

SUIWAH CORPORATION BHD. (Company No: 253837 H)
INTERIM REPORT FOR THE TWELVE-MONTH PERIOD ENDED 31 MAY 2005
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. In the previous quarter, the Group changed its accounting policy on amortisation of goodwill. Goodwill is not amortised but tested for impairment annually. Negative goodwill not amortised is recognised in the income statement immediately.

The change in the accounting policy on goodwill has resulted in an increase in profit before taxation of RM2,039,069. No adjustment is made to the opening balances of retained profits or changes in comparatives.

The adoption of the new MASBs did not give 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

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 2006.

As for our manufacturing arm, Qdos Group, the revenue for the coming year is likely to improve following 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 was no material changes in estimates of amounts reported in the prior interim period of the current financial year or prior financial years.

A7. Issuance and Repayments of Debt and Equity Securities

During the financial year, 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.

The Company issued 10,159,658 new ordinary shares of RM1.00 each in January pursuant to the bonus issue on the basis of one new ordinary share of RM1.00 each for every five existing ordinary shares of RM1.00 each.

A8. Dividends Paid

The first and final tax exempt dividend in respect of financial year ended 31 May 2004, of 5% on 50,798,290 ordinary shares, amounting to a total dividend payable of RM2,539,915 (5 sen net per share) has been approved by the shareholders at the Company’s Annual General Meeting on 22 November 2004 and has been subsequently paid on 7 December 2004.

The Board has recommended a first and final dividend of 5%, comprising of approximately 1% tax exempt dividend and approximately 4% less 28% income tax in respect of the financial year ended 31 May 2005.

A9. Segmental Report

	12 months ended 31.5.2005 (RM'000)
Segment Revenue	
Retail	293,530
Manufacturing	122,601
Property investment and development	123
Money lending	544
Group revenue	416,798

	12 months ended 31.5.2005 (RM'000)
Segment Results	
Retail	14,011
Manufacturing	17,903
Property investment and development	(263)
Money lending	453
Profit from operations	32,104
Finance income, net	292
Taxation	(4,710)
Profit after taxation	27,686
Minority interests	(1,984)
Net profit	25,702

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 were no material events subsequent to the end of the interim period.

A12. Changes in the Composition of the Group

The Company has completed the acquisition of the remaining 49% equity interest in Qdos Holdings Sdn. Bhd. ("Qdos) in the previous quarter. Following this, Qdos is now a wholly owned subsidiary of the Company.

On 18 February 2005 the Company completed the acquisition of 30% of the equity interest in Crimson Omega Sdn Bhd, therefore Crimson Omega Sdn Bhd 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 July 2005.

A14. Capital Commitments

The Group's capital commitments as at 27 July 2005 are as follows:

	RM'000
Approved and contracted for:	
Furniture & fittings	44
Computer	21
Renovation	13
Plant & equipment	1,084
Total	1,162
Approved but not contracted for	Nil

A15. Authorisation for Issue

On 27 July 2005, 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 RM99.497 million as compared to RM93.100 million for the preceding year corresponding quarter ended 31 May 2004, recording an increase of 6.87%. The Group's profit before tax for the same period was RM7.090 million as compared with RM5.749 million previously, registering an increase of 23.33%. The revenue and profitability of the Group are better mainly due to the increase in revenue for retail and 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 May 2005 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 2005 was RM99.497 million as compared to RM115.665 million for the preceding quarter ended 28 February 2005, a decrease of 13.98%. Profit before tax for the current quarter was RM7.090 million, a decrease of 23.95% as compared with RM9.323 million recorded in the preceding quarter. The decrease was mainly due to higher retail turnover in the 3rd quarter following festival seasons such as Christmas, Hari Raya and Chinese New Year.

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 continuous efforts to meet customers varied and evolving demands, the Group has continued to face off increasing competition effectively and will deliver improved performance 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	430	1,152	4,665	4,268
Deferred taxation	16	(212)	(11)	(228)
Under/(over) provision in prior years:				
Income tax	52	67	52	67
Deferred tax	4	(472)	4	(472)
Total	502	535	4,710	3,635

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 2004/05 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, investments in quoted securities of the Group were as follows:-

	RM
Total investment at cost	8,825
Total investment at carrying value/book value (after provision for diminution in value)	3,278
Total market value of quoted investments at end of the quarter	3,288

B8. Status of Corporate Proposals

On 24 May 2005, the Group announced the proposed listing of Qdos Holdings Sdn Bhd on the Main Board of Bursa Malaysia Securities Berhad. The Group has appointed professional advisor and is in the midst of finalizing the structure of the said proposal.

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 certain subsidiaries amounting to RM5.50 million;
 - A legal charge over certain of the directors' personal properties and jointly and severally guaranteed by the directors;
 - First and second legal charge over the long term leasehold land and building of a subsidiary with net book values of RM30,609,648; and
 - a corporate guarantee by the Company.

(b) Short term borrowings

	RM
Term loan due within 12 months	1,000,008
Bankers' acceptance	4,217,016
Bank overdraft	1,309,392
	6,526,416

(c) Long term borrowings

	RM
Term loan	8,666,656

- (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 July 2005.

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

The first and final tax exempt dividend in respect of financial year ended 31 May 2004, of 5% on 50,798,290 ordinary shares, amounting to a total dividend payable of RM2,539,915 (5 sen net per share) has been approved by the shareholders at the Company's Annual General Meeting on 22 November 2004 and has been subsequently paid on 7 December 2004.

The Board has recommended a first and final dividend of 5%, comprising of approximately 1% tax exempt dividend and approximately 4% less 28% income tax in respect of the financial year ended 31 May 2005.

B13. Earnings Per Share

The basic earnings per share 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 periods as follows:

	Current Quarter ended 31.5.2005	Preceding Quarter ended 31.5.2004	Current Cumulative Quarter ended 31.5.2005	Preceding Cumulative Quarter ended 31.5.2004
Net profit for the financial period (RM'000)	6,567	2,932	25,702	12,318
Weighted number of ordinary shares in issue ('000)	60,958	48,840	59,275	48,840
Basic earnings per share (sen)	10.77	6.00	43.36	25.22

The comparative basic earnings per share have been restated to take into account the effect of the one (1) for five (5) bonus issue completed during the financial year.

The Company does not have any potential dilutive ordinary shares outstanding as at 31 May 2005. Accordingly, no diluted earnings per share were presented.