

# SCANWOLF CORPORATION BERHAD (740909-T)

(Incorporated in Malaysia)

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND SIX MONTHS ENDED 31 DECEMBER 2018

26 FEBRUARY 2019



Scanwolf Corporation Berhad (Company no: 740909-T) Condensed Consolidated Statement of Comprehensive Income For the second quarter ended 31 December 2018 (The figures have not been audited)

	Individual Quarter 3 months ended 31 December 2018 2017		Cumulativ 6 month 31 Dec 2018	s ended
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Revenue	13,130	15,620	23,971	31,471
Other operating income	53	204	252	266
Operating expenses	(13,541)	(16,722)	(25,296)	(29,183)
Depreciation & amortisation	(397)	(407)	(809)	(822)
Results from operating activities	(755)	(1,305)	(1,882)	1,732
Finance costs	(561)	(300)	(1,001)	(587)
Share of result in an associate, net of tax	-	(90)	(129)	(212)
(Loss)/Profit before taxation	(1,316)	(1,695)	(3,012)	933
Taxation	22	(366)	22	(680)
(Loss)/Profit for the year & total comprehensive (loss)/income				
attributed to the Company	(1,294)	(2,061)	(2,990)	253
Earnings per share attributable to equity holder of the Company:				
(Loss)/Profit per share (sen)	(1.34)	(2.20)	(3.11)	0.27

# Note:

The unaudited condensed statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the Interim Financial Report.



## Scanwolf Corporation Berhad (Company no: 740909-T) Condensed Consolidated Statement of Financial Position As at 31 December 2018 (The figures have not been audited)

(The figures have not been audited)			
	As at 31 December 2018	(Unaudited) As at 30 June 2018	(Unaudited) As at 1 July 2017
	RM'000	RM'000	RM'000
ASSETS		(Restated)	(Restated)
Non-current assets			
Property, plant and equipment	29,286	28,625	26,302
Investment in an associate company	-	129	212
Amount owing by an associate company	7,302	4,613	3,096
Land held for property development	10,149	10,149	10,111
Total non-current assets	46,737	43,516	39,721
Current assets			
Inventories	15,135	17,784	15,592
Trade and other receivables	12,565	28,389	42,060
Contract assets	40,284	30,728	31,100
Amount owing by an associate company	3	458	-
Current tax assets	25	96	179
Fixed deposit, cash and bank balances	1,664	1,529	3,036
Total current assets	69,676	78,984	91,967
TOTAL ASSETS	116,413	122,500	131,688
EQUITY AND LIABILITIES			
Share capital	49,056	49,056	46,887
Treasury shares			
Reserves	(307) (11,587)	(307) (8,597)	(307)
	37,162	40,152	<u>(5,653)</u> 40,927
Total Equity	57,102	40,152	40,927
Non-current liabilities			
Trade and Other payables	1,211	1,287	1,536
Hire-purchase payables	1,419	948	1,064
Borrowings	6,350	10,721	14,797
Deferred tax liabilities	1,106	1,128	1,140
Total non-current liabilities	10,086	14,084	18,537
Current liabilities			
Trade and other payables	37,152	53,247	50,834
Contract liabilities	7,026	599	7,285
Hire-purchase payables	544	392	355
Current tax liabilities	538	951	1,065
Borrowings	23,905	13,075	12,685
Total current liabilities	69,165	68,264	72,224
		00,201	12,221
Total Liabilities	79,251	82,348	90,761
TOTAL EQUITY AND LIABILITIES	116,413	122,500	131,688
Net Assets per share (RM)	0.39	0.42	0.46

# Note:

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the Interim Financial Report.



### Scanwolf Corporation Berhad (Company no: 740909-T) Condensed Consolidated Statement of Changes in Equity For the second quarter ended 31 December 2018 (The figures have not been audited)

			Non-distributable		Distributable	
	Share Capital RM'000	Treasury Shares RM'000	Reverse Acquisition Reserve RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Total RM'000
As at 30 June 2017 (as previously reported)	46,887	(307)	(19,524)	4,717	8,807	40,580
Effects of transition from FRSs to MFRSs	-	-	-	-	347	347
As at 30 June 2017 (as restated)	46,887	(307)	(19,524)	4,717	9,154	40,927
Loss for the period As previously reported Effects of transition from FRSs to MFRSs As restated	- - -	- - -	- - -	- - -	1,400 915 2,315	1,400 915 2,315
As at 30 September 2017	46,887	(307)	(19,524)	4,717	11,469	43,242
Loss for the period As previously reported Effects of transition from FRSs to MFRSs As restated	- - -	- - -	-		2,341 (4,402) (2,061)	2,341 (4,402) (2,061)
As at 31 December 2017	46,887	(307)	(19,524)	4,717	9,408	41,181
As at 30 June 2018 (as previously reported) Effects of transition from FRSs to MFRSs	49,056 -	(307)	(19,524) -	4,717	9,342 (3,132)	43,284 (3,132)
As at 30 June 2018 (as restated)	49,056	(307)	(19,524)	4,717	6,210	40,152
Loss for the period	-	-	-	-	(1,696)	(1,696)
As at 30 September 2018	49,056	(307)	(19,524)	4,717	4,514	38,456
Loss for the period	-	-	-	-	(1,294)	(1,294)
As at 31 December 2018	49,056	(307)	(19,524)	4,717	3,220	37,162

### Note:

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the Interim Financial Report.



### Scanwolf Corporation Berhad (Company no: 740909-T) Condensed Consolidated Statement of Cash Flows For the second quarter ended 31 December 2018 (The figures have not been audited)

(The figures have not been audited)		_		
		Cumulative		
		6 months ended Decembe		
		2018	2017	
	Note	RM'000	RM'000	
			(Restated)	
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		(0.040)		
(Loss)/Profit before taxation		(3,012)	933	
Adjustments for:				
Depreciation of property, plant and equipment		809	822	
Share of net loss in an associate		129	212	
Allowance for doubtful debts		73	-	
Interest income		(166)	(85)	
Finance costs	_	1,001	587	
		(1,166)	2,469	
Movements in working capital:				
(Increase)/Decrease in:				
Inventories		2,649	(2,337)	
Trade & other receivables		15,751	2,180	
Contract assets		(9,556)	(314)	
Increase/(Decrease) in:				
Trade and other payables		(16,171)	4,955	
Contract liabilities		6,427	(4,822)	
	-	-,	( ', /	
Cash (used in)/generated from operations		(2,066)	2,131	
Income tax refunded		90	79	
Interest income received		166	85	
Income tax paid		(432)	(440)	
Net Cash (Used In)/Generated From Operating Activities	-	(2,242)	1,855	
Net oush (Used in)/Cenerated From Operating Addities	-	(2,272)	1,000	
CASH FLOWS USED IN INVESTING ACTIVITIES				
Advances granted to an associated company		(2,234)	(1,128)	
Purchase of property, plant and equipment		(1,470)	(1,120)	
Withdrawal / (Placement) of fixed deposit		(1,470) 220	(15)	
Addition to land held for property development		220		
	-	(3,484)	(30)	
Net Cash Used In Investing Activities	-	(3,404)	(1,330)	
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		2 106	1.066	
Proceed of bankers' acceptances		2,196	1,066	
Repayment of bridging and term loans		(1,102)	(4,178)	
Net proceed/(repayment) of hire-purchase payables		624	(176)	
Proceed from bank overdraft		4,364	1,183	
Proceed from term loan		1,000	1,000	
Finance costs paid	-	(1,001)	(587)	
Net Cash Generated From/(Used in) Financing Activities	-	6,081	(1,692)	
NET INCREASE/(DECREASE) IN CASH AND CASH		355	(1,167)	
CASH AND CASH EQUIVALENTS AT BEGINNING		522	2,058	
CASH AND CASH EQUIVALENTS AT END	A13	877	891	

The unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the Interim Financial Report.

### Part A - Explanatory Notes Pursuant to MFRS 134

### 1. Basis of Preparation

The unaudited interim financial report has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2018 which were prepared under Financial Reporting Standards ("FRS"). These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2018.

The interim financial report of the Group for the current quarter ended 31 December 2018 is the first interim financial report prepared in accordance with MFRS Framework, including MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. The Group adopts this standard using the full retrospective method.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 July 2017, being the transition date, and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated as a result of transition to MFRS Framework.

A number of new standards and amendments to Standards and Issues Committee ("IC") Interpretations are effective for the current financial period. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards and MFRS 15: Revenue from Contracts with Customers.

The financial impact to the interim financial statements of the Group arising from the adoption of MFRS 15 are as follows:

### Condensed Consolidated Statement of Comprehensive Income For the second quarter ended 31 December 2017

	As previously RM'000	Effect on MFRS RM'000	As restated RM'000
Revenue	19,652	(4,032)	15,620
Other operating income	204		204
Operating expenses	(16,352)	(370)	(16,722)
Depreciation & amortisation	(407)		(407)
Results from operating activities	3,097	-	(1,305)
Finance costs	(300)		(300)
Share of result in an associate, net of tax	(90)		(90)
Profit before taxation	2,707	-	(1,695)
Taxation	(366)		(366)
Total comprehensive income / (loss)	2,341	_	(2,061)

Scanwolf Corporation Berhad (Company no: 740909-T) Notes To The Interim Report For the second quarter ended 31 December 2018 (The figures have not been audited)

## 1. Basis of Preparation (Continue)

Condensed Consolidated Statement of Financial Position As at 30 June 2018

	As previously RM'000	Effect on MFRS RM'000	As restated RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	28,625		28,625
Investment in an associated company	129		129
Amount owing by an associated company	4,613		4,613
Land held for property development	10,149		10,149
Total non-current assets	43,516		43,516
Current assets			
Inventories	17,784		17,784
Trade and other receivables	11,469	16,920	28,389
Contract assets	-	30,728	30,728
Amount owing by an associated company	458		458
Property development projects	37,187	(37,187)	-
Current tax assets	96		96
Fixed deposit, cash and bank balances	1,529		1,529
Total current assets	68,523		78,984
TOTAL ASSETS	112,039	·	122,500
EQUITY AND LIABILITIES			
Share capital	49,056		49,056
Treasury shares	(307)		(307)
Reserves	(5,465)	(3,132)	(8,597)
Total Equity	43,284		40,152
Non-current liabilities			
Trade and other payables	1,287		1,287
Hire-purchase payables	948		948
Borrowings	10,721		10,721
Deferred tax liabilities	1,128		1,128
Total non-current liabilities	14,084		14,084
Current liabilities			
Trade and other payables	39,654	13,593	53,247
Contract liabilities	-	599	599
Hire-purchase payables	392		392
Progress billings	599	(599)	-
Current tax liabilities	951		951
Borrowings	13,075		13,075
Total current liabilities	54,671		68,264
Total Liabilities	68,755		82,348
TOTAL EQUITY AND LIABILITIES	112,039		122,500

Scanwolf Corporation Berhad (Company no: 740909-T) Notes To The Interim Report For the second quarter ended 31 December 2018 (The figures have not been audited)

# 1. Basis of Preparation (Continue)

# Condensed Consolidated Statement of Financial Position As at 1 July 2017

As at 1 July 2017	As previously	Effect on MFRS	As restated
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	26,302		26,302
Investment in an associate company	212		212
Amount owing by an associate company	3,096		3,096
Land held for property development	10,111		10,111
Total non-current assets	39,721	_	39,721
Current assets			
Inventories	15,592		15,592
Trade and other receivables	19,308	22,752	42,060
Contract assets	-	31,100	31,100
Property development projects	31,514	(31,514)	-
Current tax assets	179		179
Fixed deposit, cash and bank balances	3,036	_	3,036
Total current assets	69,629	_	91,967
TOTAL ASSETS	109,350	_	131,688
EQUITY AND LIABILITIES			
Share capital	46,887		46,887
Treasury shares	(307)		(307)
Reserves	(6,000)	347	(5,653)
Total Equity	40,580	_	40,927
Non-current liabilities			
Trade and other payables	1,536		1,536
Hire-purchase payables	1,064		1,064
Borrowings	14,797		14,797
Deferred tax liabilities	1,140	_	1,140
Total non-current liabilities	18,537	_	18,537
Current liabilities			
Trade and other payables	28,843	21,991	50,834
Contract liabilities	-	7,285	7,285
Hire-purchase payables	355		355
Progress billings	7,285	(7,285)	-
Current tax liabilities	1,065		1,065
Borrowings	12,685	_	12,685
Total current liabilities	50,233	—	72,224
Total Liabilities	68,770		90,761
TOTAL EQUITY AND LIABILITIES	109,350	_	131,688

### 1. Basis of Preparation (Continue)

The Group has yet to adopt the following MFRS that have been issued but not yet effective:

	Effective for financial periods beginning on or after.
Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119 Employee Benefits	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The adoption of new MFRS and amendments did not have any material impact on the interim financial report of the Group.

### 2. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the financial year ended 30 June 2018 was not subject to any qualification.

### 3. Comments about Seasonality or Cyclicality of Operations

The principal business operations of the Group were not affected by any seasonal and cyclical factors.

#### 4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter under review.

### 5. Changes in estimates

There were no changes in estimates of amounts which have a material effect in the current quarter under review.

### 6. Debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities in the current

As at 31 December 2018, the number of treasury shares held is 780,900 ordinary shares.

### 7. Dividend paid

No dividend was paid during this quarter.

## 8. Segmental information

Segmental information is presented in respect of the Group's business segment as follows:

### 6 Months ended 31 December 2018

	Manufacturing RM'000	Property Development RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	19,811	4,160	-	23,971
Results				
Segment results	(1,550)	453	(951)	(2,048)
Investment revenue	152	14	-	166
Finance costs	(746)	(255)	-	(1,001)
	(2,144)	212	(951)	(2,883)
Share of result in an associate	(129)	-	-	(129)
Loss before tax	(2,273)	212	(951)	(3,012)
Tax expenses				22
Loss after tax			-	(2,990)

## 6 Months ended 31 December 2017 (Restated)

	Manufacturing RM'000	Property Development RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	19,347	12,124	-	31,471
Results				
Segment results	(405)	3,033	(911)	1,717
Investment revenue	-	15	-	15
Finance costs	(443)	(144)	-	(587)
	(848)	2,904	(911)	1,145
Share of result in an associate	(212)	-	-	(212)
(Loss)/Profit before tax	(1,060)	2,904	(911)	933
Tax expenses				(680)
Loss after tax			_	253

	6 Months ended	6 Months ended
Geographical Area	31 Dec 2018	31 Dec 2017
Revenue		
Asia	4,314	4,555
Middle East	933	651
Africa	113	65
Oceania	2,274	1,761
Others	190	19
Total export	7,824	7,051
Malaysia	16,147	24,420
Total revenue	23,971	31,471

# 9. Valuation of property, plant and equipment

There were no valuation of the property, plant and equipment in the current quarter under review.

### 10. Material events subsequent to the end of the quarter

Neither the Company nor its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiaries.

There were no material events subsequent to the statement of financial position date up to 22 February 2019.

#### 11. Changes in the composition of the Group

There were no changes in the composition of the Group since the previous quarter.

### 12. Contingent liabilities

The Group has no contingent liabilities which upon crystallisation would have a material impact on the financial position and business of the Group as at 22 February 2019.

### 13. Cash and cash equivalents

	As at 31 Dec 2018 RM'000	As at 31 Dec 2017 RM'000
Cash & bank balances	877	891
Fixed deposits with licensed bank	787	992
	1,664	1,883
Fixed deposits pledged	(787)	(992)
	877	891

### 14. Related party transaction

The following is the related party transaction:

	3 months ended 31 Dec 2018 RM	Year to Date 31 Dec 2018 RM
Rental paid to a Director of Group	7,950	15,900

# PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

### 1. Review of performance

	Current quarter ended 31 Dec 2018	Corresponding quarter ended 31 Dec 2017	6 Months 31 Dec 2018 RM'000	6 Months 31 Dec 2017 RM'000	Variation %
Revenue	13,130	15,620	23,971	31,471	-24%
(Loss)/Profit before taxation	(1,316)	(1,695)	(3,012)	933	-423%

### Group

For the second quarter ended 31 December 2018, the Group recorded a revenue of RM13.1 million, a decrease of RM2.5 million or 16% against preceding year's corresponding quarter which was mainly due to decrease of revenue in Property Division.

During this quarter under review, the Group recorded a loss before tax ("LBT") of RM1.3 million against LBT of RM1.7 million in preceding year's corresponding quarter. A reduction of losses was recorded during this current quarter was mainly due to improvement of profit in Property Division.

### Manufacturing Division

During current quarter ended 31 December 2018, Manufacturing Division recorded a revenue of RM11.1 million, increase of RM1.1 million from RM10 million in preceding year's corresponding quarter was due to efficiency in production. A LBT of RM1.1 million was recorded in current quarter, when compare to LBT of RM0.5 million in preceding year's corresponding quarter. The increase in loss was due to higher cost of sales recorded during this current quarter.

### **Property Division**

During current quarter ended 31 December 2018, Property Division recorded a revenue of RM2 million, decrease of RM3.6 million from RM5.6 million in preceding year's corresponding quarter was due to slow take-up rate. During this quarter, PBT of RM0.3 million was recorded when compare to LBT of RM0.7 million in preceding year's corresponding quarter, mainly due to less operating expenses incurred during this current quarter.

### 2. Variation of results against preceding quarter

	Current quarter ended 31 Dec 2018 RM'000	Preceding quarter ended 30 Sept 2018 RM'000	Variation %
Revenue	13,130	10,841	21.1%
Loss before taxation	(1,316)	(1,696)	-22.4%

For the second quarter ended 31 December 2018, the Group recorded the revenue of RM13.1 million, a increase of RM2.3 million as compared to the preceding quarter. The increase in revenue was mainly contributed by Manufacturing Division.

The Group recorded a LBT of RM1.3 million for the current quarter as compare to LBT of RM1.7 million in the immediate preceding quarter. The decrease in loss in current quarter was due to higher profit recorded in Property Division during the current quarter.

### 3. Current year prospects

The Manufacturing performance can be affected by fluctuations in USD exchange rates, raw material price fluctuations, raw material demand and supply situations and competition. The management will continue to improve its own productivity and revenue.

The outlook for the Property sector remains challenging. The management continue to take steps to improve the performance.

### 4. Profit forecast and profit guarantee

The Company did not issue any profit forecast or profit guarantee in this quarter and financial year to date.

### 5. Taxation

The tax income are relating to crystallisation on revaluation surplus.

### 6. Group's borrowings and debt securities

	31 Dec 2018 RM'000	30 June 2018 RM'000
Secured:		
Bridging loans	8,688	9,446
Bankers' acceptances	6,220	4,024
Term loans	7,081	6,425
Bank overdrafts	8,266	3,901
	30,255	23,796
Less: Amount due within 12 months	(23,905)	(13,075)
	6,350	10,721

### 7. Material litigation

Neither the Company nor its subsidiaries are engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiaries.

### 8. Dividends

No dividend is proposed in this quarter.

### 9. Earnings per share

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares (excluding treasury shares) in issue during the period.

Weighted average number of ordinary shares for calculation of basic earnings per share:

	3 months ended 31 Dec 2018	Year to Date 31 Dec 2018
Loss attributable to shareholders (RM'000)	(1,294)	(2,990)
Weighted average number of ordinary shares ('000)	96,209	96,209
Loss per share (sen)	(1.34)	(3.11)

# 10. Notes to the Condensed Consolidated Income Statement

		3 months ended 31 Dec 2018 RM'000	Year to Date 31 Dec 2018 RM'000
The	profit has been arrived at after accounting for the following items		
(a)	Interest income	79	166
(b)	Other income including investment income	-	-
(c)	Interest expense	561	1,001
(d)	Depreciation and amortization	397	809
(e)	Provision for and write off of receivable	73	73
(f)	Provision for and write off of inventories	-	-
(g)	Gain/(loss) on disposal of quoted or unquoted		
	investments or properties	-	-
(h)	Impairment of asset	-	-
(i)	Foreign exchange gain/(loss)	(39)	(10)
(j)	Gain or (loss) on derivatives	-	-
(k)	Exceptional item		

## 11. Authorisation for issue

The unaudited interim financial reports were authorised for issue by the Board of Directors.

By Order of the Board Dato' Loo Bin Keong Executive Director

26 February 2019