

# ZHULIAN CORPORATION BERHAD (415527-P)

Plot 42, Bayan Lepas Industrial Estate

Phase IV, 11900 Penang, Malaysia.

Tel: 604-6162020 Fax: 604-6425989

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2011

	As at end of Current Quarter 28.02.2011 RM'000 (Unaudited)	As at Preceding Financial Year End 30.11.2010 RM'000 (Restated)
<b>Assets</b>		
Property, plant and equipment	114,164	108,931
Prepaid land lease payments	5,062	5,213
Investment property	361	363
Land held for property development	6,092	6,092
Investment in an associate	48,612	51,279
Other investments-Available for sale financial assets	6,795	6,535
Goodwill	1,168	1,168
Deferred tax assets	538	547
<b>Total non-current assets</b>	<u>182,792</u>	<u>180,128</u>
Inventories	42,761	44,350
Receivables, deposits and prepayments	64,510	48,260
Current tax assets	1,482	1,327
Cash and cash equivalents	133,140	131,547
<b>Total current assets</b>	<u>241,893</u>	<u>225,484</u>
<b>Total assets</b>	<u><u>424,685</u></u>	<u><u>405,612</u></u>
<b>Equity</b>		
Share capital	230,000	230,000
Reserves	129,526	121,987
<b>Total equity attributable to owners of the Company</b>	<u>359,526</u>	<u>351,987</u>
<b>Non-controlling interests</b>	<u>32</u>	<u>32</u>
<b>Total equity</b>	<u>359,558</u>	<u>352,019</u>
<b>Liabilities</b>		
Deferred tax liabilities	3,384	2,935
<b>Total non-current liabilities</b>	<u>3,384</u>	<u>2,935</u>
Payables and accruals	57,940	47,490
Current tax liabilities	3,803	3,168
<b>Total current liabilities</b>	<u>61,743</u>	<u>50,658</u>
<b>Total liabilities</b>	<u>65,127</u>	<u>53,593</u>
<b>Total equity and liabilities</b>	<u><u>424,685</u></u>	<u><u>405,612</u></u>
Net assets per share (sen)	78.16	76.52

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

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### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 28 FEBRUARY 2011

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 28.02.2011 RM'000 (Unaudited)	Preceding Year Quarter 28.02.2010 RM'000 (Unaudited)	Current Year To Date 28.02.2011 RM'000 (Unaudited)	Preceding Year To Date 28.02.2010 RM'000 (Unaudited)
<b>Revenue</b>	86,223	86,327	86,223	86,327
<b>Results from operating activities</b>	19,511	24,867	19,511	24,867
Share of profit of equity accounted investee, net of tax	7,965	6,657	7,965	6,657
<b>Profit before tax</b>	27,476	31,524	27,476	31,524
Income tax expense	(5,499)	(6,723)	(5,499)	(6,723)
<b>Profit for the period</b>	21,977	24,801	21,977	24,801
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	6	36	6	36
Fair value of available-for-sale financial assets	224	-	224	-
Share of comprehensive income of equity accounted investee, net of tax	(904)	-	(904)	-
<b>Other comprehensive income/(expenses) for the period, net of tax</b>	(674)	36	(674)	36
<b>Total comprehensive income for the period</b>	21,303	24,837	21,303	24,837
<b>Profit attributable to:</b>				
Owners of the Company	21,977	24,929	21,977	24,929
Non-controlling interests	-	(128)	-	(128)
<b>Profit for the period</b>	21,977	24,801	21,977	24,801
<b>Total comprehensive income/(expenses) attributable to:</b>				
Owners of the Company	21,303	24,965	21,303	24,965
Non-controlling interests	-	(128)	-	(128)
<b>Total comprehensive income for the period</b>	21,303	24,837	21,303	24,837
<i>Weighted average number of shares in issue ('000) -adjusted for the effect of bonus shares issued on 21 July 2010</i>	460,000	460,000	460,000	460,000
Basic earnings per share (sen)	4.78	5.42	4.78	5.42

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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 28 FEBRUARY 2011

	Share Capital RM'000	Non- distributable Translation Reserve RM'000	Non- distributable Fair Value Reserve RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
<b>At 1 December 2009</b>	172,500	(21)	-	147,632	320,111	425	320,536
Total comprehensive income for the period	-	36	-	24,929	24,965	(128)	24,837
Dividends to owners of the Company	-	-	-	(17,250)	(17,250)	-	(17,250)
<b>At 28 February 2010</b>	<u>172,500</u>	<u>15</u>	<u>-</u>	<u>155,311</u>	<u>327,826</u>	<u>297</u>	<u>328,123</u>
	Share Capital RM'000	Non- distributable Translation Reserve RM'000	Non- distributable Fair Value Reserve RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
<b>At 1 December 2010, as previously stated</b>	230,000	(10)	-	121,997	351,987	32	352,019
Effect of adopting FRS 139	-	-	36	-	36	-	36
<b>At 1 December 2010, as restated</b>	<u>230,000</u>	<u>(10)</u>	<u>36</u>	<u>121,997</u>	<u>352,023</u>	<u>32</u>	<u>352,055</u>
Total comprehensive income for the period	-	(898)	224	21,977	21,303	-	21,303
Dividends to owners of the Company	-	-	-	(13,800)	(13,800)	-	(13,800)
<b>At 28 February 2011</b>	<u>230,000</u>	<u>(908)</u>	<u>260</u>	<u>130,174</u>	<u>359,526</u>	<u>32</u>	<u>359,558</u>

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 28 FEBRUARY 2011

	<b>Current Year To Date 28.02.2011 RM'000 (Unaudited)</b>	<b>Preceding Year To Date 28.02.2010 RM'000 (Unaudited)</b>
Net cash (used in) / from operating activities	(1,920)	11,882
Net cash (used in) / from investing activities	3,537	3,043
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	<u>1,617</u>	<u>14,925</u>
Cash and cash equivalents at beginning of financial year	131,499	125,035
Effect of exchange differences on cash and cash equivalents of foreign subsidiaries	(24)	78
Cash and cash equivalents at end of financial year (Note 1)	<u><u>133,092</u></u>	<u><u>140,038</u></u>

### NOTE 1:

Cash and cash equivalents consist of :-

	<b>As at 28.02.2011 RM'000</b>	<b>As at 28.02.2010 RM'000</b>
Short term deposits with licensed banks	113,808	114,639
Cash and bank balances	19,332	25,447
	<u>133,140</u>	<u>140,086</u>
Less: Deposit pledged	(48)	(48)
Total cash and cash equivalents	<u><u>133,092</u></u>	<u><u>140,038</u></u>

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

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## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2011

### 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 2010. 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 2010.

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 2010 except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments :-

FRS 101, Presentation of Financial Statements (revised)  
FRS 123, Borrowing Costs (revised)  
FRS 139, Financial Instruments: Recognition and Measurement  
Amendments to FRS 139, Financial Instruments: Recognition and Measurement  
Improvements to FRSs (2009)  
IC Interpretation 10, Interim Financial Reporting and Impairment

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below :-

#### *a) FRS 101 (revised), Presentation of Financial Statements*

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to financial statements.

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2011 (Cont'd)**

**1. Basis of Preparation (Cont'd)**

a) *FRS 101 (revised), Presentation of Financial Statements (Cont'd)*

The effects of the changes in presentation are as follows:

The gains that were recognised directly in equity in the preceding year corresponding period are presented as component in other comprehensive income in the statement of comprehensive income. The total comprehensive income for the preceding year corresponding periods is presented separately and allocation is made to show the amount attributable to owners of the parent and to non-controlling interests.

<b>For the period ended 28 February 2010</b>	<b>As previously reported RM'000</b>	<b>Effects of adopting FRS 101 RM'000</b>	<b>As restated RM'000</b>
Profit for the year	24,801	-	24,801
Other comprehensive income	-	36	36
	<hr/>		<hr/>
	24,801	36	24,837
	<hr/>		<hr/>
Total comprehensive income attributable to:			
Owners of the Company	24,929	36	24,965
Non-controlling interests	(128)	-	(128)
	<hr/>		<hr/>
	24,801	36	24,837
	<hr/>		<hr/>

b) *Amendments to FRS 117, Leases*

Prior to the adoption of the Amendment to FRS 117, leasehold land were treated as operating leases. The consideration paid were classified and presented as prepaid land lease payments in the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extend to which risks and rewards incident to ownership lie. Accordingly, the Group has changed the classification of long term leasehold land from operating leases to finance leases in the current quarter for those land with the present value of the minimum lease payments (i.e. the consideration paid or payable) substantially equal to the fair value of the land. This change in classification has no effect to the profit or loss for the current period ended 28 February 2011 or the comparative prior period. The effect of the reclassification to the comparative of the prior year's statement of financial position is as follows:

<b>At 30 November 2010</b>	<b>As previously reported RM'000</b>	<b>Reclassified RM'000</b>	<b>As restated RM'000</b>
Prepaid land lease payments	11,537	(6,324)	5,213
Property, plant and equipment	102,607	6,324	108,931

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2011 (Cont'd)**

**1. Basis of Preparation (Cont'd)**

c) *FRS 139, Financial Instruments: Recognition and Measurement*

FRS 139 sets out new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequently measurement of the financial instruments at the balance sheet reflects the designation of the financial instruments.

The change in accounting policies have been accounted for prospectively in line with the provision under FRS 139, resulting in an adjustment to the Group's opening retained earnings and fair value reserves as detailed in the Statement of Changes in Equity.

**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 material 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.

**7. Dividends Paid**

Since the end of previous financial year, the Company paid a fourth interim single tier dividend of 3 sen per ordinary share of RM0.50 each, totalling RM13,800,000 in respect of the financial year ended 30 November 2010 on 8 March 2011.

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2011 (Cont'd)**

**8. Segment Revenue and Results**

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

**9. Revaluation of Property, Plant and Equipment**

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

**10. Material Post Balance Sheet Events**

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

**11. Changes in Group's Composition**

There were no changes in the composition of the Group during the current financial period ended 28 February 2011.

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

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

**13. Review of 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 RM27.476 million and revenue of RM86.223 million for the first quarter of FY 2011.

**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 RM86.223 million was higher than the immediate preceding quarter's revenue of RM84.896 million, mainly due to the increase in market demands for both local and overseas markets, offset by the increase in foreign currency loss. The current quarter's profit before tax of RM27.476 million has dropped as compared to the immediate preceding quarter's profit before tax of RM29.822 million, mainly due to the drop in gross profit margin as a result of strengthening of Ringgit Malaysia against USD.



**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2011 (Cont'd)**

15. **Current year prospects**

The Board of Directors expects the Group's performance for year 2011 to be satisfactory.

16. **Variance of Actual Profit from Forecast Profit**

Not applicable.

17. **Taxation**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 28.02.2011 RM'000 (Unaudited)	Preceding Year Quarter 28.02.2010 RM'000 (Unaudited)	Current Year To date 28.02.2011 RM'000 (Unaudited)	Preceding Year To date 28.02.2010 RM'000 (Unaudited)
-Current Year	5,499	6,723	5,499	6,723
-Prior Year	-	-	-	-
<b>Total</b>	<b>5,499</b>	<b>6,723</b>	<b>5,499</b>	<b>6,723</b>

The tax over profit before tax (excluding share of profit of equity accounted investee, net of tax) for the cumulative quarters of the current year was 28%, that was higher than the statutory tax rate. This was mainly due to certain expenses which were not tax deductible.

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 2011 (Cont'd)****19. Purchase or Disposal of Quoted Securities**

Total investments in quoted securities:

Available-for-sale financial assets Quoted securities in Malaysia	28 February 2011 RM'000
Balance at 1 December 2010	6,535
Effect of adopting FRS 139	36
Restated balance at 1 December 2010	6,571
Total purchases during the period	-
Fair Value adjustment to equity / fair value reserve	224
Balance at 28 February 2011	6,795
Market value of quoted securities	6,795

**20. Status of Corporate Proposals**

There was no corporate proposal being announced during the period.

**21. Group Borrowings**

There were no borrowings as at the end of the year 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 first 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 2011 has been declared on 18 April 2011, based on the share capital of 460,000,000 ordinary shares.

In respect of deposited securities, entitlements to the interim dividend will be determined based on shareholders registered in the record of depositors as at 12 May 2011. The payment date is 31 May 2011.

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2011 (Cont'd)**

24. **Capital Commitment**

As at 28 February 2011, there were capital commitments of RM6 million.

25. **Basic Earnings per Share**

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

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 28.02.2011 RM'000 (Unaudited)	Preceding Year Quarter 28.02.2010 RM'000 (Unaudited)	Current Year To Date 28.02.2011 RM'000 (Unaudited)	Preceding Year To Date 28.02.2010 RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>21,977</u>	<u>24,929</u>	<u>21,977</u>	<u>24,929</u>
<i>Weighted average number of shares in issue ('000) *</i>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>
Basic earnings per share (sen)	<u>4.78</u>	<u>5.42</u>	<u>4.78</u>	<u>5.42</u>

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

\* *The weighted average number of shares in issue was adjusted for bonus shares issued on 21 July 2010.*

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2011 (Cont'd)****26. Realised and Unrealised Profit or Losses Disclosure**

	As at financial period 28.02.2011 RM'000
Total retained earnings of the Company and its subsidiaries:	
-Realised	211,508
-Unrealised	824
	212,332
 Total share of retained earnings of an associate:	
-Realised	39,517
-Unrealised	(287)
	39,230
 Less: consolidation adjustments	(121,388)
 Total retained earnings	130,174

By Order of the Board

Lam Voon Kean  
Secretary  
18 April 2011  
Penang