

SUIWAH CORPORATION BHD. (Company No: 253837 H)
INTERIM REPORT FOR THE THREE-MONTH PERIOD ENDED 31 AUGUST 2003
NOTES TO INTERIM FINANCIAL REPORT
PART A – DISCLOSURE NOTES AS REQUIRED UNDER MASB

A1. Basis of preparation

The interim financial report of the Group is unaudited and has been prepared in accordance with MASB 26 Interim Financial Reporting and Paragraph 9.22 of the Kuala Lumpur Stock Exchange Listing Requirements and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 May 2003.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 31 May 2003 except for the adoption of MASB 25, MASB 27 to MASB 30 which has become effective from 1 January 2003. The adoption of MASB 27 to MASB 30 have not given rise to any adjustments to the opening balances of retained profits of the prior year and the current period or to changes in comparatives. The changes and effects of adopting MASB 25 which resulted in prior year adjustments are as follows:

(i) MASB 25: Income Taxes

	As previously stated RM'000	Effect of changes in policy RM'000	As restated RM'000
At 31 May 2003:			
- retained profits	22,991	14	23,005
- revaluation reserve	2,537	(828)	1,709
- minority interests	21,489	(825)	20,664
	<hr/>	<hr/>	<hr/>
	3 months ended 31.8.2003 RM'000	3 months ended 31.8.2002 RM'000	
Effects on net profits for the quarter:			
Net profit before changes in accounting policy	2,251	1,966	
Effects of adopting MASB 25	3	4	
Net profit for the quarter	<hr/> 2,254 <hr/>	<hr/> 1,970 <hr/>	

A2. Auditors' Report

The auditors' report on the annual financial statements for the financial year ended 31 May 2003 was not qualified.

A3. Seasonal or Cyclical Factors

Retail sales were slow during the current quarter. It is anticipated to improve with the coming year end school holidays and festival season.

As for our manufacturing arm, Qdos Group, the revenue for the coming year is likely to increase due to the increase in customers' orders and market share.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cashflow

There were no unusual items for the current quarter and financial year to-date.

A5. Individually Significant Items

There were no individually significant items for the current quarter and financial year to-date.

A6. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years.

There were no material changes in estimates of amounts reported in prior interim period of the current financial year or prior financial years.

A7. Issuance and Repayments of Debt and Equity Securities

There were no issuances and repayments of debt and equity securities for the quarter under review and current financial year to-date.

A8. Dividends Paid

There were no dividends proposed or paid in this quarter under review.

A9. Segmental Report

	3 months ended 31.8.2003 (RM'000)
Segment Revenue	
Retail	59,354
Manufacturing	19,029
Property investment and development	32
Money lending	-
Group revenue	78,415

	3 months ended 31.8.2003 (RM'000)
Segment Results	
Retail	1,842
Manufacturing	1,829
Property investment and development	4
Money lending	-
Profit from operations	3,675
Finance income, net	82
Taxation	(707)
Profit after taxation	3,050
Minority interests	(796)
Net profit for the quarter	2,254

The directors are of the opinion that inter-segment transactions are minimal and have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

A10. Valuation of Property, Plant and Equipment

The valuation of properties have been brought forward without amendments from the previous annual financial statements.

A11. Material Events Subsequent To The End of The Interim Period

There are no material events subsequent to the end of the financial period ended 31 August 2003 that have not been reflected in the financial statements as at the date of this report.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the quarter and financial year to-date under review.

A13. Contingent Assets Or Liabilities

There are no material contingent assets or liabilities as at 30 October 2003 except as disclosed in the audited financial statements for the year ended 31 May 2003.

A14. Capital Commitments

The Group's capital commitments as at 30 October 2003 are as follows:

	RM'000
Approved and contracted for:	
Building	15,750
Renovation	485
Computer	250
Plant & equipment	421
Investment in unquoted shares:	
- Qdos Holdings Sdn Bhd	18,783
Total	35,689
Approved but not contracted for:	Nil

A15. Authorisation for Issue

On 30 October 2003, the Board of Directors authorised this interim report for issue.

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PART B: ADDITIONAL NOTES FOR KLSE LISTING REQUIREMENTS

B1. Review of Performance of the Group

The Group's revenue for the quarter under review was RM78.415 million as compared to RM68.229 million for the preceding year corresponding quarter ended 31 August 2002, recording an increase of 14.93%. The Group's profit before tax for the same period was RM3.757 million as compared with RM2.971 million previously, registering an increase of 26.46%. The revenue and profitability of the Group are better mainly due to Qdos Group's improved performance with its larger customer base.

The results for the current financial period have not been affected by any transaction or event of a material or unusual nature that has arisen between 31 August 2003 and the date of this announcement.

B2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

The Group's revenue for the quarter ended 31 August 2003 was RM78.415 million as compared to RM74.968 million for the preceding quarter ended 31 May 2003, an increase of 4.60%. Profit before tax for the current quarter was RM3.757 million, an increase of 139.30% as compared with RM1.570 million recorded in the preceding quarter. The increase of profit before tax was mainly due to SARS issues, provision for impairment in value of land and provision of doubtful debts made in the previous quarter

B3. Prospects for Current Financial Year

The local retail environment is expected to remain challenging with consumer spending continuing to be cautious. However, with the continuous aggressive promotional activities and a good mix of merchandising strategies planned by the Group, it is expected that the performance for the coming financial year ending 31 May 2004 will be satisfactory. Furthermore the Group is confident of expanding its manufacturing sector.

B4. Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

B5. Taxation

Taxation comprises:-

	Individual Quarter		Cumulative Quarter	
	Current	Preceding (Restated)	Current	Preceding (Restated)
	RM'000	RM'000	RM'000	RM'000
Current period provision	711	847	711	847
Deferred taxation	(4)	(31)	(4)	(31)
Total	<u>707</u>	<u>816</u>	<u>707</u>	<u>816</u>

The effective rate of taxation of the Group is lower than the statutory rate of taxation due to Qdos Group's tax incentive and lower taxation rate for SMI.

B6. Profits on Sale of investments and/or Properties

There were no sales of investments and/or properties by the Group for the quarter under review.

B7. Quoted Securities

- (a) There were no disposals of quoted securities for the quarter under review.
- (b) As at the end of the reporting quarter, investment in quoted securities were as follows:-

	RM
Total investment at cost	<u>205,855</u>
Total investment at carrying value/book value (after provision for diminution in value)	<u>5,394</u>
Total market value of quoted investment at end of the quarter	<u>5,680</u>

B8. Status of Corporate Proposals

On 16 April 2003, the Group announced the following proposed corporate exercises:

- (I) Acquisition of the remaining 49% equity interest in Qdos Holdings Sdn Bhd for a purchase consideration of RM18,782,820 to be wholly satisfied by the issuance of 10,098,290 new Suiwah Corporation Bhd ordinary shares of RM1.00 each at an issue price of RM1.86 per ordinary share
- (II) Acquisition of Level 1 Sunshine Square Complex, Penang for a cash consideration of RM16,600,000; and
- (III) Amendments to the by-laws of the employee share option scheme

On 27 August 2003, the Group announced the following proposals:

- (I) Rescission of the Sale and Purchase Agreement dated 16 April 2003 for the acquisition of Level 1 Sunshine Square Complex for a cash consideration of RM16,600,000
- (II) Execution of a new Sale and Purchase Agreement dated 27 August 2003 for the acquisition of Level 1 together with the concourse area of the Sunshine Square Complex for a cash consideration of RM17,500,000

The proposed corporate exercises are pending approval of the relevant authorities and the shareholders of Suiwah Corporation Bhd. in an Extraordinary General Meeting.

B9. Group Borrowings

The Group's borrowings for the quarter under review are:

- (a) Secured by way of:
 - Fixed deposits of subsidiaries amounting to RM5.50 million;
 - A legal charge over certain of the directors' personal properties and jointly and severally guaranteed by the directors;

- (b) Short term borrowings

	RM
Term loan due within 12 months	3,624
Bankers' acceptance	1,612,269
Bank overdraft	811,436
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	2,427,329

- (c) Long term borrowings

	RM
Long term loan	6,327
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- (d) There were no borrowings or debt securities denominated in foreign currencies.

B10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk outstanding as at 30 October 2003.

B11. Material Litigation

Pursuant to the litigation matter between Tenaga Nasional Berhad (TNB) and Lai Lai Wholesale Mart Sdn Bhd (LLWM) (a subsidiary of the Company), TNB had via its solicitors, Messrs Sani, Global and Associate served a Writ of Summons dated 25 January 2002 on LLWM.

LLWM has since appointed Messrs Sitham & Associates to file a Memorandum of Appearance on its behalf in reply to the above summons. On 18 April 2002, LLWM has filed for defence and counterclaim for the sum of RM343,577. Both parties are also arranging for a without prejudice meeting to discuss an amicable settlement. Nevertheless, the solicitor believes that LLWM has a valid defence in respect of the matter.

B12. Dividend

There were no dividends proposed or paid for this quarter under review.

B13. Earnings Per Share

The basic earnings per share for the current period has been calculated based on the Group's profit after taxation and minority interest by the number of ordinary shares in issue of 40.700 million.

	Current Quarter Ended 31.8.2003	Preceding Quarter Ended 31.8.2002 (Restated)	Current Cumulative Quarter ended 31.8.2003	Preceding Cumulative Quarter ended 31.8.2002 (Restated)
Net profit for the period (RM'000)	2,254	1,970	2,254	1,970
Weighted average number of ordinary shares in issue ('000)	40,700	40,700	40,700	40,700
Basic earnings per share (sen)	5.54	4.84	5.54	4.84

The Company does not have any dilutive potential ordinary shares outstanding as at 31 August 2003. Accordingly, no diluted earnings per share is presented.