

ZHULIAN CORPORATION BERHAD (415527-P)

Plot 42, Bayan Lepas Industrial Estate

Phase IV, 11900 Penang, Malaysia.

Tel: 604-6162020 Fax: 604-6425989

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2011

	As at end of Current Quarter 31.05.2011 RM'000 (Unaudited)	As at Preceding Financial Year End 30.11.2010 RM'000 (Restated)
Assets		
Property, plant and equipment	115,092	108,931
Prepaid land lease payments	5,072	5,213
Investment property	358	363
Land held for property development	6,092	6,092
Investment in an associate	55,667	51,279
Other investments-Available for sale financial assets	7,057	6,535
Goodwill	1,168	1,168
Deferred tax assets	548	547
Total non-current assets	<u>191,054</u>	<u>180,128</u>
Inventories	45,561	44,350
Receivables, deposits and prepayments	58,907	48,260
Current tax assets	3,536	1,327
Cash and cash equivalents	120,659	131,547
Total current assets	<u>228,663</u>	<u>225,484</u>
Total assets	<u><u>419,717</u></u>	<u><u>405,612</u></u>
Equity		
Share capital	230,000	230,000
Reserves	136,621	121,987
Total equity attributable to owners of the Company	<u>366,621</u>	<u>351,987</u>
Non-controlling interests	<u>32</u>	<u>32</u>
Total equity	<u><u>366,653</u></u>	<u><u>352,019</u></u>
Liabilities		
Deferred tax liabilities	3,013	2,935
Total non-current liabilities	<u>3,013</u>	<u>2,935</u>
Payables and accruals	47,387	47,490
Current tax liabilities	2,664	3,168
Total current liabilities	<u>50,051</u>	<u>50,658</u>
Total liabilities	<u>53,064</u>	<u>53,593</u>
Total equity and liabilities	<u><u>419,717</u></u>	<u><u>405,612</u></u>
Net assets per share (sen)	79.70	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 31 MAY 2011

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.05.2011 RM'000 (Unaudited)	Preceding Year Quarter 31.05.2010 RM'000 (Unaudited)	Current Year To Date 31.05.2011 RM'000 (Unaudited)	Preceding Year To Date 31.05.2010 RM'000 (Unaudited)
Revenue	92,687	77,920	178,910	164,247
Results from operating activities	16,840	13,865	36,351	38,732
Share of profit of equity accounted investee, net of tax	6,822	6,724	14,787	13,381
Profit before tax	23,662	20,589	51,138	52,113
Income tax expense	(2,650)	(2,673)	(8,149)	(9,396)
Profit for the period	21,012	17,916	42,989	42,717
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(19)	-	(13)	36
Fair value of available-for-sale financial assets	(331)	-	(107)	-
Share of comprehensive income of equity accounted investee, net of tax	233	-	(671)	-
Other comprehensive income/(expenses) for the period, net of tax	(117)	-	(791)	36
Total comprehensive income for the period	20,895	17,916	42,198	42,753
Profit attributable to				
Owners of the Company	21,012	18,013	42,989	42,942
Non-controlling interests	-	(97)	-	(225)
Profit for the period	21,012	17,916	42,989	42,717
Total comprehensive income/(expenses) attributable to				
Owners of the Company	20,895	18,013	42,198	42,978
Non-controlling interests	-	(97)	-	(225)
Total comprehensive income for the period	20,895	17,916	42,198	42,753
<i>Weighted average number of shares in issue ('000)</i> <i>-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)	4.57	3.92	9.35	9.34

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 CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MAY 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
At 1 December 2009	172,500	(21)	-	147,632	320,111	425	320,536
Total comprehensive income for the period	-	36	-	42,942	42,978	(225)	42,753
Dividends to owners of the Company	-	-	-	(27,600)	(27,600)	-	(27,600)
At 31 May 2010	<u>172,500</u>	<u>15</u>	<u>-</u>	<u>162,974</u>	<u>335,489</u>	<u>200</u>	<u>335,689</u>

	Share Capital RM'000	Non- distributable Translation Reserve RM'000	Non- distributable Fair Value Reserve RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
At 1 December 2010, as previously stated	230,000	(10)	-	121,997	351,987	32	352,019
Effect of adopting FRS 139	-	-	36	-	36	-	36
At 1 December 2010, as restated	<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	-	(684)	(107)	42,989	42,198	-	42,198
Dividends to owners of the Company	-	-	-	(27,600)	(27,600)	-	(27,600)
At 31 May 2011	<u>230,000</u>	<u>(694)</u>	<u>(71)</u>	<u>137,386</u>	<u>366,621</u>	<u>32</u>	<u>366,653</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 MAY 2011

	Current Year To Date 31.05.2011 RM'000 (Unaudited)	Preceding Year To Date 31.05.2010 RM'000 (Unaudited)
Net cash (used in) / from operating activities	17,122	30,361
Net cash (used in) / from investing activities	(422)	(678)
Net cash used in financing activities	(27,600)	(27,600)
Net (decrease) / increase in cash and cash equivalents	<u>(10,900)</u>	<u>2,083</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	12	(25)
Cash and cash equivalents at end of financial year (Note 1)	<u><u>120,611</u></u>	<u><u>127,093</u></u>

NOTE 1:

Cash and cash equivalents consist of :-

	As at 31.05.2011 RM'000	As at 31.05.2010 RM'000
Short term deposits with licensed banks	105,371	108,108
Cash and bank balances	15,288	19,033
	<u>120,659</u>	<u>127,141</u>
Less: Deposit pledged	(48)	(48)
Total cash and cash equivalents	<u><u>120,611</u></u>	<u><u>127,093</u></u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 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 :-

Adoption of New and Revised FRSs, IC Interpretation and Amendments

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts* *
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations* *
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation* *
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
 - *Puttable Financial Instruments and Obligations Arising on Liquidation* *
 - *Separation of Compound Instruments* *
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
 - *Reclassification of Financial Assets*
 - *Collective Assessment of Impairment for Banking Institutions* *

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 2011 (Cont'd)**

1. Basis of Preparation (Cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010 (Cont'd)

- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, *FRS 2 - Group and Treasury Share Transactions* *
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, *FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction* *

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment* *
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements* *
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

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 31 MAY 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.

For the period ended 31 MAY 2010	As previously reported RM'000	Effects of adopting FRS 101 RM'000	As restated RM'000
Profit for the year	42,717	-	42,717
Other comprehensive income	-	36	36
Total comprehensive income	42,717	36	42,753
Total comprehensive income attributable to:			
Owners of the Company	42,942	36	42,978
Non-controlling interests	(225)	-	(225)
Total comprehensive income	42,717	36	42,753

b) *Amendments to FRS 117, Leases*

Prior to the adoption of the Amendments 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 Amendments to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent 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 preceding 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 31 May 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:

At 30 November 2010	As previously reported RM'000	Reclassified RM'000	As restated RM'000
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 31 MAY 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. Subsequent 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:

- i) 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. The total dividends paid by the Company for the year ended 30 November 2010 was 12 sen per ordinary share of RM0.50 each; and
- ii) A first interim single tier dividend of 3 sen per ordinary share of RM0.50 each, totalling RM13,800,000 in respect of the financial year ending 30 November 2011 on 31 May 2011.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 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 31 May 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 RM23.662 million and revenue of RM92.687 million for the second quarter of FY 2011. The profit before taxation and revenue for the financial year to date was RM51.138 million and RM178.910 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 RM92.687 million was higher than the immediate preceding quarter's revenue of RM86.223 million, mainly due to the increase in market demands for both local and overseas markets, offset by the foreign currency loss. The current quarter's profit before tax of RM23.662 million has dropped as compared to the immediate preceding quarter's profit before tax of RM27.476 million, mainly due to the meetings, seminars and incentive tour campaigns held during the period.

15. Current year prospects

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

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 2011 (Cont'd)**

16. Variance of Actual Profit from Forecast Profit

Not applicable.

17. Taxation

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.05.2011 RM'000 (Unaudited)	Preceding Year Quarter 31.05.2010 RM'000 (Unaudited)	Current Year To date 31.05.2011 RM'000 (Unaudited)	Preceding Year To date 31.05.2010 RM'000 (Unaudited)
-Current Year	3,300	3,456	8,799	10,179
-Prior Year	<u>(650)</u>	<u>(783)</u>	<u>(650)</u>	<u>(783)</u>
Total	<u>2,650</u>	<u>2,673</u>	<u>8,149</u>	<u>9,396</u>

The current year 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 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.

19. Purchase or Disposal of Quoted Securities

Total investments in quoted securities:

Available-for-sale financial assets Quoted securities in Malaysia	31 May 2011 RM'000
Balance at 1 December 2010	6,535
Effect of adopting FRS 139	36
	<hr/>
Restated balance at 1 December 2010	6,571
Total purchases during the period	593
Fair Value adjustment to equity/fair value reserve	(107)
	<hr/>
Balance at 31 May 2011	<u>7,057</u>
Market value of quoted securities	<u>7,057</u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 2011 (Cont'd)**

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 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 2011 has been declared on 13 July 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 August 2011. The payment date is 7 September 2011.

24. Capital Commitment

As at 31 May 2011, there were capital commitments of RM3.437 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 31.05.2011 RM'000 (Unaudited)	Preceding Year Quarter 31.05.2010 RM'000 (Unaudited)	Current Year To Date 31.05.2011 RM'000 (Unaudited)	Preceding Year To Date 31.05.2010 RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>21,012</u>	<u>18,013</u>	<u>42,989</u>	<u>42,942</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>4.57</u>	<u>3.92</u>	<u>9.35</u>	<u>9.34</u>

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MAY 2011 (Cont'd)****25. Basic Earnings per Share (Cont'd)**

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.*

26. Realised and Unrealised Profit or Losses Disclosure

	As at financial period 31.05.2011 RM'000
Total retained earnings of the Company and its subsidiaries:	
-Realised	216,867
-Unrealised	(4,104)
	212,763
 Total share of retained earnings of an associate:	
-Realised	46,170
-Unrealised	(118)
	46,052
 Less: consolidation adjustments	(121,429)
 Total retained earnings	137,386

By Order of the Board

Lam Voon Kean
Secretary
13 July 2011
Penang