

ZHULIAN CORPORATION BERHAD (415527-P)

Plot 42, Bayan Lepas Industrial Estate,

Phase IV, 11900 Penang, Malaysia.

Tel: 604-6162020 Fax: 604-6425989

CONDENSED CONSOLIDATED BALANCE SHEET

| | As at end of Current Quarter 31.05.2010 RM'000 (Unaudited) | As at Preceding Financial Year End 30.11.2009 RM'000 (Audited) |
|---|---|---|
| Assets | | |
| Property, plant and equipment | 91,201 | 86,969 |
| Prepaid lease payments | 11,799 | 12,047 |
| Investment property | 369 | 373 |
| Land held for development | 6,092 | 6,092 |
| Investment in an associate | 44,133 | 30,752 |
| Other investments | 6,185 | 6,074 |
| Goodwill | 1,168 | 1,168 |
| Deferred tax assets | 182 | 226 |
| Total non-current assets | <u>161,129</u> | <u>143,701</u> |
| Receivables, deposits and prepayments | 46,178 | 51,914 |
| Inventories | 46,161 | 47,873 |
| Current tax assets | 913 | 158 |
| Asset classified as held for sale | - | 4,604 |
| Cash and cash equivalents | 127,141 | 125,084 |
| Total current assets | <u>220,393</u> | <u>229,633</u> |
| Total assets | <u><u>381,522</u></u> | <u><u>373,334</u></u> |
| Equity | | |
| Share capital | 172,500 | 172,500 |
| Reserves | 162,989 | 147,611 |
| Total equity attributable to equity holders of the Company | <u>335,489</u> | <u>320,111</u> |
| Minority interest | 200 | 425 |
| Total equity | <u>335,689</u> | <u>320,536</u> |
| Liabilities | | |
| Deferred tax liabilities | 1,650 | 1,360 |
| Total non-current liabilities | <u>1,650</u> | <u>1,360</u> |
| Payables and accruals | 41,321 | 46,757 |
| Dividend payable | - | - |
| Current tax liabilities | 2,862 | 4,681 |
| Total current liabilities | <u>44,183</u> | <u>51,438</u> |
| Total liabilities | 45,833 | 52,798 |
| Total equity and liabilities | <u><u>381,522</u></u> | <u><u>373,334</u></u> |
| Net assets per share (sen) | 97.24 | 92.79 |

The selected explanatory notes form an integral part of, and should be read in conjunction with, this interim financial report.

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CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 MAY 2010

| | Individual Quarter | | Cumulative Quarters | |
|---|---|---|---|---|
| | Current Year Quarter 31.05.2010 RM'000 (Unaudited) | Preceding Year Quarter 31.05.2009 RM'000 (Unaudited) | Current Year To Date 31.05.2010 RM'000 (Unaudited) | Preceding Year To Date 31.05.2009 RM'000 (Unaudited) |
| Revenue | <u>77,920</u> | <u>73,554</u> | <u>164,247</u> | <u>144,639</u> |
| Profit from operations | 13,865 | 16,298 | 38,732 | 35,704 |
| Share of profit after tax and minority interest of equity accounted associate | 6,724 | 3,443 | 13,381 | 6,363 |
| Profit before tax | <u>20,589</u> | <u>19,741</u> | <u>52,113</u> | <u>42,067</u> |
| Income tax expense | (2,673) | (3,051) | (9,396) | (8,533) |
| Profit for the period | <u>17,916</u> | <u>16,690</u> | <u>42,717</u> | <u>33,534</u> |
| Attributable to: | | | | |
| Equity holders of the Company | 18,013 | 16,690 | 42,942 | 33,534 |
| Minority interest | (97) | - | (225) | - |
| Profit for the period | <u>17,916</u> | <u>16,690</u> | <u>42,717</u> | <u>33,534</u> |
| <i>Weighted average number of shares in issue ('000)</i> | 345,000 | 345,000 | 345,000 | 345,000 |
| Basic earnings per share (sen) | <u>5.22</u> | <u>4.84</u> | <u>12.45</u> | <u>9.72</u> |

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MAY 2010

| | Share Capital RM'000 | Non- distributable Translation Reserve RM'000 | Distributable Retained Earnings RM'000 | Total RM'000 | Minority Interest RM'000 | Total Equity RM'000 |
|--|----------------------------|---|---|-----------------|--------------------------------|---------------------------|
| As at 1 December 2008 | 172,500 | (27) | 107,027 | 279,500 | 76 | 279,576 |
| Acquisition of subsidiary | - | - | - | - | 191 | 191 |
| Dividends | - | - | (20,700) | (20,700) | - | (20,700) |
| Foreign exchange translation differences | - | (11) | - | (11) | - | (11) |
| Profit for the period | - | - | 33,534 | 33,534 | - | 33,534 |
| As at 31 May 2009 | <u>172,500</u> | <u>(38)</u> | <u>119,861</u> | <u>292,323</u> | <u>267</u> | <u>292,590</u> |

| | Share Capital RM'000 | Non- distributable Translation Reserve RM'000 | Distributable Retained Earnings RM'000 | Total RM'000 | Minority Interest RM'000 | Total Equity RM'000 |
|--|----------------------------|---|---|-----------------|--------------------------------|---------------------------|
| As at 1 December 2009 | 172,500 | (21) | 147,632 | 320,111 | 425 | 320,536 |
| Dividends | - | - | (27,600) | (27,600) | - | (27,600) |
| Foreign exchange translation differences | - | 36 | - | 36 | - | 36 |
| Profit for the period | - | - | 42,942 | 42,942 | (225) | 42,717 |
| As at 31 May 2010 | <u>172,500</u> | <u>15</u> | <u>162,974</u> | <u>335,489</u> | <u>200</u> | <u>335,689</u> |

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MAY 2010

| | Current Year To Date 31.05.2010 RM'000 (Unaudited) | Preceding Year To Date 31.05.2009 RM'000 (Unaudited) |
|---|---|---|
| Net cash from operating activities | 30,361 | 28,444 |
| Net cash used in investing activities | (678) | (2,277) |
| Net cash used in financing activities | (27,600) | (31,050) |
| Net increase / (decrease) in cash and cash equivalents | <u>2,083</u> | <u>(4,883)</u> |
| Cash and cash equivalents at beginning of financial period | 125,035 | 106,481 |
| Effect of exchange differences on cash and cash equivalents of foreign subsidiaries | (25) | 3 |
| Cash and cash equivalents at end of financial period (Note 1) | <u><u>127,093</u></u> | <u><u>101,601</u></u> |

NOTE 1:

Cash and cash equivalents consist of :-

| | As at 31.05.2010 RM'000 | As at 31.05.2009 RM'000 |
|---|--|--|
| Short term deposits with licensed banks | 108,108 | 86,956 |
| Cash and bank balances | 19,033 | 14,693 |
| | <u>127,141</u> | <u>101,649</u> |
| Less: Deposit pledged | (48) | (48) |
| Total cash and cash equivalents | <u><u>127,093</u></u> | <u><u>101,601</u></u> |

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2010

1. **Basis of Preparation**

The interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the most recent annual audited financial statements of the Group for the financial year ended 30 November 2009. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 November 2009.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements for the financial year ended 30 November 2009.

2. **Auditors’ Qualification**

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

3. **Seasonal or Cyclical Factors**

The Group’s performance is not affected by the seasonal or cyclical factors except that during major festive seasons, the demand for our jewellery and consumer products tends to improve.

4. **Unusual Items**

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

5. **Changes in Estimates**

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

6. **Debt and Equity Securities**

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

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 2010 (Cont'd)**

7. Dividends Paid

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

- i) A fourth interim single tier dividend of 3 sen and a special interim single tier dividend of 2 sen per ordinary share of RM0.50 each, totalling RM17,250,000 in respect of the financial year ended 30 November 2009 on 1 March 2010; and
- ii) A first interim single tier dividend of 3 sen per ordinary share of RM0.50 each, totalling RM 10,350,000 in respect of the financial year ending 30 November 2010 on 27 May 2010.

8. Segment Revenue and Results

The Group is principally engaged in the manufacturing and sale of costume jewellery and consumer products on a direct sales basis. Business segment information has therefore not been prepared as the Group's revenue, operation profit, assets employed, capital expenditure, depreciation and amortisation and non-cash expenses are mainly confined to one business segment

9. Revaluation of Property, Plant and Equipment

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

10. Material Post Balance Sheet Events

There were no material events subsequent to the end of period under review which have not been reflected in this interim financial report, except for the following:

- i) Bonus issue of 115,000,000 new ordinary shares of RM0.50 each in the Company on the basis of one new ordinary share for every three existing shares held on 21 July 2010 as announced on 5 July 2010. The Bonus Shares will be listed and quoted on 22 July 2010; and
- iii) On 14 July 2010, the entire equity interest in Dexassets Sdn Bhd by its subsidiary, Zhulian Development Sdn Bhd was disposed off to the Company at no gain or loss on disposal.

11. Changes in Group's Composition

There were no changes in the composition of the Group during the current financial period ended 31 May 2010.

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

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

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2010 (Cont'd)**

13. Review of earnings and/or revenue of the Company and its subsidiaries for current quarter and financial year to date

The Group recorded a profit before taxation of RM20.589 million and revenue of RM77.920 million for the second quarter of FY 2010. The profit before taxation and revenue for the financial year to date was RM164.247million and RM52.113 million respectively.

14. Material Change in Profit Before Taxation reported on as compared with the immediate preceding quarter

The revenue for the current quarter under review of RM77.920 million was lower than the immediate preceding quarter revenue of RM86.327 million, mainly due to drop in overseas demand. The current quarter profit before tax of RM20.589 million has decreased as compared to the immediate preceding quarter profit before tax of RM31.524 million, in line with the drop in revenue.

15. Current year prospects

The Board of Directors expects the Group's performance for the remaining quarters of year 2010 to be satisfactory.

16. Variance of Actual Profit from Forecast Profit

Not applicable.

17. Taxation

| | Individual Quarter | | Cumulative Quarters | |
|---------------|--|--|--|--|
| | Current Year Quarter 31.05.2010 RM'000 (Unaudited) | Preceding Year Quarter 31.05.2009 RM'000 (Unaudited) | Current Year To date 31.05.2010 RM'000 (Unaudited) | Preceding Year To date 31.05.2009 RM'000 (Unaudited) |
| -Current Year | 3,456 | 4,292 | 10,179 | 9,774 |
| -Prior Year | (783) | (1,241) | (783) | (1,241) |
| Total | 2,673 | 3,051 | 9,396 | 8,533 |

The tax over profit before tax (excluding share of profit after tax of associate) for the cumulative quarters of the current year was 24%, which was slightly lower than the statutory tax rate of 25%.

18. Profit/(Loss) on Sale of Unquoted Investments and/or Properties

There were no sale of investments and properties for the period under review.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2010 (Cont'd)****19. Purchase or Disposal of Quoted Securities**

Total investments in quoted securities:

| Quoted investment in Malaysia | 31 May 2010 RM'000 |
|---|-----------------------|
| At cost b/f | 8,174 |
| Total additions during the period | 111 |
| | <hr/> |
| At cost c/f | 8,285 |
| Less: Allowance for diminution in value | (2,100) |
| Carrying amount c/f | <hr/> 6,185 <hr/> |
| Market value of quoted investments | <hr/> 5,860 <hr/> |

The additions were in respect of the dividend income received in the form of quoted investments.

20. Status of Corporate Proposals

There was no corporate proposal being announced during the period other than the proposed bonus issue.

21. Group Borrowings

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

22. Off Balance Sheet Financial Instruments

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

23. Dividend Declared

A second interim single tier dividend of 3 sen per ordinary share of RM0.50 each, totalling RM13,800,000 in respect of financial year ending 30 November 2010 has been declared on 14 July 2010, based on the enlarged share capital of 460,000,000 ordinary shares.

In respect of deposited securities, entitlements to the interim dividend will be determined based on shareholders registered in the record of depositors as at 13 August 2010. The payment date is 30 August 2010.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2010 (Cont'd)

24. Capital Commitment

As at 31 May 2010, there were capital commitments of RM33.6million, mainly in respect of building reconstruction and land acquisition.

25. Basic Earnings per Share

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

| | Individual Quarter | | Cumulative Quarters | |
|--|--|--|--|--|
| | Current Year Quarter 31.05.2010 RM'000 (Unaudited) | Preceding Year Quarter 31.05.2009 RM'000 (Unaudited) | Current Year To Date 31.05.2010 RM'000 (Unaudited) | Preceding Year To Date 31.05.2009 RM'000 (Unaudited) |
| Net profit for the year / period (RM'000) | <u>18,013</u> | <u>16,690</u> | <u>42,942</u> | <u>33,534</u> |
| <i>Weighted average number of shares in issue ('000)</i> | <u>345,000</u> | <u>345,000</u> | <u>345,000</u> | <u>345,000</u> |
| Basic earnings per share (sen) | <u>5.22</u> | <u>4.84</u> | <u>12.45</u> | <u>9.72</u> |

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

By Order of the Board

Lam Voon Kean
Secretary
14 July 2010
Penang