

SUIWAH CORPORATION BHD. (Company No: 253837 H)
INTERIM REPORT FOR THE THREE-MONTH PERIOD ENDED 31 AUGUST 2005
NOTES TO INTERIM FINANCIAL REPORT
PART A – DISCLOSURE NOTES AS REQUIRED UNDER FRS 134

A1. Basis of preparation

The interim financial report of the Group is unaudited and has been prepared in accordance with FRS 134 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 2005.

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 2005.

A2. Auditors' Report

The auditors' report of the annual financial statements for the financial year ended 31 May 2005 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 profits for the coming year is likely to improve as we focus on products with higher margin.

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

35,500 shares were exercised and listed pursuant to the Suiwah Employee Share Option Scheme ("ESOS") for the quarter under review. Further 6,100 shares were exercised and listed between 1 September 2005 and 28 October 2005.

A8. Dividends Paid

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

A9. Segmental Report

	3 months ended 31.8.2005 (RM'000)
Segment Revenue	
Retail	71,197
Manufacturing	27,841
Property investment and development	26
Money lending	70
Group revenue	99,134

	3 months ended 31.8.2005 (RM'000)
Segment Results	
Retail	2,100
Manufacturing	4,128
Property investment and development	-
Money lending	46
Profit from operations	6,274
Finance income, net	(174)
Taxation	(893)
Profit after taxation	5,207
Minority interests	9
Net profit	5,216

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 value of properties has been brought forward without amendments from the annual financial statements for the year ended 31 May 2005.

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

There were no changes in the composition of the Group during the current quarter.

A13. Contingent Assets Or Liabilities

There are no material contingent assets or liabilities as at 28 October 2005.

A14. Capital Commitments

The Group's capital commitments as at 28 October 2005 are as follows:

	RM'000
Approved and contracted for:	
Furniture & fittings	37
Office Equipment	26
Plant & equipment	2,405
Total	2,468
Approved but not contracted for	Nil

A15. Authorisation for Issue

On 28 October 2005, the Board of Directors authorised this interim report together with its accompanying disclosure notes as set out in Part A and Part B.

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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 RM99.134 million as compared to RM101.027 million for the preceding year corresponding quarter ended 31 August 2004, recording a decrease of 1.87%. The Group's profit before tax for the same period was RM6.100 million as compared with RM7.860 million previously, registering a decrease of 22.39%. The decrease in revenue and profitability of the Group were mainly due to increase in overheads for retail and reduction in sales 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 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 August 2005 was RM99.134 million as compared to RM99.497 million for the preceding quarter ended 31 May 2005, a decrease of 0.36%. Profit before tax for the current quarter was RM6.100 million, a decrease 13.96% as compared with RM7.090 million recorded in the preceding quarter. The decrease was mainly due to higher overheads incurred for the Group.

B3. Prospects for Current Financial Year

Although there are robust domestic economic activities, sustained private investment and higher disposable income, the Group is continuing its efforts in facing off increasing competition, thus continuing to meet customers varied and evolving demands and delivering 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	905	1,101	905	1,101
Deferred taxation	(12)	(9)	(12)	(9)
Total	<u>893</u>	<u>1,092</u>	<u>893</u>	<u>1,092</u>

The effective rate of taxation of the Group is lower than the statutory rate of taxation as Qdos Group is enjoying pioneer status. Certain subsidiaries of the Group are also enjoying 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	2,941

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 RM30,469,156; and
 - a corporate guarantee by the Company.

- (b) Short term borrowings

	RM
Term loan due within 12 months	1,000,008
Bankers' acceptance	3,909,690
Bank overdraft	6,920,689
	<u>11,830,387</u>

- (c) Long term borrowings

	RM
Term loan	<u>8,416,654</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 28 October 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

There were no dividends proposed or paid for this quarter under review

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 31.8.2005	Preceding Quarter ended 31.8.2004	Current Cumulative Quarter ended 31.8.2005	Preceding Cumulative Quarter ended 31.8.2004
Net profit for the financial period (RM'000)	5,216	5,311	5,216	5,311
Weighted number of ordinary shares in issue ('000)				
- Basic	60,963	54,226	60,963	54,226
- Diluted	61,192	-	61,192	-
Basic earnings per share (sen)	8.56	9.79	8.56	9.79
Diluted earnings per share (sen)	8.52	-	8.52	-

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 previous financial year.