

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 2012

	As at end of Current Quarter 31.05.2012 RM'000 (Unaudited)	As at Preceding Financial Year End 30.11.2011 RM'000 (Audited)
Assets		
Property, plant and equipment	125,944	120,304
Investment properties	16,833	16,958
Investment in an associate	85,120	72,265
Other investments-available for sale financial assets	6,670	6,451
Goodwill	1,168	1,168
Deferred tax assets	857	883
Total non-current assets	<u>236,592</u>	<u>218,029</u>
Inventories	57,573	48,799
Receivables, deposits and prepayments	63,997	49,250
Current tax assets	1,473	2,438
Cash and cash equivalents	123,701	127,703
Total current assets	<u>246,744</u>	<u>228,190</u>
Total assets	<u><u>483,336</u></u>	<u><u>446,219</u></u>
Equity		
Share capital	230,000	230,000
Reserves	191,875	162,319
Total equity attributable to owners of the Company	<u>421,875</u>	<u>392,319</u>
Non-controlling interests	32	32
Total equity	<u>421,907</u>	<u>392,351</u>
Liabilities		
Deferred tax liabilities	4,155	3,711
Total non-current liabilities	<u>4,155</u>	<u>3,711</u>
Payables and accruals	50,404	45,273
Current tax liabilities	6,870	4,884
Total current liabilities	<u>57,274</u>	<u>50,157</u>
Total liabilities	<u>61,429</u>	<u>53,868</u>
Total equity and liabilities	<u><u>483,336</u></u>	<u><u>446,219</u></u>
Net assets per share (sen)	91.71	85.29

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 2012**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.05.2012 RM'000 (Unaudited)	Preceding Year Quarter 31.5.2011 RM'000 (Unaudited)	Current Year To Date 31.05.2012 RM'000 (Unaudited)	Preceding Year To Date 31.5.2011 RM'000 (Unaudited)
Revenue	110,985	92,687	222,865	178,910
Results from operating activities	22,159	16,840	45,849	36,351
Share of profit of equity accounted investee, net of tax	11,986	6,822	22,882	14,787
Profit before tax	34,145	23,662	68,731	51,138
Income tax expense	(4,995)	(2,650)	(11,186)	(8,149)
Profit for the period	29,150	21,012	57,545	42,989
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(64)	(19)	55	(13)
Fair value of available-for-sale financial assets	(411)	(331)	(24)	(107)
Share of other comprehensive income of equity accounted investee, net of tax	594	233	(420)	(671)
Other comprehensive income/(expense) for the period, net of tax	119	(117)	(389)	(791)
Total comprehensive income for the period	29,269	20,895	57,156	42,198
Profit attributable to:				
Owners of the Company	29,150	21,012	57,545	42,989
Non-controlling interests	-	-	-	-
Profit for the period	29,150	21,012	57,545	42,989
Total comprehensive income attributable to:				
Owners of the Company	29,269	20,895	57,156	42,198
Non-controlling interests	-	-	-	-
Total comprehensive income for the period	29,269	20,895	57,156	42,198
<i>Weighted average number of shares in issue ('000)</i>	460,000	460,000	460,000	460,000
Basic earnings per share (sen)	6.34	4.57	12.51	9.35

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MAY 2012

Individual Quarter		Cumulative Quarters	
Current	Preceding	Current	Preceding
Year	Year	Year	Year
Quarter	Quarter	To Date	To Date
31.05.2012	31.5.2011	31.05.2012	31.5.2011
RM'000	RM'000	RM'000	RM'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

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

Interest income	(1,249)	(842)	(2,036)	(1,551)
Other income including investment income	-	-	-	-
Interest expense	-	-	-	-
Depreciation and amortisation	2,141	1,931	4,253	3,631
Provision for and write off of receivables	-	(1)	(145)	(3)
Provision for and write off of inventories	137	42	147	97
(Gain) / Loss on disposal of quoted / unquoted investments	-	-	-	-
(Gain) / Loss on disposal of properties	-	-	-	-
Impairment of assets	-	-	-	-
Foreign exchange (gain) or loss	(3,052)	452	468	2,586
(Gain) or Loss on derivatives	-	-	-	-

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MAY 2012

	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 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	230,000	(10)	36	121,997	352,023	32	352,055
Foreign currency translation differences for foreign operations	-	(13)	-	-	(13)	-	(13)
Fair value of available-for-sale financial assets	-	-	(107)	-	(107)	-	(107)
Share of other comprehensive income of equity accounted investee, net of tax	-	(671)	-	-	(671)	-	(671)
Total other comprehensive income for the period	-	(684)	(107)	-	(791)	-	(791)
Profit for the period	-	-	-	42,989	42,989	-	42,989
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	230,000	(694)	(71)	137,386	366,621	32	366,653

	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 2011	230,000	181	21	162,117	392,319	32	392,351
Foreign currency translation differences for foreign operations	-	55	-	-	55	-	55
Fair value of available-for-sale financial assets	-	-	(24)	-	(24)	-	(24)
Share of other comprehensive income of equity accounted investee, net of tax	-	(420)	-	-	(420)	-	(420)
Total other comprehensive income for the period	-	(365)	(24)	-	(389)	-	(389)
Profit for the period	-	-	-	57,545	57,545	-	57,545
Total comprehensive income for the period	-	(365)	(24)	57,545	57,156	-	57,156
Dividends to owners of the Company	-	-	-	(27,600)	(27,600)	-	(27,600)
At 31 May 2012	230,000	(184)	(3)	192,062	421,875	32	421,907

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 MAY 2012

	Current Year To Date 31.05.2012 RM'000 (Unaudited)	Preceding Year To Date 31.5.2011 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	68,731	51,138
Adjustments for Non-cash items	(18,907)	(10,483)
Non-operating items	(2,036)	(1,551)
Operating profit before working capital changes	47,788	39,104
Changes in working capital	(18,190)	(11,204)
Cash generated from operations	29,598	27,900
Tax paid	(7,792)	(10,778)
Dividends received	9,607	9,728
<i>Net cash from / (used in) operating activities</i>	31,413	26,850
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(243)	(600)
Capital expenditure	(9,579)	(11,101)
Interest received	2,036	1,551
<i>Net cash (used in) / from investing activities</i>	(7,786)	(10,150)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(27,600)	(27,600)
<i>Net cash used in financing activities</i>	(27,600)	(27,600)
Net (decrease) / increase in cash and cash equivalents	(3,973)	(10,900)
Cash and cash equivalents at 1 December	127,654	131,499
Effects of exchange rates on cash and cash equivalents	(29)	12
Cash and cash equivalents at 31 May (Note 1)	123,652	120,611
NOTE 1:		
Cash and cash equivalents consist of :-		
	RM'000	RM'000
Short term deposits with licensed banks	97,696	105,371
Cash and bank balances	26,005	15,288
	123,701	120,659
Less: Deposit pledged	(49)	(48)
Total cash and cash equivalents	123,652	120,611

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MAY 2012

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 2011. 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 2011.

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 2011 except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments :-

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
 - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
 - Additional Exemption for First-time Adopters
- Amendments to FRS 7, Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an arrangement contains a Lease
- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

At the date of authorisation of this interim financial report, the following FRSs, IC Interpretations and Amendments were issued but not yet effective and have not been applied by the Group:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, Related Party Disclosures (revised)
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets
- Amendments to FRS 112, Income Taxes - Deferred Tax: Recovery of Underlying Assets

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 MAY 2012 (Cont'd)**

1. Basis of Preparation (Cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The initial applications of the above FRSs, interpretations and amendments did not have any material impact on this interim report of the Group.

The Group's financial statements for annual period beginning on 1 December 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group will not be adopting the above FRSs, Interpretations and amendments that will be effective for annual periods beginning on or after 1 January 2012, 1 July 2012 and 1 January 2013.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 MAY 2012 (Cont'd)**

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. Exceptional Items

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

5. Changes in Estimates

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

6. Debt and Equity Securities

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

7. Dividends Paid

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

- i) A fourth interim single tier dividend of 3 sen per ordinary share of RM0.50 each, totalling RM13,800,000 in respect of the financial year ended 30 November 2011 on 24 February 2012. The total dividend paid by the Company for the year ended 30 November 2011 was 12 sen per ordinary share of RM 0.50 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 2012 on 23 May 2012.

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.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 MAY 2012 (Cont'd)**

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 2012, other than the incorporation of Zhulian Development Ltd, a subsidiary of its associate, Zhulian (Thailand) Ltd, in May 2012.

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

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

13. Review of Group's Performance

The Group generated revenue of RM222.87 million for the period ended 31 May 2012, an increase of 25% as compared to the corresponding period last year. Overall, the export sales increased by 31%, mainly from sales to Thailand whilst the local sales increased by 18%. This was mainly contributed by high demand for most of its products. The sales of food & beverage, nutritional, jewellery and personal care products have increased by 45%, 28%, 10% and 31% respectively.

The Group's profit before tax was RM68.73 million with an increase of 34% from the last corresponding period. The increase in profit before tax was mainly contributed by the increases in revenue, share of profit of equity accounted investee and foreign exchange gain with the strengthening of US Dollar, offset by the higher distribution expenses that were in line with the increase in sales.

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 RM110.98 million was marginally lower than the immediate preceding quarter's revenue of RM111.88 million. This was mainly due to drop in sales to Thailand but offset by the increase in local and other overseas sales.

The current quarter's profit before tax of RM34.15 million, dropped slightly as compared to the immediate preceding quarter's profit before tax of RM34.59 million. This was in line with the slight drop in sales and higher expenses incurred for meetings, seminar and incentive tour campaigns that were held during the period, offset by the drop in foreign exchange loss with the strengthening of US Dollar and increase in share of profit of equity accounted investee.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 MAY 2012 (Cont'd)**

15. Current year prospects

In view of the current improved performance, coupled with the aggressive marketing and products development programs, the Board of Directors expects the Group is able to achieve its internal target of double digit growth in its revenue for FY 2012.

In coming future, the Group would continue to focus on upgrading existing product range, venture into new products and new markets in order to enhance the local and overseas market shares.

The above mentioned target is only the management's internal target. It is not a forecast or projection and it has not been reviewed or audited by our external auditor.

16. Variance of Actual Profit from Forecast Profit

Not applicable.

17. Taxation

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.05.2012 RM'000 (Unaudited)	Preceding Year Quarter 31.05.2011 RM'000 (Unaudited)	Current Year To date 31.05.2012 RM'000 (Unaudited)	Preceding Year To date 31.05.2011 RM'000 (Unaudited)
-Current Year	4,935	3,300	11,126	8,799
-Prior Year	<u>60</u>	<u>(650)</u>	<u>60</u>	<u>(650)</u>
Total	<u><u>4,995</u></u>	<u><u>2,650</u></u>	<u><u>11,186</u></u>	<u><u>8,149</u></u>

The current year's tax over profit before tax (excluding share of profit of equity accounted investee, net of tax) for the cumulative quarters of the current year approximated to 24%, which was slightly lower than the statutory tax rate.

18. Status of Corporate Proposals

There was no corporate proposal being announced during the period.

19. Group Borrowings

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MAY 2012 (Cont'd)

20. Off Balance Sheet Financial Instruments

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

21. Dividend Declared

A second interim single tier dividend of 3 sen per ordinary share of RM0.50 each, totalling RM13,800,000 in respect of financial year ended 30 November 2012 has been declared on 11 July 2012, 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 1 August 2012. The payment date is 23 August 2012.

22. Capital Commitment

As at 31 May 2012, there were capital commitments of RM2.2 million.

23. Basic Earnings per Share

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

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.05.2012 RM'000 (Unaudited)	Preceding Year Quarter 31.05.2011 RM'000 (Unaudited)	Current Year To Date 31.05.2012 RM'000 (Unaudited)	Preceding Year To Date 31.05.2011 RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>29,150</u>	<u>21,012</u>	<u>57,545</u>	<u>42,989</u>
Number of shares in issue ('000)	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>
Basic earnings per share (sen)	<u>6.34</u>	<u>4.57</u>	<u>12.51</u>	<u>9.35</u>

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MAY 2012 (Cont'd)

24. Realised and Unrealised Profit or Losses Disclosure

Total retained earnings of the Company and its subsidiaries:	As at financial period 31.05.2012 RM'000	As at financial period 31.05.2011 RM'000
-Realised	241,772	216,867
-Unrealised	(2,623)	(4,104)
	<hr/>	<hr/>
	239,149	212,763
 Total share of retained earnings of an associate:		
-Realised	75,813	46,170
-Unrealised	(761)	(118)
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	75,052	46,052
 Less: consolidation adjustments	(122,139)	(121,429)
	<hr/>	<hr/>
Total retained earnings	192,062	137,386

By Order of the Board

Tai Yit Chan (MAICSA 7009143)
Ong Tze-En (MAICSA 7026537)
Joint Company Secretaries
11 July 2012
Penang