

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 AUGUST 2012

| | As at end of Current Quarter 31.08.2012 RM'000 (Unaudited) | As at Preceding Financial Year End 30.11.2011 RM'000 (Audited) |
|---|---|---|
| Assets | | |
| Property, plant and equipment | 127,630 | 120,304 |
| Investment properties | 16,770 | 16,958 |
| Investment in an associate | 96,700 | 72,265 |
| Other investments-available for sale financial assets | 7,034 | 6,451 |
| Goodwill | 1,168 | 1,168 |
| Deferred tax assets | 835 | 883 |
| Total non-current assets | <u>250,137</u> | <u>218,029</u> |
| Inventories | 59,008 | 48,799 |
| Receivables, deposits and prepayments | 71,991 | 49,250 |
| Current tax assets | 513 | 2,438 |
| Cash and cash equivalents | 119,874 | 127,703 |
| Total current assets | <u>251,386</u> | <u>228,190</u> |
| Total assets | <u><u>501,523</u></u> | <u><u>446,219</u></u> |
| Equity | | |
| Share capital | 230,000 | 230,000 |
| Reserves | 207,477 | 162,319 |
| Total equity attributable to owners of the Company | <u>437,477</u> | <u>392,319</u> |
| Non-controlling interests | 32 | 32 |
| Total equity | <u>437,509</u> | <u>392,351</u> |
| Liabilities | | |
| Deferred tax liabilities | 3,960 | 3,711 |
| Total non-current liabilities | <u>3,960</u> | <u>3,711</u> |
| Payables and accruals | 53,603 | 45,273 |
| Current tax liabilities | 6,451 | 4,884 |
| Total current liabilities | <u>60,054</u> | <u>50,157</u> |
| Total liabilities | <u>64,014</u> | <u>53,868</u> |
| Total equity and liabilities | <u><u>501,523</u></u> | <u><u>446,219</u></u> |
| Net assets per share (sen) | 95.10 | 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 AUGUST 2012

| | Individual Quarter | | Cumulative Quarters | |
|--|---|--|---|--|
| | Current Year Quarter 31.08.2012 RM'000 (Unaudited) | Preceding Year Quarter 31.8.2011 RM'000 (Unaudited) | Current Year To Date 31.08.2012 RM'000 (Unaudited) | Preceding Year To Date 31.8.2011 RM'000 (Unaudited) |
| Revenue | 110,379 | 91,795 | 333,244 | 270,705 |
| Results from operating activities | 24,338 | 19,998 | 70,187 | 56,349 |
| Share of profit of equity accounted investee, net of tax | 10,778 | 9,770 | 33,660 | 24,557 |
| Profit before tax | 35,116 | 29,768 | 103,847 | 80,906 |
| Income tax expense | (6,891) | (5,447) | (18,077) | (13,596) |
| Profit for the period | 28,225 | 24,321 | 85,770 | 67,310 |
| Other comprehensive income, net of tax | | | | |
| Foreign currency translation differences for foreign operations | 47 | (8) | 102 | (21) |
| Fair value of available-for-sale financial assets | 328 | (677) | 304 | (784) |
| Share of other comprehensive income of equity accounted investee, net of tax | 802 | 80 | 382 | (591) |
| Other comprehensive income/(expense) for the period, net of tax | 1,177 | (605) | 788 | (1,396) |
| Total comprehensive income for the period | 29,402 | 23,716 | 86,558 | 65,914 |
| Profit attributable to: | | | | |
| Owners of the Company | 28,225 | 24,321 | 85,770 | 67,310 |
| Non-controlling interests | - | - | - | - |
| Profit for the period | 28,225 | 24,321 | 85,770 | 67,310 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 29,402 | 23,716 | 86,558 | 65,914 |
| Non-controlling interests | - | - | - | - |
| Total comprehensive income for the period | 29,402 | 23,716 | 86,558 | 65,914 |
| <i>Weighted average number of shares in issue ('000)</i> | 460,000 | 460,000 | 460,000 | 460,000 |
| Basic earnings per share (sen) | 6.14 | 5.29 | 18.65 | 14.63 |

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

| Individual Quarter | | Cumulative Quarters | |
|----------------------------|------------------------------|----------------------------|------------------------------|
| Current Year Quarter | Preceding Year Quarter | Current Year To Date | Preceding Year To Date |
| 31.08.2012 | 31.8.2011 | 31.08.2012 | 31.8.2011 |
| 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 | (995) | (1,536) | (3,031) | (3,087) |
| Other income including investment income | - | - | - | - |
| Interest expense | - | - | - | - |
| Depreciation and amortisation | 2,264 | 2,035 | 6,517 | 5,666 |
| Provision for and write off of receivables | - | (2) | (145) | (5) |
| Provision for and write off of inventories | 485 | 26 | 632 | 123 |
| (Gain) / Loss on disposal of quoted / unquoted investments | - | - | - | - |
| (Gain) / Loss on disposal of properties | - | - | - | - |
| Impairment of assets | - | - | - | - |
| Foreign exchange (gain) or loss | (78) | (392) | 390 | 2,194 |
| (Gain) or Loss on derivatives | - | - | - | - |

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 AUGUST 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 | - | (21) | - | - | (21) | - | (21) |
| Fair value of available-for-sale financial assets | - | - | (784) | - | (784) | - | (784) |
| Share of other comprehensive income of equity accounted investee, net of tax | - | (591) | - | - | (591) | - | (591) |
| Total other comprehensive income for the period | - | (612) | (784) | - | (1,396) | - | (1,396) |
| Profit for the period | - | - | - | 67,310 | 67,310 | - | 67,310 |
| Total comprehensive income for the period | - | (612) | (784) | 67,310 | 65,914 | - | 65,914 |
| Dividends to owners of the Company | - | - | - | (41,400) | (41,400) | - | (41,400) |
| At 31 August 2011 | 230,000 | (622) | (748) | 147,907 | 376,537 | 32 | 376,569 |

| | 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 | - | 102 | - | - | 102 | - | 102 |
| Fair value of available-for-sale financial assets | - | - | 304 | - | 304 | - | 304 |
| Share of other comprehensive income of equity accounted investee, net of tax | - | 382 | - | - | 382 | - | 382 |
| Total other comprehensive income for the period | - | 484 | 304 | - | 788 | - | 788 |
| Profit for the period | - | - | - | 85,770 | 85,770 | - | 85,770 |
| Total comprehensive income for the period | - | 484 | 304 | 85,770 | 86,558 | - | 86,558 |
| Dividends to owners of the Company | - | - | - | (41,400) | (41,400) | - | (41,400) |
| At 31 August 2012 | 230,000 | 665 | 325 | 206,487 | 437,477 | 32 | 437,509 |

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

| | Current Year To Date 31.08.2012 RM'000 (Unaudited) | Preceding Year To Date 31.8.2011 RM'000 (Unaudited) |
|--|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 103,847 | 80,906 |
| Adjustments for | | |
| Non-cash items | (27,399) | (17,245) |
| Non-operating items | (3,031) | (3,087) |
| Operating profit before working capital changes | 73,417 | 60,574 |
| Changes in working capital | (24,264) | (13,235) |
| Cash generated from operations | 49,153 | 47,339 |
| Tax paid | (14,336) | (15,160) |
| Dividends received | 9,607 | 9,728 |
| <i>Net cash from / (used in) operating activities</i> | 44,424 | 41,907 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (279) | (654) |
| Capital expenditure | (13,562) | (12,899) |
| Interest received | 3,043 | 3,087 |
| <i>Net cash (used in) / from investing activities</i> | (10,798) | (10,466) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid to owners of the Company | (41,400) | (27,600) |
| <i>Net cash used in financing activities</i> | (41,400) | (27,600) |
| Net (decrease) / increase in cash and cash equivalents | (7,774) | 3,841 |
| Cash and cash equivalents at 1 December | 127,654 | 131,499 |
| Effects of exchange rates on cash and cash equivalents | (56) | 9 |
| Cash and cash equivalents at 31 Aug (Note 1) | 119,824 | 135,349 |
| NOTE 1: | | |
| Cash and cash equivalents consist of :- | | |
| | RM'000 | RM'000 |
| Short term deposits with licensed banks | 93,719 | 118,342 |
| Cash and bank balances | 26,155 | 17,055 |
| | 119,874 | 135,397 |
| Less: Deposit pledged | (50) | (48) |
| Total cash and cash equivalents | 119,824 | 135,349 |

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 AUGUST 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 AUGUST 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 January 2013

- 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*
- Amendments to FRSs contained in the document entitled “Improvements to FRSs (2012)”
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 10, FRS 11 and FRS 12)

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
- FRS 141, *Agriculture*
- IC Interpretation 15, *Agreement for the Construction of Real Estate*

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 AUGUST 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.

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;
- 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; and
- iii) A second interim single tier dividend of 3 sen per ordinary share of RM0.50 each, totalling RM 13,800,000 in respect of the financial year ending 30 November 2012 on 23 August 2012.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 AUGUST 2012 (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 August 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 RM333.244 million for the period ended 31 August 2012, an increase of 23% as compared to the corresponding period last year. Overall, the export sales increased by 35%, mainly from sales to Thailand whilst the local sales increased by 10%, mainly contributed by high demand for most of its products.

The Group's profit before tax was RM103.847 million with an increase of 28% 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.

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

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 RM110.379 million was marginally lower than the immediate preceding quarter's revenue of RM110.985 million.

The current quarter's profit before tax of RM35.116 million, increased slightly as compared to the immediate preceding quarter's profit before tax of RM34.145 million, mainly due to lower marketing and promotion activities during the period.

15. Current year prospects

The Group maintains its targeted double digit growth in the revenue for the year. The Board is of the opinion that its internal target is achievable based on the current market condition and current available information of local and overseas markets.

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 31.08.2012 RM'000 (Unaudited) | Preceding Year Quarter 31.08.2011 RM'000 (Unaudited) | Current Year To date 31.08.2012 RM'000 (Unaudited) | Preceding Year To date 31.08.2011 RM'000 (Unaudited) |
| -Current Year | 6,599 | 5,447 | 17,725 | 14,246 |
| -Prior Year | 292 | - | 352 | (650) |
| Total | 6,891 | 5,447 | 18,077 | 13,596 |

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 25%, which was the statutory tax rate.

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

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.

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 third 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 24 October 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 16 November 2012. The payment date is 7 December 2012.

22. Capital Commitment

As at 31 August 2012, there were capital commitments of RM2.1 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 31.08.2012 RM'000 (Unaudited) | Preceding Year Quarter 31.08.2011 RM'000 (Unaudited) | Current Year To Date 31.08.2012 RM'000 (Unaudited) | Preceding Year To Date 31.08.2011 RM'000 (Unaudited) |
| Net profit for the period (RM'000) | <u>28,225</u> | <u>24,321</u> | <u>85,770</u> | <u>67,310</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>6.14</u> | <u>5.29</u> | <u>18.65</u> | <u>14.63</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 AUGUST 2012 (Cont'd)

24. Realised and Unrealised Profit or Losses Disclosure

| Total retained earnings of the Company and its subsidiaries: | As at financial period 31.08.2012 RM'000 | As at financial period 31.08.2011 RM'000 |
|--|---|---|
| -Realised | 246,790 | 217,802 |
| -Unrealised | (4,410) | (3,459) |
| | <hr/> | <hr/> |
| | 242,380 | 214,343 |
| Total share of retained earnings of an associate: | | |
| -Realised | 85,802 | 55,774 |
| -Unrealised | 28 | 47 |
| | <hr/> | <hr/> |
| | 85,830 | 55,821 |
| Less: consolidation adjustments | (121,723) | (122,257) |
| | <hr/> | <hr/> |
| Total retained earnings | 206,487 | 147,907 |

By Order of the Board

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