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SUIWAH CORPORATION BHD. (Company No: 253837 H)
INTERIM REPORT FOR THE NINE MONTH PERIOD ENDED 29 FEBRUARY 2004
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 Malaysia Securities Exchange Berhad 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 RM'000	Effect of changes in accounting 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
At 31 May 2002			
- retained profits	14,756	1,998	16,754
- revaluation reserve	2,537	(790)	1,747

	Current Quarter Ended 29.2.2004	Preceding Quarter Ended 28.2.2003 (Restated)	Current Cumulative Quarter ended 29.2.2004	Preceding Cumulative Quarter Ended 28.2.2003 (Restated)
Effects on net profits for the period:				
Net profit before changes in accounting policy	4,558	3,685	9,376	8,214
Effects of adopting MASB 25	4	4	10	12
Net profit for the quarter	4,562	3,689	9,386	8,226

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

Sales is expected to slow down for the retail segment especially in the coming 4th quarter as the festival seasons such as Christmas, Hari Raya and Chinese New Year were already over.

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

	9 months ended 29.2.2004 (RM'000)
Segment Revenue	
Retail	198,586
Manufacturing	59,073
Property investment and development	95
Money lending	-
Group revenue	257,754

	9 months ended 29.2.2004 (RM'000)
Segment Results	
Retail	9,063
Manufacturing	6,185
Property investment and development	28
Money lending	-
Profit from operations	15,276
Finance income, net	533
Taxation	(3,100)
Profit after taxation	12,709
Minority interests	(3,323)
Net profit	9,386

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

On 19 March 2004, the Group announced its proposal to undertake a bonus issue of 10,159,658 new ordinary shares of RM1.00 each in Suiwah Corporation Bhd on the basis of one (1) new share for every five (5) existing shares held at a date to be determined later.

On 31 March 2004, Crimson Omega Sdn Bhd, a 70% owned subsidiary of Suiwah Corporation Bhd (the Purchaser), entered into a Sale and Purchase Agreement with Farlim Group (Malaysia) Bhd (the Vendor) and Trustees of Leong San Tong Khoo Kongsi (Penang) Registered (the Proprietor) for the acquisition of a 99-year lease in respect of a piece of land held under Lot No. 7703, Mukim 13, North East District, Penang for a cash consideration of RM29,500,000.

On 31 March 2004, Suiwah Corporation Bhd (the Purchaser) entered into a Share Sale Agreement with Farlim Group (Malaysia) Bhd (the Vendor) for the acquisition of 30,000 ordinary shares of RM1.00 each in Crimson Omega Sdn Bhd ("COSB") and 600,000 10% redeemable cumulative preference shares of RM1.00 each in COSB, representing 30% equity interest in COSB for a cash consideration of RM500,000.

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 April 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 April 2004 are as follows:

	RM'000
Approved and contracted for:	
Land & Building	42,300
Renovation	485
Computer	250
Motor Vehicle	76
Plant & equipment	1,368
Investment in unquoted shares:	
- Qdos Holdings Sdn. Bhd.	18,783
- Crimson Omega Sdn Bhd	450
Total	63,712
Approved but not contracted for:	Nil

A15. Authorisation for Issue

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

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**PART B: ADDITIONAL NOTES AS REQUIRED BY APPENDIX 9B OF THE
MALAYSIA SECURITIES EXCHANGE BERHAD LISTING
REQUIREMENTS**

B1. Review of Performance of the Group

The Group's revenue for the quarter under review was RM95.700 million as compared to RM85.388 million for the preceding year corresponding quarter ended 28 February 2003, recording an increase of 12.08%. The Group's profit before tax for the same period was RM7.667 million as compared with RM5.428 million previously, registering an increase of 41.25%. 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 29 February 2004 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 29 February 2004 was RM95.700 million as compared to RM83.639 million for the preceding quarter ended 30 November 2003, an increase of 14.42%. Profit before tax for the current quarter was RM7.667 million, an increase of 74.85% as compared with RM4.385 million recorded in the preceding quarter. The improvement was mainly due to higher retail turnover in the 3rd quarter following festival seasons such as Christmas, Hari Raya and Chinese New Year during the month of December and January. As for our manufacturing arm, Qdos Group, the improvement 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 continue to improve for the coming financial year. Furthermore, the Group is confident of expanding its manufacturing activities.

B4. Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

B5. Taxation

Taxation comprises:-

	Individual Quarter		Cumulative Quarter	
	Current RM'000	Preceding (Restated) RM'000	Current RM'000	Preceding (Restated) RM'000
Current period provision	1,532	1,412	3,116	3,455
Deferred taxation	(8)	(31)	(16)	(93)
Total	<u>1,524</u>	<u>1,381</u>	<u>3,100</u>	<u>3,362</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>5,800</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

On 19 March 2004, the Group announced its proposal to undertake a bonus issue of 10,159,658 new ordinary shares of RM1.00 each in Suiwah Corporation Bhd on the basis of one (1) new share for every five (5) existing shares held at a date to be determined later.

On 2 April 2004, the Group announced that pursuant to recent changes to the regulatory guidelines on employee share option schemes, the Group has now proposed to also include the participation of its Non-Executive Directors in its Employee Share Option Scheme.

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

On 31 March 2004, the Group announced the following proposals:

- (I) On 31 March 2004, Crimson Omega Sdn Bhd, a 70% owned subsidiary of Suiwah Corporation Bhd (the Purchaser), entered into a Sale and Purchase Agreement with Farlim Group (Malaysia) Bhd (the Vendor) and Trustees of Leong San Tong Khoo Kongsu (Penang) Registered (the Proprietor) for the acquisition of a 99-year lease in respect of a piece of land held under Lot No. 7703, Mukim 13, North East District, Penang for a cash consideration of RM29,500,000.
- (II) On 31 March 2004, Suiwah Corporation Bhd (the Purchaser) entered into a Share Sale Agreement with Farlim Group (Malaysia) Bhd (the Vendor) for the acquisition of 30,000 ordinary shares of RM1.00 each in Crimson Omega Sdn Bhd ("COSB") and 600,000 10% redeemable cumulative preference shares of RM1.00 each in COSB, representing 30% equity interest in COSB for a cash consideration of RM500,000.

The proposals as announced on 31 March 2004 are pending approvals 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

	RM
Term loan due within 12 months	4,944
Bankers' acceptance	-
Bank overdraft	-
	4,944

(c) Long term borrowings

	RM
Term loan	3,166

(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 April 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 on a without prejudice basis reached an amicable settlement whereby LLWM has agreed to pay TNB the amount of RM392,488.51. TNB has informed that they will file the Notice of Discontinuance upon clearance of the cheques.

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.

	Current Quarter ended 29.2.2004	Preceding Quarter ended 28.2.2003 (Restated)	Current Cumulative Quarter ended 29.2.2004	Preceding Cumulative Quarter ended 28.2.2003 (Restated)
Net profit for the financial period (RM'000)	4,562	3,689	9,386	8,226
Weighted average number of ordinary shares in issue ('000)	40,700	40,700	40,700	40,700
Basic earnings per share (sen)	11.21	9.06	23.06	20.21

The Company does not have any potential dilutive ordinary shares outstanding as at 29 February 2004. Accordingly, no diluted earnings per share is presented.