

**SUIWAH CORPORATION BHD**  
**COMPANY NO : 253837 H**  
**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(The figures have not been audited)

|                                                         | <b>Individual Quarter</b> |                   | <b>Cumulative Quarter</b> |                     |
|---------------------------------------------------------|---------------------------|-------------------|---------------------------|---------------------|
|                                                         | <b>3 Months Ended</b>     |                   | <b>3 Months Ended</b>     |                     |
|                                                         | <b>30 Nov</b>             |                   | <b>30 Nov</b>             |                     |
|                                                         | <b>2016</b>               | <b>2015</b>       | <b>2016</b>               | <b>2015</b>         |
|                                                         | <b>RM'000</b>             | <b>RM'000</b>     | <b>RM'000</b>             | <b>RM'000</b>       |
| Revenue                                                 | 92,167                    | 87,083            | 188,750                   | 179,449             |
| Other operating income                                  | 1,597                     | (344)             | 2,348                     | 2,317               |
| Total operating expenses                                | (89,675)                  | (85,282)          | (183,688)                 | (176,198)           |
| Profit from operations                                  | <u>4,090</u>              | <u>1,457</u>      | <u>7,410</u>              | <u>5,568</u>        |
| Finance income                                          | 51                        | 73                | 112                       | 151                 |
| Finance cost                                            | (327)                     | (286)             | (611)                     | (599)               |
| Share of profit / (loss) in a jointly controlled entity | 61                        | 41                | 89                        | 56                  |
| Profit before taxation                                  | <u>3,875</u>              | <u>1,285</u>      | <u>7,001</u>              | <u>5,176</u>        |
| Income tax                                              | (1,291)                   | (841)             | (2,547)                   | (2,023)             |
| <b>Profit for the period</b>                            | <u><u>2,584</u></u>       | <u><u>444</u></u> | <u><u>4,454</u></u>       | <u><u>3,153</u></u> |
| Other comprehensive income:                             |                           |                   |                           |                     |
| Foreign exchange difference                             | <u>127</u>                | <u>(39)</u>       | <u>5</u>                  | <u>(718)</u>        |
| Total comprehensive income for the period               | <u><u>2,711</u></u>       | <u><u>405</u></u> | <u><u>4,459</u></u>       | <u><u>2,435</u></u> |
| <b>Profit for the period attributable to:</b>           |                           |                   |                           |                     |
| Equity holders of the Company                           | 2,586                     | 437               | 4,456                     | 3,143               |
| Non-controlling interests                               | <u>(2)</u>                | <u>7</u>          | <u>(2)</u>                | <u>10</u>           |
|                                                         | <u><u>2,584</u></u>       | <u><u>444</u></u> | <u><u>4,454</u></u>       | <u><u>3,153</u></u> |
| <b>Total comprehensive income attributable to:</b>      |                           |                   |                           |                     |
| Equity holders of the Company                           | 2,713                     | 398               | 4,461                     | 2,425               |
| Non-controlling interests                               | <u>(2)</u>                | <u>7</u>          | <u>(2)</u>                | <u>10</u>           |
|                                                         | <u><u>2,711</u></u>       | <u><u>405</u></u> | <u><u>4,459</u></u>       | <u><u>2,435</u></u> |
| <b>Earnings per share attributable</b>                  |                           |                   |                           |                     |
| <b>to owners of the parent (sen per share)</b>          |                           |                   |                           |                     |
| Basic                                                   | 4.52                      | 0.76              | 7.78                      | 5.49                |
| Fully diluted                                           | 4.52                      | 0.76              | 7.78                      | 5.49                |

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016 and the accompany explanatory notes attached to the interim financial statements)

**SUIWAH CORPORATION BHD.**  
**COMPANY NO: 253837 H**  
**(Incorporated in Malaysia)**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(The figures have not been audited)

|                                                                           | As At End of<br>Current Quarter<br>30 Nov 2016<br>(Unaudited)<br>RM'000 | As At Preceding<br>Financial Year End<br>31 May 2016<br>(Audited)<br>RM'000 |
|---------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <b>ASSETS</b>                                                             |                                                                         |                                                                             |
| <b>Non-current assets</b>                                                 |                                                                         |                                                                             |
| Property, plant and equipment                                             | 160,679                                                                 | 146,488                                                                     |
| Inventory property                                                        | 6,888                                                                   | 6,888                                                                       |
| Intangible asset                                                          | 6,903                                                                   | 6,578                                                                       |
| Investment in a joint venture                                             | 13,777                                                                  | 13,688                                                                      |
| Investment in securities                                                  | 3                                                                       | 3                                                                           |
| Goodwill on consolidation                                                 | 4,665                                                                   | 4,665                                                                       |
| Long term prepayment                                                      | 500                                                                     | 500                                                                         |
|                                                                           | <u>193,415</u>                                                          | <u>178,811</u>                                                              |
| <b>Current assets</b>                                                     |                                                                         |                                                                             |
| Inventory property                                                        | 28,334                                                                  | 18,137                                                                      |
| Inventories                                                               | 43,445                                                                  | 37,047                                                                      |
| Trade receivables                                                         | 27,188                                                                  | 20,930                                                                      |
| Other receivables                                                         | 16,100                                                                  | 15,889                                                                      |
| Loan receivables                                                          | 1                                                                       | 2                                                                           |
| Tax recoverable                                                           | 3,669                                                                   | 3,192                                                                       |
| Derivative receivables                                                    | 105                                                                     | 105                                                                         |
| Short term investment                                                     | 5,551                                                                   | 8,993                                                                       |
| Cash and bank balances                                                    | 19,307                                                                  | 26,353                                                                      |
|                                                                           | <u>143,700</u>                                                          | <u>130,648</u>                                                              |
| <b>TOTAL ASSETS</b>                                                       | <u>337,115</u>                                                          | <u>309,459</u>                                                              |
| <b>EQUITY AND LIABILITIES</b>                                             |                                                                         |                                                                             |
| <b>Equity attributable to equity holders of the parent</b>                |                                                                         |                                                                             |
| Share capital                                                             | 61,000                                                                  | 61,000                                                                      |
| Share premium                                                             | 13,935                                                                  | 13,935                                                                      |
| Treasury shares                                                           | (5,557)                                                                 | (5,550)                                                                     |
| Other reserves                                                            | (483)                                                                   | (488)                                                                       |
| Retained earnings                                                         | 146,518                                                                 | 144,066                                                                     |
|                                                                           | <u>215,413</u>                                                          | <u>212,963</u>                                                              |
| Minority interest                                                         | 124                                                                     | 255                                                                         |
| <b>Total equity</b>                                                       | <u>215,537</u>                                                          | <u>213,218</u>                                                              |
| <b>Non-current liabilities</b>                                            |                                                                         |                                                                             |
| Long term loan                                                            | 8,866                                                                   | 9,280                                                                       |
| Government grant                                                          | 4,195                                                                   | 3,047                                                                       |
| Trade and other payables                                                  | 7,976                                                                   | 7,456                                                                       |
| Deferred tax liabilities                                                  | 1,973                                                                   | 2,028                                                                       |
|                                                                           | <u>23,010</u>                                                           | <u>21,811</u>                                                               |
| <b>Current liabilities</b>                                                |                                                                         |                                                                             |
| Short term borrowings                                                     | 8,462                                                                   | 6,078                                                                       |
| Trade payables                                                            | 55,807                                                                  | 52,940                                                                      |
| Other payables                                                            | 31,700                                                                  | 12,750                                                                      |
| Deferred revenue                                                          | 1,539                                                                   | 1,771                                                                       |
| Government grant                                                          | 707                                                                     | 420                                                                         |
| Tax payable                                                               | 353                                                                     | 472                                                                         |
|                                                                           | <u>98,568</u>                                                           | <u>74,430</u>                                                               |
| <b>Total liabilities</b>                                                  | <u>121,578</u>                                                          | <u>96,241</u>                                                               |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                       | <u>337,115</u>                                                          | <u>309,459</u>                                                              |
| Net assets per share attributable to equity holders<br>of the parent (RM) | 3.76                                                                    | 3.72                                                                        |
|                                                                           | -                                                                       | -                                                                           |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Report for the financial year ended 31 May 2016 and the accompanying explanatory note attached to the interim financial statements)

**SUIWAH CORPORATION BHD.**  
**COMPANY NO: 253837 H**  
**(Incorporated in Malaysia)**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

|                                                               | <b>6 Months<br/>Ended<br/>30 Nov 2016<br/>RM' 000</b> | <b>6 Months<br/>Ended<br/>30 Nov 2015<br/>RM' 000</b> |
|---------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                    |                                                       |                                                       |
| Profit before taxation                                        | 7,001                                                 | 5,176                                                 |
| <b>Adjustments for:</b>                                       |                                                       |                                                       |
| Amortisation of deferred income                               | (279)                                                 | (123)                                                 |
| Amortisation of intangible assets                             | 185                                                   | 173                                                   |
| Bad debts recovered                                           | (18)                                                  | (69)                                                  |
| Bad debts written off                                         | 18                                                    | -                                                     |
| Depreciation of property, plant and equipment                 | 4,067                                                 | 3,668                                                 |
| Gain on disposal of property, plant & equipment               | (5)                                                   | -                                                     |
| Interest expense                                              | 611                                                   | 599                                                   |
| Interest income                                               | (112)                                                 | (151)                                                 |
| Unrealised foreign exchange gains                             | (437)                                                 | (66)                                                  |
| Property, plant and equipment written off                     | 1                                                     | -                                                     |
| Share of (profit) / losses in a joint venture                 | (89)                                                  | (56)                                                  |
| Operating profit before working capital changes               | <u>10,943</u>                                         | <u>9,151</u>                                          |
| Increase in inventory property                                | (10,197)                                              | (211)                                                 |
| (Increase) / Decrease in receivables                          | (6,945)                                               | 3,305                                                 |
| Increase in inventories                                       | (6,398)                                               | (708)                                                 |
| Increase / (Decrease) in payables                             | 22,338                                                | (5,699)                                               |
| (Decrease) / Increase of deferred revenue                     | (232)                                                 | 48                                                    |
| Cash generated from operations                                | <u>9,509</u>                                          | <u>5,886</u>                                          |
| Interest paid                                                 | (611)                                                 | (599)                                                 |
| Interest received                                             | 112                                                   | 151                                                   |
| Tax paid                                                      | (2,721)                                               | (2,644)                                               |
| Net cash generated from operating activities                  | <u>6,289</u>                                          | <u>2,794</u>                                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                                                       |                                                       |
| Decrease / (Increase) in short term investment                | 3,442                                                 | 2,431                                                 |
| Purchase of property, plant and equipment                     | (18,259)                                              | (3,654)                                               |
| Proceed from disposal of property, plant and equipment        | 5                                                     | -                                                     |
| Distribution to non-controlling interest                      | (129)                                                 | -                                                     |
| Net cash used in investing activities                         | <u>(14,941)</u>                                       | <u>(1,223)</u>                                        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                                                       |                                                       |
| Repayment of bank term loan                                   | (413)                                                 | (385)                                                 |
| Purchase of treasury shares                                   | (7)                                                   | (42)                                                  |
| Net changes in bankers' acceptance                            | (374)                                                 | 1,168                                                 |
| MIDA matching grant                                           | 1,400                                                 | 3,146                                                 |
| Dividend                                                      | (2,004)                                               | -                                                     |
| Net cash used in financing activities                         | <u>(1,398)</u>                                        | <u>3,887</u>                                          |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b> | <b>(10,050)</b>                                       | <b>5,458</b>                                          |
| <b>EFFECTS OF EXCHANGE RATE CHANGES</b>                       | <b>528</b>                                            | <b>934</b>                                            |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>       | <b>23,812</b>                                         | <b>20,338</b>                                         |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>             | <b><u>14,290</u></b>                                  | <b><u>26,730</u></b>                                  |
| Cash and cash equivalents comprise:                           |                                                       |                                                       |
| Cash and bank balances                                        | 18,439                                                | 27,811                                                |
| Deposit with licensed banks                                   | 868                                                   | 531                                                   |
| Overdraft                                                     | (5,017)                                               | (1,612)                                               |
|                                                               | <u>14,290</u>                                         | <u>26,730</u>                                         |

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Statements for the year ended 31 May 2016 and the accompanying explanatory notes attached to the interim financial statements)

**SUIWAH CORPORATION BHD.**  
**COMPANY NO : 253837 H**  
**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(The figures have not been audited)  
For The Six Months Ended 30 Nov 2016

|                                          | ←← Attributable to equity holders of the Company →→ |                            |                              |                             |                                |                 | Non<br>Controlling<br>Interest<br>RM'000 | Total<br>Equity<br>RM'000 |
|------------------------------------------|-----------------------------------------------------|----------------------------|------------------------------|-----------------------------|--------------------------------|-----------------|------------------------------------------|---------------------------|
|                                          | ← Non-distributable                                 |                            |                              | → Distributable             |                                |                 |                                          |                           |
|                                          | Share<br>Capital<br>RM'000                          | Share<br>Premium<br>RM'000 | Treasury<br>Shares<br>RM'000 | Other<br>Reserves<br>RM'000 | Retained<br>Earnings<br>RM'000 | Total<br>RM'000 |                                          |                           |
| <b>Opening balance at 1 June 2016</b>    | 61,000                                              | 13,935                     | (5,550)                      | (488)                       | 144,066                        | 212,963         | 255                                      | 213,218                   |
| <b>Total comprehensive income</b>        | -                                                   | -                          | -                            | 5                           | 4,456                          | 4,461           | (2)                                      | 4,459                     |
|                                          | -                                                   | -                          | -                            | 5                           | 4,456                          | 4,461           | (2)                                      | 4,459                     |
| <b>Transaction with owners:</b>          |                                                     |                            |                              |                             |                                |                 |                                          |                           |
| Purchase of treasury shares              | -                                                   | -                          | (7)                          | -                           | -                              | (7)             | -                                        | (7)                       |
| Distribution to non-controlling interest | -                                                   | -                          | -                            | -                           | -                              | -               | (129)                                    | (129)                     |
| First and final dividend                 | -                                                   | -                          | -                            | -                           | (2,004)                        | (2,004)         | -                                        | (2,004)                   |
| <b>Closing balance at 30 Nov 2016</b>    | 61,000                                              | 13,935                     | (5,557)                      | (483)                       | 146,518                        | 215,413         | 124                                      | 215,537                   |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For The Six Months Ended 30 Nov 2015

|                                          | ←← Attributable to equity holders of the Company →→ |                            |                              |                             |                                |                 | Non<br>Controlling<br>Interest<br>RM'000 | Total<br>Equity<br>RM'000 |
|------------------------------------------|-----------------------------------------------------|----------------------------|------------------------------|-----------------------------|--------------------------------|-----------------|------------------------------------------|---------------------------|
|                                          | ← Non-distributable                                 |                            |                              | → Distributable             |                                |                 |                                          |                           |
|                                          | Share<br>Capital<br>RM'000                          | Share<br>Premium<br>RM'000 | Treasury<br>Shares<br>RM'000 | Other<br>Reserves<br>RM'000 | Retained<br>Earnings<br>RM'000 | Total<br>RM'000 |                                          |                           |
| <b>Opening balance at 1 June 2015</b>    | 61,000                                              | 13,935                     | (5,403)                      | (2,088)                     | 139,875                        | 207,319         | 884                                      | 208,203                   |
| <b>Total comprehensive income</b>        | -                                                   | -                          | -                            | (717)                       | 3,143                          | 2,426           | 10                                       | 2,436                     |
|                                          | -                                                   | -                          | -                            | (717)                       | 3,143                          | 2,426           | 10                                       | 2,436                     |
| <b>Transaction with owners:</b>          |                                                     |                            |                              |                             |                                |                 |                                          |                           |
| Purchase of treasury shares              | -                                                   | -                          | (42)                         | -                           | -                              | (42)            | -                                        | (42)                      |
| Distribution to non-controlling interest | -                                                   | -                          | -                            | -                           | -                              | -               | (774)                                    | (774)                     |
| First and final dividend                 | -                                                   | -                          | -                            | -                           | (3,438)                        | (3,438)         | -                                        | (3,438)                   |
| <b>Closing balance at 30 Nov 2015</b>    | 61,000                                              | 13,935                     | (5,445)                      | (2,805)                     | 139,580                        | 206,265         | 120                                      | 206,385                   |

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016 and the explanatory notes attached to the interim financial statements)

**SUIWAH CORPORATION BHD. (Company No: 253837 H)**  
**INTERIM REPORT FOR THE SIX-MONTHS PERIOD ENDED 30 NOVEMBER 2016**  
**NOTES TO INTERIM FINANCIAL REPORT**  
**PART A – EXPLANATORY NOTES PURSUANT TO MFRS134**

**A1. Basis of preparation**

These condensed consolidated interim financial statements, for the period ended 30 November 2016 are unaudited, have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 May 2016. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 May 2016.

**A2. Significant accounting policies**

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 May 2016 except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 June 2016:

|                                                                                                           |
|-----------------------------------------------------------------------------------------------------------|
| Annual Improvements to MFRSs 2012 – 2014 Cycle                                                            |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants                                           |
| Amendments to MFRS 11: Accounting for Acquisition of Interest in Joint Operations                         |
| Amendments to MFRS 127: Equity Method in Separate Financial Statements                                    |
| Amendments to MFRS 101: Disclosure Initiatives                                                            |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception    |
| MFRS 14: Regulatory Deferral Accounts                                                                     |

The adoption of the above standards and interpretations did not have material impact on the financial statements upon the initial application on 1 June 2016.

The standards and interpretations are issued but not yet effective up to the date of issuance of these condensed consolidated interim financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| <b>MFRSs, Amendments to MFRSs and IC Interpretations</b>                                                                  | <b>Effective for annual periods beginning on or after</b> |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture | Deferred                                                  |
| Amendments to MFRS 107: Disclosure Initiative                                                                             | 1 January 2017                                            |
| Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses                                          | 1 January 2017                                            |
| Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions                                  | 1 January 2018                                            |
| MFRS 15: Revenue from Contracts with Customers                                                                            | 1 January 2018                                            |
| MFRS 9: Financial Instruments                                                                                             | 1 January 2018                                            |
| MFRS 15: Classification to MFRS 15                                                                                        | 1 January 2018                                            |
| MFRS 16: Leases                                                                                                           | 1 January 2019                                            |

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, other than for MFRS 15 Revenue from Contracts with Customers and MFRS 9 Financial Instruments. The Group is still in the process of assessing the impact of MFRS 15 and MFRS 9.

**A3. Auditors’ Report on Preceding Annual Financial Statements**

The auditors’ report of the annual financial statements for the financial year ended 31 May 2016 was not subject to any qualification.

**A4. Comments About Seasonal or Cyclical Factors**

The business operations of retail segment generally performed better during major local festivals, school holidays and carnival sales.

Manufacturing arm, Qdos Group is expected to remain profitable for financial year 2017.

#### A5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review and financial year to date.

#### A6. Changes in Estimates

There was no material changes in estimates of amount reported in prior interim period or financial period that have a material effect in the current year.

#### A7. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 May 2016.

#### A8. Debt and Equity Securities

There were no share buy back, cancellation of shares and resale of treasury shares during the quarter.

#### A9. Dividends Paid

The first and final single tier dividend in respect of financial year ended 31 May 2016, 3.5% of 57,250,648 ordinary shares amounting to total dividend payable of RM2,003,773 (3.5 sen per share) has been approved by the shareholders at the Company's Annual General Meeting held on 28 October 2016 and has been subsequently paid on 17 November 2016

#### A10. Segmental Information

|                                           | Individual Quarter |                     | Cumulative Quarter |                     |
|-------------------------------------------|--------------------|---------------------|--------------------|---------------------|
|                                           | Current<br>RM'000  | Preceding<br>RM'000 | Current<br>RM'000  | Preceding<br>RM'000 |
| <b>Segment Revenue</b>                    |                    |                     |                    |                     |
| Retail                                    | 67,559             | 64,191              | 142,154            | 135,558             |
| Manufacturing                             | 23,605             | 21,591              | 44,324             | 41,227              |
| Property investment and development       | 914                | 1,214               | 2,088              | 2,487               |
| Trading                                   | 89                 | 87                  | 184                | 177                 |
| <b>Group revenue</b>                      | <b>92,167</b>      | <b>87,083</b>       | <b>188,750</b>     | <b>179,449</b>      |
| <b>Segment Results</b>                    |                    |                     |                    |                     |
| Retail                                    | 2,617              | 768                 | 4,061              | 3,453               |
| Manufacturing                             | 2,082              | 774                 | 4,366              | 2,411               |
| Property investment and development       | (895)              | (364)               | (1,539)            | (821)               |
| Trading                                   | 11                 | 66                  | 24                 | 77                  |
| Share of profit/(loss) in a joint venture | 60                 | 41                  | 89                 | 56                  |
| <b>Group profit before tax</b>            | <b>3,875</b>       | <b>1,285</b>        | <b>7,001</b>       | <b>5,176</b>        |
| Taxation                                  | 1,291              | 841                 | 2,547              | 2,023               |
| <b>Group profit after tax</b>             | <b>2,584</b>       | <b>444</b>          | <b>4,454</b>       | <b>3,153</b>        |

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.

Further analysis of the segments performance is disclosed in notes B1.

#### A11. Related Party Transactions

During the current quarter under review and up to the date of this announcement, the Group did not enter into any related party transactions or recurrent related party transactions of a revenue or trading nature that has not been included or exceeded the estimated value by 10% or more which had been mandated by the shareholders during the Annual General Meeting held on 28 October 2016.

#### A12. Subsequent Material Events

As announced on 30 December 2016, a subsidiary, Qdos Holdings Bhd has incorporated two subsidiaries known as Qdos Dynamics Sdn Bhd ("QDSB") and Qdos Force Sdn Bhd ("QFSB"). The authorized shares capital of QDSB and QFSB are RM400,000 divided into 400,000 ordinary shares of RM1.00 each whilst the issued and paid up share capital of QDSB and QFSB are RM100 divided into 100 ordinary shares of RM1.00 each. Qdos Holdings Bhd, a wholly owned subsidiary of the Company owns 100% of the said issued and paid up capital of QDSB and QFSB. The intended principal activities of QDSB and QFSB are investment holding company

#### A13. Changes in the Composition of the Group

There were no changes to the composition of the Group for the quarter under review.

#### A14. Changes in Contingent Liabilities

As at the period ended 30 November 2016, the Company has given corporate guarantees amounting to RM17,327,742 to secure banking facilities granted to its subsidiaries.

**A15. Capital Commitments**

The Group's capital commitments as at 24 January 2017 are as follow:

|                              | RM'000     |
|------------------------------|------------|
| Approved and contracted for: |            |
| Property, plant & equipment  | 410        |
| <b>Total</b>                 | <b>410</b> |

**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A**

**B1. Review of Performance of the Group**

Quarter Results:

For the current quarter ended 30 Nov 2016, the Group recorded total revenue of RM92.167 million, an increase of 5.84% from RM87.083 million recorded in the preceding year corresponding quarter ended 30 Nov 2015. The Group profit before tax for the period under review was RM3.875 million as compared with profit before tax of RM1.285 million previously, an increase of 201.56%. The overall increase in the Group's quarterly performance was mainly due to:

Manufacturing segment experienced 9.33% increase in revenue from RM21.591 million to RM23.605 million. Profit before tax for the period under review was RM2.082 million as compared to profit before tax of RM774K previously, an increase of 168.99%, arising from new project commercialization with a premium from higher technological value add content undertaken by the Group.

Retail business segment registered an increase of 5.25% in revenue to RM67.559 million as compared to the preceding year corresponding quarter. Profit before tax for the current quarter increase by 240.76% , as compared previously, as a result of increase in consumers spending and opening of new retail outlet at Jelutong, Penang during the current reporting period.

Lower rental collection caused property investment and development segment registered a decrease in revenue of 24.71%, from RM1.214 million to RM914K. Loss for the reporting period was RM895K as compared to loss of RM364K previously, as a result of higher operating cost, e.g. staff cost incurred during the reporting period.

Financial Year-To-Date Results:

The Group's revenue for the 6 months period ended 30 Nov 2016, amounting RM188.750 million, an increase of 5.18% from RM179.449 million recorded in the preceding year corresponding period ended 30 Nov 2015. The Group profit before tax for the period under review was RM7.001 million, as compared with the profit before tax of RM5.176 million previously, an increase of 35.26%.

The overall increase in the Group's financial year to date performance can be explained by:

New project commercialization with a premium from higher technological value add content, which augmented the contribution from the manufacturing sector caused manufacturing segment to record a 7.51% increase in revenue and profit before tax increase by 81.09%, as compared previously.

Total revenue registered by the retail business segment for financial year to date increased by 4.87% to RM142.154 million compared to RM135.558 million recorded in the preceding year corresponding period. Profit before tax recorded an improved growth rate, i.e. 17.61%. The overall improvement was mainly due to contributions from new retail outlet and higher consumer spending from the existing retail outlets.

Property investment and development segment registered a decrease in revenue of 16.04%, from RM2.487 million to RM2.088 million. Loss for the reporting period was RM1.539 million as compared to loss before tax of RM821K recorded in the preceding corresponding period ended 30 Nov 2015, mainly due to the lower rental collection and higher operating cost incurred.

Other than the above mentioned 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 30 Nov 2016 and the date of this report.

**B2. Material Changes in the Quarterly Profit before Taxation**

The Group's profit before tax for the current quarter was RM3.875 million, as compared with profit before tax of RM3.129 million recorded in the preceding quarter, an increase of 23.84%.

Retail – increase by 80.86%, from RM1.447 million to RM2.617 million, resulted from opening of new retail outlet in Jelutong, Penang and higher consumer spending during the current reporting period

Manufacturing – decrease by 8.84%, from RM2.284 million to RM2.082 million, due to higher product development cost incurred during the reporting period.

Property investment and development – recorded loss before tax of RM895K compared to loss of RM644K, mainly due to the end of tenancy from one of its tenant, during the reporting quarter.

**B3. Commentary on Prospects**

Domestic demand continues to be the main engine of growth for this year but growing at a slower rate. Consumers are feeling pessimistic about their future incomes and employment outlook. Hence, indicated cautions and selective spending plans in view of fears of rising prices grow.

New projects from the manufacturing segment will continue to contribute in revenue, as we expect more new IoT projects from our automotive and medical customers in 2017-2018. Anti-globalization trend may however pose a threat to the electronics technology sector which thrives on international trade and investment.

Barring any unforeseen circumstances, the Group's business sentiments remain positive and expect to deliver a satisfactory performance for financial year 2017.



#### B4. Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

#### B5. Taxation

Taxation comprises:-

|                          | Individual Quarter |           | Cumulative Quarter |           |
|--------------------------|--------------------|-----------|--------------------|-----------|
|                          | Current            | Preceding | Current            | Preceding |
|                          | RM'000             | RM'000    | RM'000             | RM'000    |
| Tax expense for the year | 1,425              | 853       | 2,603              | 2,035     |
| Deferred tax             | (134)              | (12)      | (56)               | (12)      |
| Total                    | 1,291              | 841       | 2,547              | 2,023     |

#### B6. Status of Corporate Proposals

There were no changes to the composition of the Group for the quarter under review.

#### B7. Group Borrowings

The Group's total borrowings as at end of the financial period under review are:

- (a) Secured by way of:
- Fixed charged over a freehold land and building with a net book values of RM31,875,409
  - a corporate guarantee by the Company
- (b) Short term borrowings
- |           |                        |
|-----------|------------------------|
| Term loan | <b>RM</b><br>8,462,129 |
|-----------|------------------------|
- (c) Long term borrowings
- |           |                        |
|-----------|------------------------|
| Term loan | <b>RM</b><br>8,865,613 |
|-----------|------------------------|
- (d) There were no borrowings or debt securities denominated in foreign currencies.

#### B8. Financial Instruments

##### (a) Contract value and fair value of derivatives as at 30 November 2016

The Group has no outstanding derivatives financial instruments as at 30 November 2016.

##### (b) Gain/(losses) arising from fair value changes of financial liabilities

The gain/(loss) arising from fair value changes of financial liabilities had no significant impact on the financial position and results of the Group for the current quarter 30 November 2016.

There is no change in the significant policy for mitigating or controlling the interest rate risk, credit risk, liquidity risk and foreign currency risk for the Group nor the related accounting policies except for those changes which have been disclosed under Note A2 Changes in Accounting Policies of this quarterly report. Other related information associated with the financial instruments are consistent with the disclosures in the audited financial statements for the financial year ended 31 May 2016.

#### B9. Material Litigation

As of the date of this announcement, neither the Company nor any of its subsidiary companies are aware of or 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

#### B10. Dividend

The first and final single tier dividend in respect of financial year ended 31 May 2016, 3.5% of 57,250,648 ordinary shares amounting to total dividend payable of RM2,003,773 (3.5 sen per share) has been approved by the shareholders at the Company's Annual General Meeting held on 28 October 2016 and has been subsequently paid on 17 November 2016

**B11. Earnings Per Share**

The basic earnings per share has been calculated by dividing the Group's net profit for the period attributable to ordinary equity holders of the Company by the weighted number of ordinary shares in issue in the respective periods as follows:

|                                                               | Current Quarter ended<br>30.11.2016 | Preceding Quarter<br>ended 30.11.2015 | Current Cumulative<br>Quarter ended<br>30.11.2016 | Preceding Cumulative<br>Quarter ended<br>30.11.2015 |
|---------------------------------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------------------|-----------------------------------------------------|
| Profit attributable to equity holders of the Company (RM'000) | 2,586                               | 437                                   | 4,456                                             | 3,143                                               |
| Weighted number of ordinary shares in issue ('000)            |                                     |                                       |                                                   |                                                     |
| - Basic                                                       | 57,251                              | 57,295                                | 57,251                                            | 57,295                                              |
| - Diluted                                                     | 57,251                              | 57,295                                | 57,251                                            | 57,295                                              |
| Basic earnings per share (sen)                                | 4.52                                | 0.76                                  | 7.78                                              | 5.49                                                |
| Diluted earnings per share (sen)                              | 4.52                                | 0.76                                  | 7.78                                              | 5.49                                                |

**B12. Disclosure of Realised and Unrealised Profit / Losses**

|                                      | Current financial period<br>ended 30 Nov 2016 (RM'000) | As at preceding financial period<br>ended 31 May 2016 (RM'000) |
|--------------------------------------|--------------------------------------------------------|----------------------------------------------------------------|
| Total retained profits of the Group: |                                                        |                                                                |
| - Realised                           | 171,443                                                | 166,350                                                        |
| - Unrealised                         | (817)                                                  | 234                                                            |
|                                      | <b>170,626</b>                                         | <b>166,584</b>                                                 |
| Less : Consolidation adjustments     | (24,108)                                               | (22,518)                                                       |
| Total Group retained profits         | <b>146,518</b>                                         | <b>144,066</b>                                                 |

**B13. Authorisation for Issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 24 January 2017.