible directors, employees and business associates of ZCB or its subsidiaries, the Malaysian public and Bumiputera investors approved by the Ministry of International Trade and Industry at an offer price of RM1.23 per ZCB Share.

The completion date for the Offer for Sale is assumed to be in early May 2007.

Listing

Listing of and quotation for the entire enlarged issued and paid-up share capital of ZCB comprising 345,000,000 ZCB Shares on the Main Board of Bursa Malaysia Securities Berhad. The estimated share issue expenses of RM3,000,000 will be set-off against the available Share Premium account and the remaining balance will be charged to the Income Statement.

- z) The Group's accounting policy is to state goodwill on consolidation at cost less accumulated impairment losses, if any. Negative goodwill will be recognised as income in the year of acquisition.



XI. FINANCIAL INFORMATION (CONT'D)

9. DIVIDEND FORECAST AND POLICY

It is the policy of our Directors to recommend dividends to allow shareholders to participate in the profits of our Company as well as to leave adequate reserves for future growth of our Group.

It is our Board's intention to maintain a dividend payout ratio of at least 60% of our Group's PAT in the future financial years after taking into consideration the following factors and the financial position of our Group in recommending and determining the level of dividend payments, if any, in any particular financial year or period:

- our Group's level of cash, gearing, return on equity and retained earnings;
- our Group's availability of tax credits to frank dividends;
- our Group's projected level of capital expenditure;
- our Company's investment plans; and
- our Group's working capital requirements.

We can only frank dividends out of profits of our Company and dividend income received from our subsidiaries.

Save for the Special Additional Dividends, we have not declared any dividend in respect of the financial year ended 30 November 2006. Based on our Company's consolidated PAT of RM63.868 million for the financial year ending 30 November 2007, our Directors anticipate that our Company will be in a position to propose a net dividend of 11.10 sen for the financial year ending 30 November 2007 based on the issued and paid-up share capital of 345,000,000 Shares representing a net yield of 9.02% based on the Offer Price of RM1.23 per Share.

Based on the considerations set out above, our Directors anticipate that the proposed dividend for the financial year ending 30 November 2007 will be as follows:

	Forecast 2007
Gross dividend per ZCB Share (sen) ⁽ⁱ⁾	13.74
Gross dividend yield ⁽ⁱⁱ⁾	11.17%
Gross dividend cover (times) ⁽ⁱⁱⁱ⁾	1.87
Net dividend per ZCB Share (sen) ⁽ⁱ⁾	11.10
Net dividend yield ⁽ⁱⁱ⁾	9.02%
Net dividend cover (times) ⁽ⁱⁱⁱ⁾	1.67

Notes:

(i) Based on ZCB's enlarged issued and paid-up share capital of 345,000,000 ZCB Shares.

(ii) Based on the offer price of RM1.23 per ZCB share.

(iii) Computed based on the consolidated PBT/PAT over gross/net dividend.

In determining our dividend payment in respect of future financial years, we aim to maintain our dividend payout ratio within our overall objective of maximising shareholders' value over the longer term.

XI. FINANCIAL INFORMATION (CONT'D)

Future dividends will not be declared if:

- (i) Our Group is in a loss position for the relevant financial year; and
- (ii) Our Group has insufficient cashflows to meet any dividend payments.

Notwithstanding the above, our Directors have full discretion not to propose any future dividend payment as and when deemed necessary, if it is in the best interests of our Company.

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XII. ACCOUNTANTS' REPORT

ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



KPMG (Firm No. AF 0758)
Chartered Accountants
1st Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

Telephone +60 (4) 227 2288
Fax +60 (4) 227 1888
Internet www.kpmg.com.my

The Board of Directors
Zhulian Corporation Berhad
Suite 2-1, 2nd Floor
Menara Penang Garden
42-A Jalan Sultan Ahmad Shah
10050 Pulau Pinang

Date 26 March 2007

Dear Sirs,

ZHULIAN CORPORATION BERHAD ("ZCB" OR "THE COMPANY") ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by Messrs KPMG, an approved company auditor, for inclusion in the Prospectus of Zhulian Corporation Berhad ("ZCB" or "the Company") dated 3 April 2007 in connection with the restructuring and listing of ZCB on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

2. GENERAL INFORMATION

2.1 THE COMPANY'S BACKGROUND

ZCB was incorporated on 2 January 1997 in Malaysia under the Companies Act, 1965 as a private limited company under the name of Zhulian Corporation Sdn Bhd. On 28 February 1997, the Company was converted into a public limited company and assumed its present name.

ZCB is an investment holding company. Further details on its subsidiaries and associate are set out in paragraph 2.4 below.

XII. ACCOUNTANTS' REPORT (CONT'D)

**2.2 RESTRUCTURING AND LISTING**

As part of the restructuring and listing, ZCB undertook/will undertake the following :

2.2.1 Share Split

ZCB implemented a share split of its existing share capital on 28 April 2006 by way of sub-dividing its existing ordinary shares of RM1.00 each into ordinary shares of RM0.50 each. Pursuant thereto, the existing authorised share capital of the Company was changed from RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM100,000 comprising 200,000 ordinary shares of RM0.50 each ("ZCB Shares"). Consequently, the existing issued and paid-up share capital of the Company has changed from RM2 comprising 2 ordinary shares of RM1.00 each to RM2 comprising 4 ZCB Shares ("Share Split").

2.2.2 Increase in Authorised Share Capital

ZCB increased its authorised share capital of RM100,000 comprising 200,000 ordinary shares of RM0.50 each to RM500,000,000 comprising 1,000,000,000 ZCB Shares ("IASC") on 28 April 2006.

2.2.3 Special Dividends and Special Additional Dividends

Prior to the implementation of the Acquisitions and Transfers as set out in paragraphs 2.2.4 and 2.2.5 respectively below, certain subsidiaries of ZCB paid special final dividends totalling RM43.55 million for the financial year ended 30 November 2005 ("Special Dividends") on 21 April 2006.

Prior to the implementation of the Offer for Sale as set out in paragraph 2.2.7 below, ZCB paid the special dividend of RM20,000,000 in respect of the year ended 30 November 2006 on 23 March 2007 ("Special Additional Dividends").

2.2.4 Acquisitions

- (i) ZCB acquired the entire issued and paid-up capital of Zhulian Jewellery Manufacturing Sdn Bhd ("ZJMSB") comprising 10,000,000 ordinary shares of RM1.00 each in ZJMSB for a purchase consideration of RM63,802,035 satisfied by the issuance of 127,604,070 new ZCB Shares credited as fully paid-up.

The purchase consideration of RM63,802,035 was arrived at based on the net tangible assets ("NTA") of ZJMSB and its subsidiaries, based on the audited consolidated financial statements of ZJMSB and its subsidiaries as at 30 November 2004 of RM63,802,035.

XII. ACCOUNTANTS' REPORT (CONT'D)


2.2.4 Acquisitions (Cont'd)

- (ii) ZCB acquired the entire issued and paid-up capital of Zhulian Industries Sdn Bhd ("ZISB") comprising 300,000 ordinary shares of RM1.00 each in ZISB for a purchase consideration of RM35,873,175 satisfied by the issuance of 71,746,350 new ZCB Shares credited as fully paid-up.

The purchase consideration of RM35,873,175 was arrived at based on the NTA of ZISB and its subsidiaries, based on the audited consolidated financial statements of ZISB and its subsidiaries as at 30 November 2004 of RM35,873,175.

- (iii) ZCB acquired the entire issued and paid-up capital of Zhulian Marketing (M) Sdn Bhd ("ZMMSB") comprising 3,000,000 ordinary shares of RM1.00 each in ZMMSB for a purchase consideration of RM36,528,231 satisfied by the issuance of 73,056,462 new ZCB Shares credited as fully paid-up.

The purchase consideration of RM36,528,231 was arrived at based on the adjusted NTA of ZMMSB and its subsidiaries, based on the audited consolidated financial statements of ZMMSB and its subsidiaries as at 30 November 2004 of RM36,528,231 after adjusting for the following transactions which were completed subsequent to 30 November 2004:

- (a) the subscription by ZMMSB of 99,998 ordinary shares in Zhulian Ventures Sdn Bhd ("ZVSB") at its par value ("ZVSB Subscription");
- (b) the acquisition by Zhulian Development Sdn Bhd ("ZDSB") of 20,000 ordinary shares of RM1.00 each in Zhulian Construction Sdn Bhd ("ZCSB") from Khoo Teng It for a cash consideration of RM20,000 ("Acquisition of 10% in ZCSB");
- (c) the acquisition by ZDSB of the entire issued and paid-up share capital of Amazing Vestrax Sdn Bhd ("AVSB") for a cash consideration of RM2 ("AVSB Acquisition"); and
- (d) the acquisition by ZDSB of the entire issued and paid-up share capital of Dexassets Sdn Bhd ("DSB") for a cash consideration of RM2 ("DSB Acquisition").
- (iv) ZCB acquired 500,000 ordinary shares of RM1.00 each in ZDSB representing 47.62% equity interest in ZDSB not held by ZMMSB for a purchase consideration of about RM327,216 satisfied via the issuance of 654,431 new ZCB Shares credited as fully paid-up.

XII. ACCOUNTANTS' REPORT (CONT'D)

*2.2.4 Acquisitions (Cont'd)*

The purchase consideration of about RM327,216 was arrived at based on the adjusted NTA of ZDSB and its subsidiaries, based on the audited consolidated financial statements of ZDSB and its subsidiaries as at 30 November 2004 after adjusting for the Acquisition of 10% in ZCSB, AVSB Acquisition and DSB Acquisition of RM687,153.

- (v) ZCB acquired the entire issued and paid-up capital of Zhulian Management Sdn Bhd ("ZMSB") comprising 100,000 ordinary shares of RM1.00 each in ZMSB for a purchase consideration of RM3,622,367 satisfied by the issuance of 7,244,734 new ZCB Shares credited as fully paid-up.

The purchase consideration of RM3,622,367 was arrived at based on the NTA of ZMSB and its subsidiary, based on the audited consolidated financial statements of ZMSB and its subsidiary as at 30 November 2004 of RM3,622,367.

- (vi) ZCB acquired the issued and paid-up capital of Zhulian Printing Industries Sdn Bhd ("ZPISB") comprising 100,000 ordinary shares of RM1.00 each in ZPISB from Teoh Beng Seng, Teoh Meng Keat and P'ng Swee Guan for a purchase consideration of RM2,072,698 satisfied by the issuance of 4,145,396 new ZCB Shares credited as fully paid-up.

The purchase consideration of RM2,072,698 was arrived at based on the NTA of ZPISB, based on the audited financial statements of ZPISB as at 30 November 2004 of RM2,072,698.

- (vii) ZCB acquired the entire issued and paid-up capital of Zhulian Properties Sdn Bhd ("ZPSB") comprising two (2) ordinary shares of RM1.00 each in ZPSB from Teoh Beng Seng and Teoh Meng Keat for a cash consideration of RM1 per share.

- (viii) ZCB acquired the entire issued and paid-up capital of Selat Nusantara Development Sdn Bhd ("SNDSB") comprising two (2) ordinary shares of RM1.00 each in SNDSB from Teoh Beng Seng and Teoh Meng Keat for a cash consideration of RM1 per share.

The Acquisitions were completed on 28 April 2006.

XII. ACCOUNTANTS' REPORT (CONT'D)*2.2.5 Transfers*

- (i) The transfer of ZJMSB's entire shareholdings in its wholly-owned subsidiaries, namely Beyond Products Technology Sdn. Bhd. ("BPTSB"), Zhulian Manufacturing Sdn Bhd ("ZMFSB") and Diamond Inspiration Sdn Bhd ("DISB") to ZCB for a cash consideration of RM1,200,000. The consideration for the transfers was arrived at based on ZJMSB's cost of investment in BPTSB, ZMFSB and DISB as at 30 November 2004 as follows:

	RM
BPTSB	100,000
ZMFSB	1,000,000
DISB	100,000
	<u>1,200,000</u>

- (ii) The transfer of Master Square Sdn. Bhd. ("MSSB") and Zhulian Nutraceutical Sdn Bhd ("ZNSB") that entail the following:
- (a) Transfer of MSSB involving the transfer of ZISB's entire shareholding in its wholly-owned subsidiary, namely MSSB to ZCB for a cash consideration of RM100,000. The purchase consideration for the transfer was arrived at based on the cost of investment of ZISB in MSSB as at 30 November 2004 of RM100,000; and
- (b) Transfer of ZNSB involving the following:
- (aa) Transfer of ZISB's entire shareholdings in ZNSB comprising 199,998 ordinary shares of RM1.00 each in ZNSB to ZCB for a cash consideration of RM199,998. The purchase consideration was arrived at based on the cost of investment of ZISB in ZNSB as at 30 November 2004 of RM199,998; and
- (bb) Transfer of the entire shareholdings of Teoh Beng Seng and Teoh Meng Keat in ZNSB comprising one (1) ordinary share of RM1.00 each in ZNSB each to ZCB at a nominal cash consideration of RM1.00 per share.
- (iii) The transfer of ZDSB and ZVSB that entails the following:
- (a) Transfer of ZDSB to ZCB involving the transfer of ZMMSB's entire shareholdings of 550,000 ordinary shares of RM1.00 each in ZDSB representing the remaining 52.38% equity interest in ZDSB for a cash consideration of RM550,000. The purchase consideration for the transfer was arrived at based on the cost of investment of ZMMSB in ZDSB of RM550,000, based on the audited financial statements of ZMMSB for the financial year ended 30 November 2004.

XII. ACCOUNTANTS' REPORT (CONT'D)



2.2.5 Transfers (Cont'd)

- (b) Transfer of ZVSB to ZCB involving the following:
 - (aa) Transfer of ZMMSB's entire shareholdings in ZVSB comprising 99,998 ordinary shares of RM1.00 each in ZVSB ("ZVSB Shares") for a cash consideration of RM99,998. The purchase consideration was arrived at based on the cost of investment of ZMMSB in ZVSB of RM99,998, based on the audited financial statements of ZMMSB for the financial year ended 30 November 2004 after taking into account the ZVSB Subscription; and
 - (bb) Transfer of the entire shareholdings of Teoh Beng Seng and Teoh Meng Keat in ZVSB comprising one (1) ZVSB Share each, at a nominal cash consideration of RM1.00 cash per ZVSB Share.

The Transfers were completed on 28 April 2006.

2.2.6 Rights Issue

Rights Issue of 60,548,553 new ZCB Shares at an issue price of RM0.535 per ZCB Share, for cash on the basis of approximately 0.213 new ZCB Share for every 1 existing ZCB Share held, based on the existing share capital of 284,451,447 ZCB Shares after the Acquisitions and Transfers ("Rights Issue").

The Rights Issue was completed on 23 March 2007.

2.2.7 Offer for Sale

Offer for Sale of 122,341,000 ZCB Shares to eligible directors, employees and business associates of ZCB or its subsidiaries, the Malaysian public and Bumiputera investors approved by the Ministry of International Trade and Industry at an offer price of RM1.23 per ZCB Share.

2.2.8 Listing

Listing of and quotation for the entire enlarged issued and paid-up share capital of ZCB comprising 345,000,000 ZCB Shares on the Main Board of Bursa Securities. The estimated share issue expenses of RM3,000,000 will be set-off against the available Share Premium account and the remaining balance will be charged to the Income Statement.

The above restructuring and listing exercises were approved by the Securities Commission on 19 December 2005, 19 April 2006, 26 June 2006, 11 October 2006 and 3 January 2007.

XII. ACCOUNTANTS' REPORT (CONT'D)**2.3 SHARE CAPITAL**

At the date of incorporation, the authorised share capital of ZCB was 100,000 ordinary shares of RM1.00 each and its issued and paid up share capital was RM2.00 comprising 2 ordinary shares of RM1.00 each. The authorised share capital was increased to 1,000,000,000 ordinary shares of RM0.50 each on 28 April 2006.

Pursuant to the restructuring scheme mentioned in section 2.2 above, the issued and paid-up share capital of ZCB was increased to RM142,225,724 comprising 284,451,447 ordinary shares of RM0.50 each as shown below :-

Date of allotment/ subdivision	No. of ordinary shares	Par value RM	Consideration	Total issued and fully paid- up share capital (cumulative) RM
2.1.1997	2	1.00	Subscribers' shares	2
28.4.2006	2	0.50	Subdivision of par value from RM1.00 per ordinary share to RM0.50 per ordinary share	2
28.4.2006	284,451,443	0.50	Acquisition of subsidiaries as detailed in 2.2.4 above via issue of shares at par of RM0.50 each	142,225,724
23.3.2007	60,548,553	0.50	Rights issue (Basis : approximately 0.213 for every 1 share held)	172,500,000

2.4 SUBSIDIARIES AND ASSOCIATE**ZJMSB**

ZJMSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 20 June 1989 under the name of Zhulian Goldcraft Sdn. Bhd. ZJMSB subsequently assumed its present name on 24 November 1999.

The principal activity of ZJMSB is the manufacturing of costume and fine jewellery. ZJMSB commenced its business operations in 1989.

The authorised share capital of ZJMSB is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. All the ordinary shares have been issued and fully paid-up.

XII. ACCOUNTANTS' REPORT (CONT'D)**2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)****ZJMSB (Cont'd)**

Detailed changes in the issued and paid-up share capital of ZJMSB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
20.6.1989	5	Subscribers' shares	5
21.5.1990	981,361	Cash	981,366
30.9.1993	268,634	Cash	1,250,000
18.11.1999	8,750,000	Bonus issue on the basis of 7 new ordinary shares of RM1.00 each for every 1 existing ordinary share of RM1.00 each held in ZJMSB	10,000,000

ZMFSB

ZMFSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 3 July 1996 under its present name.

ZMFSB is principally engaged in the manufacturing of bedroom apparels and therapeutic products. ZMFSB commenced its business operations in August 1999 as an investment holding company. During the financial year ended 30 November 2003, it ceased its business operations as an investment holding company and carried out the manufacturing of the above products.

The authorised share capital of ZMFSB is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. All the ordinary shares have been issued and fully paid-up.

XII. ACCOUNTANTS' REPORT (CONT'D)**2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)****ZMFSB (Cont'd)**

Detailed changes in the issued and paid-up share capital of ZMFSB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
3.7.1996	2	Subscribers' shares	2
26.11.2003	99,998	Cash	100,000
15.4.2004	900,000	Cash	1,000,000

ZISB

ZISB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 14 June 1994 as Grace Impression Sdn. Bhd. and assumed its present name on 31 January 1996.

ZISB is principally engaged in the manufacturing of consumer products. ZISB commenced its business operations on 1 November 1994 in the direct marketing of jewellery products for a year before it changed its business operations to trading of consumer products. ZISB commenced manufacturing of consumer products towards the end of November 2000.

The authorised share capital of ZISB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 300,000 ordinary shares have been issued and fully paid-up.

Detailed changes in the issued and paid-up share capital of ZISB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
14.6.1994	2	Subscribers' shares	2
1.7.1994	1	Cash	3
9.9.1994	49,997	Cash	50,000
30.11.1996	250,000	Cash	300,000

XII. ACCOUNTANTS' REPORT (CONT'D)


2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)
BPTSB

BPTSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 9 May 1996 under the name Park Metropolitan Sdn. Bhd. and assumed its present name on 7 August 2001.

BPTSB is principally engaged in the manufacturing of water treatment system and its related products. BPTSB commenced its business operations in November 2001.

The authorised share capital of BPTSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. All the ordinary shares have been issued and fully paid-up.

Detailed changes in the issued and paid-up share capital of BPTSB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
9.5.1996	2	Subscribers' shares	2
1.10.2001	99,998	Cash	100,000

ZNSB

ZNSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 4 March 2004 under its present name.

ZNSB has not commenced operations since the date of its incorporation.

The authorised share capital of ZNSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 200,000 ordinary shares have been issued and fully paid-up.

Detailed changes in the issued and paid-up share capital of ZNSB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
4.3.2004	2	Subscribers' shares	2
15.4.2004	199,998	Cash	200,000

XII. ACCOUNTANTS' REPORT (CONT'D)


2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)
ZPISB

ZPISB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 9 May 1991 under the name of Paveway Corporation Sdn. Bhd. ZPISB subsequently assumed its present name on 12 March 1994.

ZPISB is principally engaged in the printing of brochures, leaflets, catalogues, name cards and other related documents. ZPISB commenced its business operations in the trading of jewellery, manufacturing of consumables and tools in 1991 and ceased the business operations since July 2002. ZPISB resumed its business operations in July 1994.

The authorised share capital of ZPISB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. All the ordinary shares have been issued and fully paid-up.

Detailed changes in the issued and paid-up share capital of ZPISB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
9.5.1991	2	Subscribers' shares	2
1.7.1994	99,998	Cash	100,000

ZMMSB

ZMMSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 28 August 1989 under its present name.

ZMMSB is principally engaged in the direct marketing of costume jewellery and consumer products. ZMMSB commenced its business operations in 1989.

The authorised share capital of ZMMSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 3,000,000 ordinary shares have been issued and fully paid-up.

XII. ACCOUNTANTS' REPORT (CONT'D)**2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)****ZMMSB (Cont'd)**

Detailed changes in the issued and paid-up share capital of ZMMSB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
28.8.1989	2	Subscribers' shares	2
30.11.1991	300,000	Cash	300,002
18.11.1999	1,699,998	Bonus issue on the basis of 566,662 ordinary shares of RM1.00 each for every 100,000 existing ordinary shares of RM1.00 each held in ZMMSB	2,000,000
29.4.2002	1,000,000	Bonus issue on the basis of 1 new ordinary share of RM1.00 each for every 2 existing ordinary shares of RM1.00 each held in ZMMSB	3,000,000

Zhulian (Singapore) Pte Ltd ("ZSG")

ZSG was incorporated in Singapore under the Companies Act, Chapter 50 of Republic of Singapore as a private limited company on 8 August 2001 under its present name.

ZSG is principally engaged in the direct marketing of all kinds of costume jewellery and consumer products. ZSG commenced its business operations on 1 April 2004.

The authorised share capital of ZSG is SGD100,000 comprising 100,000 ordinary shares of SGD1.00 each. All the ordinary shares have been issued and fully paid-up.

XII. ACCOUNTANTS' REPORT (CONT'D)**2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)****Zhulian (Singapore) Pte Ltd ("ZSG") (Cont'd)**

Detailed changes in the issued and paid-up share capital of ZSG since its incorporation are as follows :

Date of allotment	No of ordinary shares of SGD1.00 each allotted	Consideration	Resultant issued and paid-up share capital (SGD)
8.8.2001	2	Subscribers' shares	2
28.11.2003	99,998	Cash	100,000

MSSB

MSSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 30 May 1996 under its present name.

MSSB is principally engaged in the trading of consumer products. MSSB commenced its business operations in December 2000.

The authorised share capital of MSSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. All ordinary shares have been issued and fully paid-up.

Detailed changes in the issued and paid-up share capital of MSSB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
30.5.1996	2	Subscribers' shares	2
15.12.2000	99,998	Cash	100,000

ZMSB

ZMSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 18 January 1996 under its present name.

ZMSB is principally engaged in the provision of management services and investment holding. ZMSB commenced its business operations on 18 January 1996.

XII. ACCOUNTANTS' REPORT (CONT'D)**2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)****ZMSB (Cont'd)**

The authorised share capital of ZMSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. All the ordinary shares have been issued and fully paid-up.

Detailed changes in the issued and paid-up share capital of ZMSB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
18.1.1996	2	Subscribers' shares	2
15.1.1997	99,998	Cash	100,000

ZDSB

ZDSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 25 October 1994 under its present name.

ZDSB is principally engaged in property development. ZDSB was inactive since 1998.

The authorised share capital of ZDSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 1,050,000 ordinary shares have been issued and fully paid-up.

Detailed changes in the issued and paid-up share capital of ZDSB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
25.10.1994	3	Subscribers' shares	3
8.5.1996	499,997	Cash	500,000
30.11.1998	550,000	Cash	1,050,000

XII. ACCOUNTANTS' REPORT (CONT'D)


2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)
SNDSB

SNDSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 8 September 2004 under its present name.

SNDSB has not commenced operations since the date of its incorporation.

The authorised share capital of SNDSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and fully paid-up. There has been no change in the issued and paid-up share capital of SNDSB since its incorporation.

ZCSB

ZCSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 2 January 1997 under its present name.

The principal activity of ZCSB is that of a building contractor. ZCSB commenced its business operations on 2 January 1997. ZCSB was dormant during the financial years ended 30 November 2000 to 2003. During the financial years ended 30 November 2004 to 30 November 2006, ZCSB was engaged in the renovation works and became dormant in November 2006.

The authorised share capital of ZCSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 200,000 ordinary shares have been issued and fully paid-up.

Detailed changes in the issued and paid-up share capital of ZCSB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
2.1.1997	2	Subscribers' shares	2
26.8.1997	199,998	Cash	200,000

ZVSB

ZVSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 7 September 2004 under its present name.

ZVSB has not commenced operations since the date of its incorporation.

XII. ACCOUNTANTS' REPORT (CONT'D)**2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)****ZVSB (Cont'd)**

The authorised share capital of ZVSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. All the ordinary shares have been issued and fully paid-up.

Detailed changes in the issued and paid-up share capital of ZVSB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
7.9.2004	2	Subscribers' shares	2
18.4.2005	99,998	Cash	100,000

AVSB

AVSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 20 April 2005 under its present name.

AVSB has not commenced operations since the date of its incorporation.

The authorised share capital of AVSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and fully paid-up. There has been no change in the issued and paid-up share capital of AVSB since its incorporation.

DISB

DISB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 24 January 1996 under its present name.

The principal activity of DISB is that of trading of jewellery products. DISB commenced its business operations on 1 January 2000. Presently, DISB is dormant.

The authorised share capital of DISB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. All the ordinary shares have been issued and fully paid-up.

XII. ACCOUNTANTS' REPORT (CONT'D)


2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)
DISB (Cont'd)

Detailed changes in the issued and paid-up share capital of DISB since its incorporation are as follows :

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
24.1.1996	2	Subscribers' shares	2
16.6.2000	99,998	Cash	100,000

DSB

DSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 4 April 2005 under its present name.

DSB has not commenced operations since the date of its incorporation.

The authorised share capital of DSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and fully paid-up. There has been no change in the issued and paid-up share capital of DSB since its incorporation.

ZPSB

ZPSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 7 September 2004 under its present name.

ZPSB has not commenced operations since the date of its incorporation.

The authorised share capital of ZPSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and fully paid-up. There has been no change in the issued and paid-up share capital of ZVSB since its incorporation.

Zhulian Thailand Ltd. ("ZTH")

ZTH was incorporated in Thailand under the provisions of the Civil and Commercial Code (Thailand) on 14 June 1996 as a private limited company under its present name.

The principal activity of ZTH is the direct marketing of costume jewellery and consumer products. ZTH commenced its business operations on 14 June 1996.

XII. ACCOUNTANTS' REPORT (CONT'D)**2.4 SUBSIDIARIES AND ASSOCIATE (Cont'd)*****Zhulian Thailand Ltd. ("ZTH") (Cont'd)***

The authorised share capital of ZTH is THB20,000,000 comprising 200,000 ordinary shares of THB100 each. All the ordinary shares have been issued and fully paid-up.

Detailed changes in the issued and paid-up share capital of ZTH since its incorporation are as follows:

Date of allotment	No of ordinary shares of THB100 each allotted	Consideration	Resultant issued and paid-up share capital (THB)
4.5.1996	100,000	Cash	10,000,000
27.9.2004	100,000	Cash	20,000,000

3. FINANCIAL STATEMENTS AND AUDITORS

The financial year end of all the companies is 30 November. KPMG were the auditors of ZCB and all the subsidiaries except for ZSG, for the financial years ended 30 November 2004 to 2006. The financial statements of ZSG for the financial years ended 30 November 2004 to 2006 were audited by Messrs Rohan • Mah & Partners.

The auditors' reports of ZCB and all the subsidiaries for the financial period/years under review were not subject to any qualification.

The auditors' report on the consolidated financial statements of ZCB for the year ended 30 November 2006 is set out in Appendix I.

4. ACCOUNTING POLICIES AND STANDARDS

This report is prepared in accordance with applicable approved accounting standards in Malaysia except for ZSG and consistent with the accounting policies adopted by ZCB and its subsidiaries ("ZCB Group") for the financial year ended 30 November 2006, a summary of which is set out in Section 6.1 of Reporting Accountants' Letter on proforma financial information ("PFI"). ZSG prepared its financial statements in accordance with relevant accounting standards applicable in Singapore and there is no significant effect between those adopted by ZSG with the applicable approved accounting standards in Malaysia in view of its insignificant size.

XII. ACCOUNTANTS' REPORT (CONT'D)**5. INCOME STATEMENTS**

The income statements of each of the companies in the ZCB Group based on the audited financial statements for the past three (3) financial period/years are set out below:

5.1 ZCB Group

	Year ended 30 November 2006
	RM'000
Revenue	126,007
Cost of sales	(54,899)
Gross profit	<u>71,108</u>
Administrative expenses	(11,590)
Distribution costs	(37,304)
Other operating expenses	(299)
Other operating income	46,075
Operating profit	<u>67,990</u>
Finance costs	(41)
Share of profit in an associate	7,356
Profit before tax	<u>73,305</u>
Tax expense	
-The Company and subsidiaries	(8,286)
-An associate	(2,247)
	<u>(10,533)</u>
Profit after tax	<u>64,772</u>
Minority interests	-
Net profit for the year	<u>64,772</u>
Net dividend per ordinary share (sen)	<u>7.03</u>
Number of shares in issue during the year ('000)	@#169,427
Earnings per share (RM)	
- Gross	0.43
- Net	0.38
Gross profit margin (%)	56.43
Net profit margin (%)	51.40

XII. ACCOUNTANTS' REPORT (CONT'D)**5.1 ZCB Group (Cont'd)**

The Special Additional Dividends of RM20,000,000 in respect of the year ended 30 November 2006 was paid on 23 March 2007 (which has not been accounted for in the financial statements).

@ The share split from par value of RM1.00 each to RM0.50 each was on 28 April 2006.

The increase of 284,451,443 ordinary share was on 28 April 2006.

5.1.1 ZCB

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM'000
Revenue	-	-	27,094
Administrative expenses	(7,261)	(8,645)	(10)
(Loss)/Profit before tax	(7,261)	(8,645)	27,084
Tax expense	-	-	(2,604)
Net (loss)/profit for the year	(7,261)	(8,645)	24,480
Net dividend per ordinary share (sen)	-	-	7.03
Weighted average number of shares in issue during the year	2	2	@# 169,427,366
(Loss)/Earnings per share (RM)			
- Gross	(3,630.50)	(4,322.50)	0.16
- Net	(3,630.50)	(4,322.50)	0.14
Gross profit margin (%)	-	-	-
Net profit margin (%)	-	-	90.35
Debtors' turnover period (months)	-	-	-
Creditors' turnover period (months)	-	-	-
Inventories' turnover period (months)	-	-	-

The Special Additional Dividends of RM20,000,000 in respect of the year ended 30 November 2006 was paid on 23 March 2007 (which has not been accounted for in the financial statements).

@ The share split from par value of RM1.00 each to RM0.50 each was on 28 April 2006.

The increase of 284,451,443 ordinary share was on 28 April 2006.

XII. ACCOUNTANTS' REPORT (CONT'D)**5.2 ZJMSB**

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	37,072,397	32,486,219	33,994,513
Cost of sales	(25,577,325)	(17,965,808)	(17,589,089)
Gross profit	<u>11,495,072</u>	<u>14,520,411</u>	<u>16,405,424</u>
Administrative expenses	(3,787,785)	(3,943,016)	(4,973,597)
Distribution costs	(194,640)	(240,550)	(188,302)
Other operating expense	-	-	(20,792)
Other operating income	2,527,759	3,294,586	10,041,311
Operating profit	<u>10,040,406</u>	<u>13,631,431</u>	<u>21,264,044</u>
Finance costs	(385,636)	(321,277)	(114,549)
Profit before tax	<u>9,654,770</u>	<u>13,310,154</u>	<u>21,149,495</u>
Tax expense	(3,086,159)	(4,195,776)	(5,897,385)
Net profit for the year	<u><u>6,568,611</u></u>	<u><u>9,114,378</u></u>	<u><u>15,252,110</u></u>
Net dividend per ordinary share (sen)	<u>-</u>	<u>93.40</u>	<u>69.80</u>
Number of shares in issue during the year	10,000,000	10,000,000	10,000,000
Earnings per share (RM)			
- Gross	0.97	1.33	2.11
- Net	0.66	0.91	1.53
Gross profit margin (%)	31.00	44.70	48.26
Net profit margin (%)	17.72	28.06	44.87
Debtors' turnover period (months)	2.58	2.37	3.05
Creditors' turnover period (months)	0.82	0.57	0.36
Inventories' turnover period (months)	7.60	11.66	11.80

XII. ACCOUNTANTS' REPORT (CONT'D)**5.3 ZMFSB**

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	4,285,527	11,702,285	7,709,548
Cost of sales	(3,125,709)	(8,608,833)	(5,399,821)
Gross profit	<u>1,159,818</u>	<u>3,093,452</u>	<u>2,309,727</u>
Selling and distribution expenses	(41,266)	(52,549)	(88,843)
Administrative expenses	(45,998)	(258,548)	(346,277)
Other operating expenses	-	-	(22,456)
Other operating income	46,220	4,379	1,381
Profit before tax	<u>1,118,774</u>	<u>2,786,734</u>	<u>1,853,532</u>
Tax expense	(277,582)	(696,838)	(504,888)
Net profit for the year	<u>841,192</u>	<u>2,089,896</u>	<u>1,348,644</u>
Net dividend per ordinary share (sen)	<u>-</u>	<u>167.00</u>	<u>-</u>
Weighted average number of shares in issue during the year	^662,500	1,000,000	1,000,000
Earnings per share (RM)			
- Gross	1.69	2.79	1.85
- Net	1.27	2.09	1.35
Gross profit margin (%)	27.06	26.43	29.96
Net profit margin (%)	19.63	17.86	17.49
Debtors' turnover period (months)	2.33	2.13	1.83
Creditors' turnover period (months)	0.90	0.48	0.50
Inventories' turnover period (months)	7.95	4.41	8.13

^ The increase of 900,000 ordinary shares was on 15 April 2004.

XII. ACCOUNTANTS' REPORT (CONT'D)**5.4 ZISB**

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	39,937,812	45,464,864	49,063,643
Cost of sales	(23,706,709)	(27,653,485)	(30,853,662)
Gross profit	<u>16,231,103</u>	<u>17,811,379</u>	<u>18,209,981</u>
Administrative expenses	(2,283,034)	(2,922,088)	(2,867,402)
Distribution costs	(191,355)	(257,260)	(356,224)
Other operating expenses	-	(130,785)	(336,201)
Other operating income	172,637	554,897	4,553,261
Operating profit	<u>13,929,351</u>	<u>15,056,143</u>	<u>19,203,415</u>
Financing costs	(14,099)	-	-
Profit before tax	<u>13,915,252</u>	<u>15,056,143</u>	<u>19,203,415</u>
Tax expense	(3,915,410)	(3,831,284)	(5,433,626)
Net profit for the year	<u><u>9,999,842</u></u>	<u><u>11,224,859</u></u>	<u><u>13,769,789</u></u>
Net dividends per ordinary share (sen)	<u>-</u>	<u>4,293.33</u>	<u>2,196.71</u>
Number of shares in issue during the year	300,000	300,000	300,000
Earnings per share (RM)			
- Gross	46.38	50.19	64.01
- Net	33.33	37.42	45.90
Gross profit margin (%)	40.64	39.18	37.12
Net profit margin (%)	25.04	24.69	28.07
Debtors' turnover period (months)	1.73	2.47	2.95
Creditors' turnover period (months)	1.29	1.30	1.27
Inventories' turnover period (months)	4.48	2.45	2.45

XII. ACCOUNTANTS' REPORT (CONT'D)**5.5 BPTSB**

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	10,949,858	12,930,407	11,210,801
Cost of sales	(6,292,083)	(7,526,185)	(6,374,038)
Gross profit	<u>4,657,775</u>	<u>5,404,222</u>	<u>4,836,763</u>
Administrative expenses	(296,421)	(826,039)	(1,152,971)
Selling and distribution costs	(85,418)	(129,448)	(205,586)
Other operating expenses	(17,147)	(159,931)	(56,858)
Other operating income	5,185	48,635	38,627
Operating profit	<u>4,263,974</u>	<u>4,337,439</u>	<u>3,459,975</u>
Finance costs	(2,706)	-	-
Profit before tax	<u>4,261,268</u>	<u>4,337,439</u>	<u>3,459,975</u>
Tax expense	(1,086,415)	(946,786)	(980,837)
Net profit for the year	<u><u>3,174,853</u></u>	<u><u>3,390,653</u></u>	<u><u>2,479,138</u></u>
Net dividend per ordinary share (sen)	<u>-</u>	<u>2,900.00</u>	<u>700.00</u>
Number of shares in issue during the year	100,000	100,000	100,000
Earnings per share (RM)			
- Gross	42.61	43.37	34.60
- Net	31.75	33.91	24.79
Gross profit margin (%)	42.54	41.79	43.14
Net profit margin (%)	28.99	26.22	22.11
Debtors' turnover period (months)	2.27	0.92	1.66
Creditors' turnover period (months)	0.42	0.77	0.55
Inventories' turnover period (months)	5.80	7.78	11.51

XII. ACCOUNTANTS' REPORT (CONT'D)**5.6 ZNSB**

	4.3.2004 (date of incorporation) to 30.11.2004 RM	Year ended 30.11.2005 RM	Year ended 30.11.2006 RM
Revenue	-	-	-
Administrative expenses	(8,436)	(33,930)	(19,702)
Other operating expenses	(125)	(541)	-
Other operating income	-	-	2
Loss before tax	<u>(8,561)</u>	<u>(34,471)</u>	<u>(19,700)</u>
Tax expense	-	-	-
Net loss for the period/year	<u>(8,561)</u>	<u>(34,471)</u>	<u>(19,700)</u>
Number of shares in issue during the period/year	200,000	200,000	200,000
Loss per share (RM)			
- Gross	*0.06	0.17	0.10
- Net	*0.06	0.17	0.10
Gross profit margin (%)	-	-	-
Net loss margin (%)	-	-	-
Debtors' turnover period (months)	-	-	-
Creditors' turnover period (months)	-	-	-
Inventories' turnover period (months)	-	-	-

* Annualised

XII. ACCOUNTANTS' REPORT (CONT'D)**5.7 ZPISB**

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	6,542,704	6,835,496	5,371,038
Cost of sales	(4,697,510)	(5,217,130)	(4,489,929)
Gross profit	<u>1,845,194</u>	<u>1,618,366</u>	<u>881,109</u>
Administrative expenses	(500,026)	(680,755)	(740,706)
Selling and distribution expenses	(194,064)	(120,767)	(102,078)
Other operating expenses	-	-	(1,319)
Other operating income	282,573	260,365	123,522
Operating profit	<u>1,433,677</u>	<u>1,077,209</u>	<u>160,528</u>
Financing costs	(1,963)	(41,560)	(94,635)
Profit before tax	<u>1,431,714</u>	<u>1,035,649</u>	<u>65,893</u>
Tax expense	(248,000)	(355,822)	(28,446)
Net profit for the year	<u><u>1,183,714</u></u>	<u><u>679,827</u></u>	<u><u>37,447</u></u>
Net dividend per ordinary share (sen)	<u>-</u>	<u>600.00</u>	<u>-</u>
Number of shares in issue during the year	100,000	100,000	100,000
Earnings per share (RM)			
- Gross	14.32	10.36	0.66
- Net	11.84	6.80	0.37
Gross profit margin (%)	28.20	23.68	16.40
Net profit margin (%)	18.09	9.95	0.70
Debtors' turnover period (months)	2.11	2.32	1.85
Creditors' turnover period (months)	4.59	3.40	1.97
Inventories' turnover period (months)	2.41	2.64	1.83

XII. ACCOUNTANTS' REPORT (CONT'D)**5.8 ZMMSB**

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	170,530,883	190,205,559	148,177,296
Cost of sales	(62,497,445)	(68,497,587)	(58,319,988)
Gross profit	<u>108,033,438</u>	<u>121,707,972</u>	<u>89,857,308</u>
Administrative expenses	(7,098,928)	(8,474,566)	(7,439,570)
Selling and distribution costs	(89,738,219)	(91,075,643)	(67,424,810)
Other operating expenses	-	-	(664,878)
Other operating income	6,901,836	6,928,317	12,832,614
Operating profit	<u>18,098,127</u>	<u>29,086,080</u>	<u>27,160,664</u>
Finance costs	(10,450)	(892)	-
Profit before tax	<u>18,087,677</u>	<u>29,085,188</u>	<u>27,160,664</u>
Tax expense	(5,222,542)	(9,106,386)	(8,180,730)
Net profit for the year	<u><u>12,865,135</u></u>	<u><u>19,978,802</u></u>	<u><u>18,979,934</u></u>
Net dividends per ordinary share (sen)	<u>-</u>	<u>664.67</u>	<u>249.34</u>
Number of shares in issue during the year	3,000,000	3,000,000	3,000,000
Earnings per share (RM)			
- Gross	6.03	9.70	9.05
- Net	4.29	6.66	6.33
Gross profit margin (%)	63.35	63.99	60.64
Net profit margin (%)	7.54	10.50	12.81
Debtors' turnover period (months)	0.07	0.08	0.11
Creditors' turnover period (months)	2.68	2.24	2.26
Inventories' turnover period (months)	3.24	2.95	3.86

XII. ACCOUNTANTS' REPORT (CONT'D)**5.9 ZSG**

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	729,077	1,585,955	1,993,746
Other income	47,812	81,643	256,760
	776,889	1,667,598	2,250,506
Costs and expenses			
Cost of goods sold	(257,467)	(594,098)	(683,667)
Staff costs	(158,567)	(229,068)	(220,221)
Depreciation	(63,926)	(66,990)	(70,552)
Other operating expenses	(753,241)	(936,881)	(1,038,461)
	(1,233,201)	(1,827,037)	(2,012,901)
(Loss)/Profit before tax	(456,312)	(159,439)	237,605
Tax expense	-	-	-
Net (loss)/profit for the year	(456,312)	(159,439)	237,605
Number of shares in issue during the year	100,000	100,000	100,000
(Loss)/Earnings per share (RM)			
- Gross	(4.56)	(1.59)	2.38
- Net	(4.56)	(1.59)	2.38
Gross profit margin (%)	64.69	62.54	65.71
Net (loss)/profit margin (%)	(62.59)	(10.05)	11.92
Debtors' turnover period (months)	-	-	-
Creditors' turnover period (months)	4.56	3.07	4.73
Inventories' turnover period (months)	>8.00#	>12.00	>12.00
The exchange rates used are as follows:			
	2004 RM	2005 RM	2006 RM
1 SGD	2.316	2.231	2.346

From 1 April 2004 (date of commencement of operations) to 30 November 2004.

XII. ACCOUNTANTS' REPORT (CONT'D)

**5.10 MSSB**

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	15,618,440	21,287,464	29,601,059
Cost of sales	(11,972,928)	(16,284,050)	(21,278,141)
Gross profit	<u>3,645,512</u>	<u>5,003,414</u>	<u>8,322,918</u>
Administrative expenses	(512,261)	(579,673)	(408,295)
Distribution costs	(664)	(11,805)	(11,028)
Other operating expenses	-	(68,474)	(286,251)
Other operating income	119,973	139,022	286,606
Profit before tax	<u>3,252,560</u>	<u>4,482,484</u>	<u>7,903,950</u>
Tax expense	(854,396)	(1,268,181)	(2,190,301)
Net profit for the year	<u>2,398,164</u>	<u>3,214,303</u>	<u>5,713,649</u>
Net dividend per ordinary share (sen)	<u>-</u>	<u>2,800.00</u>	<u>2,740.00</u>
Number of shares in issue during the year	100,000	100,000	100,000
Earnings per share (RM)			
- Gross	32.53	44.82	79.04
- Net	23.98	32.14	57.14
Gross profit margin (%)	23.34	23.50	28.12
Net profit margin (%)	15.35	15.10	19.30
Debtors' turnover period (months)	2.27	2.61	2.71
Creditors' turnover period (months)	2.35	2.21	1.48
Inventories' turnover period (months)	0.28	0.15	0.18

XII. ACCOUNTANTS' REPORT (CONT'D)**5.11 ZMSB**

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	3,046,646	3,561,177	3,487,430
Administrative expenses	(1,503,692)	(1,695,277)	(2,278,334)
Other operating expenses	-	(13,471)	(74,416)
Other operating income	350,020	64,203	49,816
Operating profit	<u>1,892,974</u>	<u>1,916,632</u>	<u>1,184,496</u>
Hire purchase interest	(3,330)	-	-
Profit before tax	<u>1,889,644</u>	<u>1,916,632</u>	<u>1,184,496</u>
Tax expense	(103,436)	(956,662)	(449,831)
Net profit for the year	<u><u>1,786,208</u></u>	<u><u>959,970</u></u>	<u><u>734,665</u></u>
Net dividends per ordinary share (sen)	<u>-</u>	<u>790.00</u>	<u>-</u>
Number of shares in issue during the year	100,000	100,000	100,000
Earnings per share (RM)			
- Gross	18.90	19.17	11.84
- Net	17.86	9.60	7.35
Gross profit margin (%)	-	-	-
Net profit margin (%)	58.63	26.96	21.07
Debtors' turnover period (months)	0.83	2.44	0.69
Creditors' turnover period (months)	-	-	-
Inventories' turnover period (months)	0.26	0.25	0.21

XII. ACCOUNTANTS' REPORT (CONT'D)**5.12 ZDSB**

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	-	-	5,481,872
Cost of sales	-	-	(5,481,872)
Gross profit	-	-	-
Administrative expenses	(6,466)	(5,885)	(25,587)
Other operating income	-	-	-
Operating loss	(6,466)	(5,885)	(25,587)
Finance costs	-	-	-
Loss before tax	(6,466)	(5,885)	(25,587)
Tax expense	176	-	-
Net loss for the year	(6,290)	(5,885)	(25,587)
Number of shares in issue during the year	1,050,000	1,050,000	1,050,000
Loss per share (RM)			
- Gross	(0.01)	(0.01)	(0.02)
- Net	(0.01)	(0.01)	(0.02)
Gross profit margin (%)	-	-	-
Net loss margin (%)	-	-	(0.47)
Debtors' turnover period (months)	-	-	-
Creditors' turnover period (months)	> 12	> 12	> 12
Inventories' turnover period (months)	-	-	-

XII. ACCOUNTANTS' REPORT (CONT'D)**5.13 SNDSB**

	8.9.2004 (date of incorporation) to 30.11.2004 RM	Year ended 30.11.2005 RM	Year ended 30.11.2006 RM
Revenue	-	-	-
Administrative expenses	(3,148)	(2,102)	(2,318)
Loss before tax	<u>(3,148)</u>	<u>(2,102)</u>	<u>(2,318)</u>
Tax expense	-	-	-
Net loss for the period/year	<u>(3,148)</u>	<u>(2,102)</u>	<u>(2,318)</u>
Number of shares in issue during the period/year	2	2	2
Loss per share (RM)			
- Gross	*6,296.00	1,051.00	1,159.00
- Net	*6,296.00	1,051.00	1,159.00
Gross profit margin (%)	-	-	-
Net loss margin (%)	-	-	-
Debtors' turnover period (months)	-	-	-
Creditors' turnover period (months)	-	-	-
Inventories' turnover period (months)	-	-	-

* Annualised

XII. ACCOUNTANTS' REPORT (CONT'D)



5.14 ZCSB

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	1,280,208	3,056,496	963,145
Cost of sales	(1,043,538)	(2,607,623)	(815,933)
Gross profit	<u>236,670</u>	<u>448,873</u>	<u>147,212</u>
Administrative expenses	(161,505)	(206,373)	(291,428)
Selling and distribution expenses	(860)	(777)	-
Other operating income	1,393	1,182	2,629
Profit/(Loss) before tax	<u>75,698</u>	<u>242,905</u>	<u>(141,587)</u>
Tax expense	-	-	-
Net profit/(loss) for the year	<u>75,698</u>	<u>242,905</u>	<u>(141,587)</u>
Number of shares in issue during the year	200,000	200,000	200,000
Earnings/(Loss) per share (RM)			
- Gross	0.38	1.21	(0.71)
- Net	0.38	1.21	(0.71)
Gross profit margin (%)	18.49	14.69	15.28
Net profit/(loss) margin (%)	5.91	7.95	(14.70)
Debtors' turnover period (months)	1.64	2.57	3.32
Creditors' turnover period (months)	1.27	-	-
Inventories' turnover period (months)	-	-	-

XII. ACCOUNTANTS' REPORT (CONT'D)**5.15 ZVSB**

	7.9.2004 (date of incorporation) to 30.11.2004 RM	Year ended 30.11.2005 RM	Year ended 30.11.2006 RM
Revenue	-	-	-
Administrative expenses	(3,211)	(2,280)	(2,313)
Loss before tax	<u>(3,211)</u>	<u>(2,280)</u>	<u>(2,313)</u>
Tax expense	-	-	-
Net loss for the period/year	<u>(3,211)</u>	<u>(2,280)</u>	<u>(1,631)</u>
Weighted average number of shares in issue during the period/year	2	62,467	100,000
Loss per share (RM)			
- Gross	*6,894.21	0.04	0.02
- Net	*6,894.21	0.04	0.02
Gross profit margin (%)	-	-	-
Net loss margin (%)	-	-	-
Debtors' turnover period (months)	-	-	-
Creditors' turnover period (months)	-	-	-
Inventories' turnover period (months)	-	-	-

* Annualised

^ The increase of 99,998 ordinary shares was on 18 April 2005.

XII. ACCOUNTANTS' REPORT (CONT'D)



5.16 DISB

	Years ended 30 November		
	2004 RM	2005 RM	2006 RM
Revenue	257,150	-	-
Cost of sales	(267,868)	-	-
Gross loss	<u>(10,718)</u>	<u>-</u>	<u>-</u>
Administrative expenses	(3,736)	(6,827)	(3,826)
Selling and distribution costs	(13)	(9)	-
Other operating expenses	-	-	-
Other operating income	267,868	-	-
Profit/(Loss) before tax	<u>253,401</u>	<u>(6,836)</u>	<u>(3,826)</u>
Tax expense	-	-	-
Net profit/(loss) for the year	<u>253,401</u>	<u>(6,836)</u>	<u>(3,826)</u>
Number of shares in issue during the year	100,000	100,000	100,000
Earnings/(Loss) per share (RM)			
- Gross	2.53	(0.07)	(0.04)
- Net	2.53	(0.07)	(0.04)
Gross loss margin (%)	(4.17)	-	-
Net profit margin (%)	98.54	-	-
Debtors' turnover period (months)	3.78	-	-
Creditors' turnover period (months)	-	-	-
Inventories' turnover period (months)	-	-	-

XII. ACCOUNTANTS' REPORT (CONT'D)**5.17 ZPSB**

	7.9.2004 (date of incorporation) to 30.11.2004 RM	Year ended 30.11.2005 RM	Year ended 30.11.2006 RM
Revenue	-	-	-
Administrative expenses	(3,211)	(2,372)	(2,302)
Loss before tax	<u>(3,211)</u>	<u>(2,372)</u>	<u>(2,302)</u>
Tax expense	-	-	-
Net loss for the period/year	<u>(3,211)</u>	<u>(2,372)</u>	<u>(2,302)</u>
Number of shares in issue during the period/year	2	2	2
Loss per share (RM)			
- Gross	*6,894.21	1,186.00	1,151.00
- Net	*6,894.21	1,186.00	1,151.00
Gross profit margin (%)	-	-	-
Net loss margin (%)	-	-	-
Debtors' turnover period (months)	-	-	-
Creditors' turnover period (months)	-	-	-
Inventories' turnover period (months)	-	-	-

* Annualised

XII. ACCOUNTANTS' REPORT (CONT'D)



5.18 DSB

	4.4.2005 (date of incorporation) to 30.11.2005 RM	Year ended 30.11.2006 RM
Revenue	-	-
Administrative expenses	(4,120)	(2,285)
Loss before tax	<u>(4,120)</u>	<u>(2,285)</u>
Tax expense	-	-
Net loss for the period/year	<u>(4,120)</u>	<u>(2,285)</u>
Number of shares in issue during the period/year	2	2
Loss per share (RM)		
- Gross	*3,119.92	1,142.50
- Net	*3,119.92	1,142.50
Gross profit margin (%)	-	-
Net loss margin (%)	-	-
Debtors' turnover period (months)	-	-
Creditors' turnover period (months)	-	-
Inventories' turnover period (months)	-	-

* Annualised

XII. ACCOUNTANTS' REPORT (CONT'D)


5.19 AVSB

	20.4.2005 (date of incorporation) to 30.11.2005 RM	Year ended 30.11.2006 RM
Revenue	-	-
Administrative expenses	(4,103)	(2,292)
Loss before tax	<u>(4,103)</u>	<u>(2,292)</u>
Tax expense	-	-
Net loss for the period/year	<u>(4,103)</u>	<u>(2,292)</u>
Number of shares in issue during the period/year	2	2
Loss per share (RM)		
- Gross	*3,327.99	1,146.00
- Net	*3,327.99	1,146.00
Gross profit margin (%)	-	-
Net loss margin (%)	-	-
Debtors' turnover period (months)	-	-
Creditors' turnover period (months)	-	-
Inventories' turnover period (months)	-	-

* Annualised

XII. ACCOUNTANTS' REPORT (CONT'D)**6. DIVIDENDS**

No dividend has been paid or declared by ZCB since the date of its incorporation other than Special Additional Dividends of 1.257% less 27% tax and tax exempt dividend of 6.114%, totalling RM20,000,000 in respect of the year ended 30 November 2006 was paid on 23 March 2007. The dividends paid or declared by the subsidiaries of ZCB for the years under review were as follows:

Financial year ended	Type of dividend	Gross dividend rate (%)	Gross dividend RM	Tax rate (%)	Net dividend RM
<u>ZJMSB</u>					
30 November 2005	Special final	129.72	12,972,000	28	9,339,840
30 November 2006	Interim	69.80	6,980,000	Tax exempt	6,980,000
<u>ZMMSB</u>					
30 November 2005	Special final	923.15	27,694,500	28	19,940,040
30 November 2006	Interim	249.34	7,480,200	Tax exempt	7,480,200
<u>ZISB</u>					
30 November 2005	Special final	5,962.96	17,888,880	28	12,879,994
30 November 2006	Interim	877.67	2,633,010	Tax exempt	2,633,010
30 November 2006	Interim	1,832.00	5,496,000	28	3,957,120
<u>ZMSB</u>					
30 November 2005	Special final	1,097.22	1,097,220	28	789,998
<u>ZPISB</u>					
30 November 2005	Special final	833.33	833,330	28	599,998
<u>MSSB</u>					
30 November 2005	Special final	3,888.88	3,888,880	28	2,799,994
30 November 2006	Interim	3,805.56	3,805,560	28	2,740,003
<u>BPTSB</u>					
30 November 2005	Special final	4,027.78	4,027,780	28	2,900,002
30 November 2006	Interim	700.00	700,000	Tax exempt	700,000
<u>ZMFSB</u>					
30 November 2005	Special final	236.11	2,361,100	28	1,699,992

XII. ACCOUNTANTS' REPORT (CONT'D)**7. BALANCE SHEETS**

The balance sheets of each of the companies in the ZCB Group based on the audited financial statements for the relevant financial period/years under review are set out below:

7.1 ZCB Group

	As at 30 November 2006 RM
Property, plant and equipment	63,081
Land held for development	10,581
Investment in an associate	14,874
Deferred tax assets	168
Current assets	
Inventories	45,885
Trade and other receivables	24,404
Tax refundable	1,628
Cash and cash equivalents	88,639
	160,556
Current liabilities	
Trade and other payables	38,804
Borrowing	300
Taxation	2,534
	41,638
Net current assets	118,918
	207,622
Financed by :	
Capital and reserves	
Share capital	142,226
Reserves	64,693
Shareholders' funds	206,919
Minority interests	76
Long term liability	
Borrowing	627
	207,622
Number of ordinary shares ('000)	284,451
Net tangible assets per ordinary share (RM)	0.73

XII. ACCOUNTANTS' REPORT (CONT'D)**7.1 ZCB Group (Cont'd)**

The Special Additional Dividends of RM20,000,000 in respect of the year ended 30 November 2006 was paid on 23 March 2007 (which has not been accounted for in the financial statements).

7.1.1 ZCB

	As at 30 November		
	2004 RM	2005 RM	2006 RM'000
Investment in subsidiaries	-	-	144,501
Current assets			
Prepayments	497	633,223	22,261
Cash in hand	2	2	30
	499	633,225	22,291
Current liabilities			
Sundry payables and accrued expenses	60,243	701,614	154
	60,243	701,614	154
Net current (liabilities)/assets	(59,744)	(68,389)	22,137
	<u>(59,744)</u>	<u>(68,389)</u>	<u>166,638</u>
Financed by :			
Capital and reserves			
Share capital	2	2	142,226
(Accumulated losses)/Retained profit	(59,746)	(68,391)	24,412
Shareholders' funds	<u>(59,744)</u>	<u>(68,389)</u>	<u>166,638</u>
Number of ordinary shares	2	2	284,451,447
Net (liabilities)/assets per ordinary share (RM)	(29,872.00)	(34,194.50)	0.59

The Special Additional Dividends of RM20,000,000 in respect of the year ended 30 November 2006 was paid on 23 March 2007 (which has not been accounted for in the financial statements).

XII. ACCOUNTANTS' REPORT (CONT'D)**7.2 ZJMSB**

	As at 30 November		
	2004 RM	2005 RM	2006 RM
Property, plant and equipment	30,856,722	28,898,287	27,545,656
Investment in subsidiaries	1,200,000	1,200,000	-
Current assets			
Inventories	16,191,035	17,463,276	17,288,609
Trade and other receivables	10,786,562	13,900,738	17,294,255
Tax refundable	886,402	-	-
Cash and cash equivalents	6,526,609	12,659,893	15,179,335
	<u>34,390,608</u>	<u>44,023,907</u>	<u>49,762,199</u>
Current liabilities			
Trade and other payables	3,687,894	2,808,961	8,582,345
Borrowings	725,598	635,754	-
Taxation	-	279,778	1,217,313
Dividend payable	-	-	1,363,274
	<u>4,413,492</u>	<u>3,724,493</u>	<u>11,162,932</u>
Net current assets	29,977,116	40,299,414	38,599,267
	<u>62,033,838</u>	<u>70,397,701</u>	<u>66,144,923</u>
Financed by :			
Capital and reserves			
Share capital	10,000,000	10,000,000	10,000,000
Retained profits	46,437,275	55,551,653	54,483,923
Shareholders' funds	<u>56,437,275</u>	<u>65,551,653</u>	<u>64,483,923</u>
Long term and deferred liabilities			
Borrowings	3,771,563	3,030,048	-
Deferred tax liabilities	1,825,000	1,816,000	1,661,000
	<u>62,033,838</u>	<u>70,397,701</u>	<u>66,144,923</u>
Number of ordinary shares	10,000,000	10,000,000	10,000,000
Net tangible assets per ordinary share (RM)	5.64	6.56	6.45

XII. ACCOUNTANTS' REPORT (CONT'D)**7.3 ZMFSB**

	As at 30 November		
	2004 RM	2005 RM	2006 RM
Plant and equipment	253,067	343,978	309,312
Current assets			
Inventories	2,070,906	3,161,807	3,658,156
Trade and other receivables	1,242,563	2,536,714	1,252,609
Tax refundable	-	205,834	690,112
Cash and bank balances	533,073	488,910	199,293
	<u>3,846,542</u>	<u>6,393,265</u>	<u>5,800,170</u>
Current liabilities			
Trade and other payables	2,900,978	3,651,970	3,380,557
Taxation	215,254	-	-
	<u>3,116,232</u>	<u>3,651,970</u>	<u>3,380,557</u>
Net current assets	730,310	2,741,295	2,419,613
	<u>983,377</u>	<u>3,085,273</u>	<u>2,728,925</u>
Financed by :			
Capital and reserves			
Share capital	1,000,000	1,000,000	1,000,000
(Accumulated losses)/Retained profits	(36,623)	2,053,273	1,701,925
Shareholders' funds	<u>963,377</u>	<u>3,053,273</u>	<u>2,701,925</u>
Long term and deferred liabilities			
Deferred tax liabilities	20,000	32,000	27,000
	<u>983,377</u>	<u>3,085,273</u>	<u>2,728,925</u>
Number of ordinary shares	1,000,000	1,000,000	1,000,000
Net tangible assets per ordinary share (RM)	0.96	3.05	2.70

XII. ACCOUNTANTS' REPORT (CONT'D)**7.4 ZISB**

	As at 30 November		
	2004 RM	2005 RM	2006 RM
Plant and equipment	3,190,956	12,485,648	12,237,547
Investment in subsidiaries	299,998	299,998	-
Current assets			
Inventories	8,856,592	5,646,987	6,296,591
Trade and other receivables	7,018,762	9,884,600	12,612,958
Tax recoverable	-	-	5,212
Cash and cash equivalents	15,783,646	17,916,968	15,474,297
	<u>31,659,000</u>	<u>33,448,555</u>	<u>34,389,058</u>
Current liabilities			
Trade and other payables	5,370,189	5,731,062	11,802,469
Taxation	526,153	93,668	-
	<u>5,896,342</u>	<u>5,824,730</u>	<u>11,802,469</u>
Net current assets	25,762,658	27,623,825	22,586,589
	<u>29,253,612</u>	<u>40,409,471</u>	<u>34,824,136</u>
Financed by :			
Capital and reserves			
Share capital	300,000	300,000	300,000
Retained profits	28,722,612	39,947,471	34,247,136
Shareholders' funds	<u>29,022,612</u>	<u>40,247,471</u>	<u>34,547,136</u>
Long term and deferred liabilities			
Deferred tax liabilities	231,000	162,000	277,000
	<u>29,253,612</u>	<u>40,409,471</u>	<u>34,824,136</u>
Number of ordinary shares	300,000	300,000	300,000
Net tangible assets per ordinary share (RM)	96.74	134.16	115.16