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SUIWAH CORPORATION BHD. (Company No: 253837 H)
INTERIM REPORT FOR THE THREE-MONTH PERIOD ENDED 31 AUGUST 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 Listing Requirements of the Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 May 2004.

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 2004 except for the adoption of MASB 31 and 32 which became effective from 1 January 2004. The adoption of MASB 31 to MASB 32 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.

A2. Auditors' Report

The auditors' report of the annual financial statements for the financial year ended 31 May 2004 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 coming year end school holidays and festive seasons.

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

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

During the financial period, the Company issued 10,098,290 new ordinary shares of RM1.00 each in the Company pursuant to the acquisition of the remaining 49% equity interest in a subsidiary, Qdos Holdings Sdn. Bhd. ("Qdos"). Following the acquisition, Qdos is now a wholly owned subsidiary of the Company.

A8. Dividends Paid

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

A9. Segmental Report

	3 months ended 31.8.2004 (RM'000)
Segment Revenue	
Retail	63,891
Manufacturing	36,938
Property investment and development	31
Money lending	167
Group revenue	101,027

	3 months ended 31.8.2004 (RM'000)
Segment Results	
Retail	2,394
Manufacturing	5,272
Property investment and development	(13)
Money lending	60
Profit from operations	7,713
Finance income, net	147
Taxation	(1,092)
Profit after taxation	6,768
Minority interests	(1,457)
Net profit	5,311

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 2004.

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

There are no material events subsequent to the end of the interim period.

A12. Changes in the Composition of the Group

The acquisition of the remaining 49% equity interest in Qdos Holdings Sdn. Bhd. ("Qdos) was completed on 2 August 2004. Following this, Qdos is now a wholly owned subsidiary of the Company.

A13. Contingent Assets Or Liabilities

There are no material contingent assets or liabilities as at 27 October 2004.

A14. Capital Commitments

The Group's capital commitments as at 27 October 2004 are as follows:

	RM'000
Approved and contracted for:	
Land & building	42,300
Furniture, fittings and renovation	913
Computer	92
Plant & equipment	1,681
Investment in unquoted shares:	
- Crimson Omega Sdn Bhd	450
Total	45,436
Approved but not contracted for	Nil

A15. Authorisation for Issue

On 27 October 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 RM101.027 million as compared to RM78.415 million for the preceding year corresponding quarter ended 31 August 2003, recording an increase of 28.84%. The Group's profit before tax for the same period was RM7.860 million as compared with RM3.757 million previously, registering an increase of 109.21%. The revenue and profitability of the Group are better mainly due to increase revenue for Qdos Group

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 August 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 August 2004 was RM101.027 million as compared to RM93.100 million for the preceding quarter ended 31 May 2004, an increase of 8.51%. Profit before tax for the current quarter was RM7.860 million, an increase of 36.72% as compared with RM5.749 million recorded in the preceding quarter. The increase was mainly due to higher manufacturing turnover for Qdos Group in the current quarter.

B3. Prospects for Current Financial Year

With the robust domestic economic activities, recovery in private investment and higher disposable income, coupled with the Group's continuing efforts to meet customers varied and evolving demands, it is expected that the performance for the Group will continue to improve 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 RM'000	Preceding RM'000	Current RM'000	Preceding RM'000
Tax expense for the year	1,101	711	1,101	711
Deferred taxation	(9)	(4)	(9)	(4)
Total	<u>1,092</u>	<u>707</u>	<u>1,092</u>	<u>707</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 2003/4 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>5,370</u>

B8. Status of Corporate Proposals

On 2 August 2004, the Company completed the acquisition of the remaining 49% equity interest in Qdos Holdings Sdn Bhd, comprising 11,270,003 ordinary shares of RM1.00 each, via an issuance of 10,098,290 new ordinary shares of the Company. The cost of this acquisition has been accounted for at RM30,294,870 being the fair value of the shares issued as at the date of exchange.

The 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 is pending approvals from authorities.

The proposed bonus issue of 10,159,658 new ordinary shares of RM1.00 each on the basis of one (1) new ordinary share of RM1.00 each for every five (5) existing ordinary shares of RM1.00 each held in the Company is pending the fixing of entitlement date.

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., entered into a Sale and Purchase Agreement with Farlim Group (Malaysia) Bhd and Trustees of Leong San Tong Khoo Kongsi (Penang) Registered 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 entered into a Share Sale Agreement with Farlim Group (Malaysia) Bhd 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	-
Bankers' acceptance	3,039,419
Bank overdraft	-
	<u>3,039,419</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 27 October 2004.

B11. Material Litigation

As of the date of this announcement, neither the Company nor any of its subsidiary companies are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors of the Company are not aware of any proceedings pending or threatened against the Company and its subsidiary companies or of any facts likely to give rise to any proceedings which might materially and/or adversely affect the position or business of the Group.

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 financial period has been calculated based on the Group's profit after taxation and minority interest by the weighted number of ordinary shares in issue in the respective period as follows:

	Current Quarter ended 31.8.2004	Preceding Quarter ended 31.8.2003	Current Cumulative Quarter ended 31.8.2004	Preceding Cumulative Quarter ended 31.8.2003
Net profit for the financial period (RM'000)	5,311	2,254	5,311	2,254
Weighted number of ordinary shares in issue ('000)	44,066	40,700	44,066	40,700
Basic earnings per share (sen)	12.05	5.54	12.05	5.54

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