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SUIWAH CORPORATION BHD. (Company No: 253837 H)
INTERIM REPORT FOR THE TWELVE MONTH PERIOD ENDED 31 MAY 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 Bursa Malaysia Securities Berhad's 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 the 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	1,997	16,753
- revaluation reserve	2,537	(791)	1,746

	Current Quarter Ended 31.5.2004	Preceding Quarter Ended 31.5.2003	Current Cumulative Quarter ended 31.5.2004	Preceding Cumulative Quarter Ended 31.5.2003
	RM'000	RM'000	RM'000	RM'000
Effects on net profits for the period:				
Net profit before changes in accounting policy	2,955	21	12,357	8,235
Effects of adopting MASB 25	(23)	2	(39)	14
Net profit for the quarter	2,932	23	12,318	8,249

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 in the current quarter for the retail sector. It is anticipated to improve only after the 2nd quarter of the financial year 2005.

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

	12 months ended 31.5.2004 (RM'000)
Segment Revenue	
Retail	259,924
Manufacturing	90,133
Property investment and development	126
Money lending	671
Group revenue	350,854

	12months ended 31.5.2004 (RM'000)
Segment Results	
Retail	10,138
Manufacturing	11,150
Property investment and development	(173)
Money lending	3
Profit from operations	21,118
Finance income, net	440
Taxation	(3,635)
Profit after taxation	17,923
Minority interests	(5,605)
Net profit	12,318

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 has 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 14 June 2004 Suiwah held an extraordinary general meeting and obtained shareholders approval on the following proposals:

- (i) Proposed acquisition of the remaining 49% equity interest in Qdos Holdings Sdn Bhd comprising 11,270,003 ordinary shares of RM1.00 each for a purchase consideration of RM18,782,820 to be wholly satisfied by the issuance of 10,098,290 new Suiwah shares at an issue price of RM1.86 per share (“Proposed Qdos Acquisition”)
- (ii) Proposed acquisition of Level 1 together with the Concourse Area of Level 1 of Sinshine Square Complex, Penang for a cash consideration of RM17,500,000. (“Proposed Level 1 Acquisition”)
- (iii) Proposed amendments to the by-laws of the existing employee share option scheme
- (iv) Proposed amendments to the Articles of Association of Suiwah.
- (v) Proposed bonus issue of 10,159,658 new ordinary shares of RM1.00 each on the basis of one new ordinary share of RM1.00 each for every five existing ordinary shares of RM1.00 each held in Suiwah after the Proposed Qdos Acquisition at a date to be determined later.
- (vi) Proposed share option to the Board of Directors of Suiwah.

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 31 May 2004.

A14. Capital Commitments

The Group's capital commitments as at 30 July 2004 are as follows:

	RM'000
Approved and contracted for:	
Land & building	42,300
Furniture, fittings and renovation	3,500
Computer	-
Plant & equipment	857
Investment in unquoted shares:	
- Qdos Holdings Sdn. Bhd.	18,783
- Crimson Omega Sdn Bhd	450
Total	65,890
Approved but not contracted for:	
Plant & equipment	72
Furniture, fittings and renovation	687
Total	759

A15. Authorisation for Issue

On 30 July 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 BURSA
MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS**

B1. Review of Performance of the Group

The Group's revenue for the quarter under review was RM93.100 million as compared to RM74.968 million for the preceding year corresponding quarter ended 31 May 2003, recording an increase of 24.19%. The Group's profit before tax for the same period was RM5.749 million as compared with RM1.570 million previously, registering an increase of 266.18%. The revenue and profitability of the Group are better mainly due to Qdos Group's profitability performance with its larger customer base.

The results for the current financial period have not been affected by any transactions or events of a material or unusual nature that has arisen between 31 May 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 31 May 2004 was RM93.100 million as compared to RM95.700 million for the preceding quarter ended 29 February 2004, a decrease of 2.72%. Profit before tax for the current quarter was RM5.749 million, a decrease of 25.00% as compared with RM7.667 million recorded in the preceding quarter. The decrease was mainly due to higher retail turnover in the 3rd quarter following seasonal festive sales.

B3. Prospects for Current Financial Year

With the continuous aggressive promotional activities and good mix of merchandising strategies planned by the Group together 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 capacity.

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
Tax expense for the year	1,152	19	4,268	3,473
Deferred taxation	(566)	893	(228)	814
Under/(over)provision in prior years:				
Income tax	67	594	67	594
Deferred tax	(118)	(40)	(472)	(53)
Total	535	1,466	3,635	4,828

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 2003/4 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>10,327</u>
Total investment at carrying value/book value (after provision for diminution in value)	<u>7,367</u>
Total market value of quoted investment at end of the quarter	<u>8,165</u>

B8. Status of Corporate Proposals

Shareholders approval was obtained on 14 June 2004 for the following proposal:

- (i) Proposed acquisition of the remaining 49% equity interest in Qdos Holdings Sdn Bhd comprising 11,270,003 ordinary shares of RM1.00 each for a purchase consideration of RM18,782,820 to be wholly satisfied by the issuance of 10,098,290 new Suiwah shares at an issue price of RM1.86 per share ("Proposed Qdos Acquisition")
- (ii) Proposed acquisition of Level 1 together with the Concourse Area of Level 1 of Sunshine Square Complex, Penang for a cash consideration of RM17,500,000. ("Proposed Level 1 Acquisition")
- (iii) Proposed amendments to the by-laws of the existing employee share option scheme.
- (iv) Proposed amendments to the Articles of Association of Suiwah.
- (v) Proposed bonus issue of 10,159,658 new ordinary shares of RM1.00 each on the basis of one new ordinary share of RM1.00 each for every five existing ordinary shares of

RM1.00 each held in Suiwah after the Proposed Qdos Acquisition at a date to be determined later.

- (vi) Proposed share option to the Board of Directors of Suiwah.

The Proposed Qdos Acquisition , Proposed Level 1 Acquisition and Proposed Bonus Issue are pending approval from authorities.

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 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.
- (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.

9. 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	3,801
Bankers’ acceptance	2,612,881
Bank overdraft	1,942,807
	<u>4,559,489</u>

- (c) Long term borrowings

	RM
Term loan	<u>Nil</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 30 July 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.

The Board of Directors recommend a first and final tax exempt dividend of 5% amounting to RM2,035,000 in respect of the current financial year.

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 31.5.2004	Preceding Quarter ended 31.5.2003 (Restated)	Current Cumulative Quarter ended 31.5.2004	Preceding Cumulative Quarter ended 31.5.2003 (Restated)
Net profit for the financial period (RM'000)	2,622	23	12,318	8,249
Number of ordinary shares in issue ('000)	40,700	40,700	40,700	40,700
Basic earnings per share (sen)	6.44	0.06	30.27	20.27

The Company does not have any potential dilutive ordinary shares outstanding as at 31 May 2004. Accordingly, no diluted earnings per share is presented.