

**SUIWAH CORPORATION BHD. (Company No: 253837 H)**  
**INTERIM REPORT FOR THE SIX-MONTH PERIOD ENDED 30 NOVEMBER 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 have 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	Effect of changes in accounting policy	As restated
	RM'000	RM'000	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
At 31 May 2002			
- retained profits	14,756	1,998	16,754
- revaluation reserve	2,537	(790)	1,747

	Current Quarter Ended 30.11.2003	Preceding Quarter Ended 30.11.2002 (Restated)	Current Cumulative Quarter ended 30.11.2003	Preceding Cumulative Quarter Ended 30.11.2002 (Restated)
Effects on net profits for the period:				
Net profit before changes in accounting policy	2,567	2,563	4,818	4,529
Effects of adopting MASB 25	3	4	6	8
Net profit for the quarter	2,570	2,567	4,824	4,537

## **A2. Auditors' Report**

The auditors' report of the annual financial statements for the financial year ended 31 May 2003 was not subject to any qualification.

## **A3. Seasonal or Cyclical Factors**

Retail sales were slow during the current quarter. It is anticipated to improve with the year end school holidays and coming festival seasons such as Christmas and Chinese New Year in the coming quarter.

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**

The first and final tax exempt dividend in respect of financial year ended 31 May 2003, of 5% on 40,700,000 ordinary shares, amounting to a total dividend payable of RM2,035,000 (5 sen net per share) has been approved by the shareholders at the Company's Annual General Meeting on 28 November 2003 and has been subsequently paid on 22 December 2003.

## **A9. Segmental Report**

	<b>6 months ended 30.11.2003 (RM'000)</b>
<b>Segment Revenue</b>	
Retail	122,944
Manufacturing	39,047
Property investment and development	63
Money lending	-
Group revenue	<b>162,054</b>

	<b>6 months ended 30.11.2003 (RM'000)</b>
<b>Segment Results</b>	
Retail	4,511
Manufacturing	3,482
Property investment and development	22
Money lending	-
Profit from operations	<b>8,015</b>
Finance income, net	127
Taxation	(1,576)
Profit after taxation	<b>6,566</b>
Minority interests	(1,742)
Net profit for the quarter	<b>4,824</b>

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 annual financial statements for the year ended 31 May 2003.

#### **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 30 November 2003 that have not been reflected in the interim 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 during the quarter and financial year to-date under review.

#### **A13. Contingent Assets Or Liabilities**

There are no material contingent assets or liabilities as at 15 January 2004 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 15 January 2004 are as follows:

	RM'000
Approved and contracted for:	
Building	15,750
Renovation	485
Computer	250
Motor Vehicle	136
Plant & equipment	435
Investment in unquoted shares:	
- Qdos Holdings Sdn. Bhd.	18,783
<b>Total</b>	<b>35,839</b>
Approved but not contracted for:	Nil

**A15. Authorisation for Issue**

On 15 January 2004, the Board of Directors authorised this interim report for issue.

**SUIWAH CORPORATION BHD. (Company No: 253837 H)**

**PART B: ADDITIONAL NOTES AS REQUIRED BY APPENDIX 9B OF THE KLSE LISTING REQUIREMENTS**

**B1. Review of Performance of the Group**

The Group's revenue for the quarter under review was RM83.639 million as compared to RM75.032 million for the preceding year corresponding quarter ended 30 November 2002, recording an increase of 11.47%. The Group's profit before tax for the same period was RM4.385 million as compared with RM4.813 million previously, registering a decrease of 8.9%. The revenue of the Group are better mainly due to Qdos Group's improved performance with its larger customer base. However, the decrease in profit before tax was due to the new machinery together with its additional costs of research and development for the clients which affected the yield for the quarter under review.

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 30 November 2003 and the date of this report.

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

The Group's revenue for the quarter ended 30 November 2003 was RM83.639 million as compared to RM78.415 million for the preceding quarter ended 31 August 2003, an increase of 6.66%. Profit before tax for the current quarter was RM4.385 million, an increase of 16.72% as compared with RM3.757 million recorded in the preceding quarter. The increase of profit before tax was mainly due to higher sales order received and more aggressive marketing strategy taken by the Group.

**B3. Prospects for Current Financial Year**

With the continuous aggressive promotional activities and good mix of merchandising strategies planned by the Group coupled with the Malaysian Government's commitment to revive the economy, it is expected that the performance for the Group will remain satisfactory for the coming financial year.

**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	873	1,196	1,584	2,043
Deferred taxation	(4)	(31)	(8)	(62)
Total	<u>869</u>	<u>1,165</u>	<u>1,576</u>	<u>1,981</u>

The effective rate of taxation of the Group is lower than the statutory rate of taxation as Qdos Group is eligible for tax incentives. Certain subsidiaries of the Group are also eligible for the tax incentive provided to small and medium scale companies as proposed in the 2003 Budget.

## B6. Profits on Sale of investments and/or Properties

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

## B7. Quoted Securities

- (a) There were no disposals of quoted securities during the quarter under review.
- (b) As at the end of the 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>6,010</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

All the above proposed corporate exercises are pending approval from the relevant authorities and the shareholders of the Company in an Extraordinary General Meeting.

### **B9. Group Borrowings**

The Group's total borrowings as at end of the financial period 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

	<b>RM</b>
Term loan due within 12 months	3,570
Bankers' acceptance	556,895
Bank overdraft	-
	<u>560,465</u>

(c) Long term borrowings

	<b>RM</b>
Term loan	<u>5,476</u>

(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 15 January 2004.

### **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 have attended a without prejudice meeting to discuss an amicable settlement. Nevertheless, the solicitors believe that LLWM has a valid defence in respect of the matter.

### **B12. Dividend**

The first and final tax exempt dividend in respect of financial year ended 31 May 2003, of 5% on 40,700,000 ordinary shares, amounting to a total dividend payable of RM2,035,000 (5 sen net per share) has been approved by the shareholders at the Company's Annual General Meeting on 28 November 2003 and has been subsequently paid on 22 December 2003.

### **B13. Earnings Per Share**

The basic earnings per share for the current financial 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.

	<b>Current Quarter ended 30.11.2003</b>	<b>Preceding Quarter ended 30.11.2002 (Restated)</b>	<b>Current Cumulative Quarter ended 30.11.2003</b>	<b>Preceding Cumulative Quarter ended 30.11.2002 (Restated)</b>
Net profit for the financial period (RM'000)	2,570	2,567	4,824	4,537
Weighted average number of ordinary shares in issue ('000)	40,700	40,700	40,700	40,700
Basic earnings per share (sen)	6.31	6.31	11.85	11.15

The Company does not have any potential dilutive ordinary shares outstanding as at 30 November 2003. Accordingly, no diluted earnings per share is presented.