Scanwolf Corporation Berhad (740909-T)

Annual Report 2018

Opportunities Ahead

Understanding the potentials of profitability and sustainability for its business in even the most competitive and niche markets, Scanwolf Corporation Berhad continues to seek for opportunities around the world. The Company holds strongly with utilmate determination for its visions of success, that it helps to create monumental strength for the Company to overcome any challenges ahead. Hoping to achieve its visions, Scanwolf Corporation Berhad is endeavoured to transform challenges to opportunities.

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at Conference 1, Level 2, WEIL Hotel Ipoh, 292, Jalan Sultan Idris Shah, 30000 Ipoh, Perak on Tuesday, 27 November 2018 at 10:30 am for the following purposes:-

AGENDA

As Ordinary Business:

1.	To receive the Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Reports of the Directors and Auditors thereon.	**Please refer to the Explanatory Notes**
2.	To re-elect Mr Teoh Teik Kean who retires in accordance with the Company's Constitution (Article 103(1) of the Articles of Association of the Company as adopted before the commencement of the Companies Act 2016).	**(Ordinary Resolution 1)**
3.	To re-elect Mr Ong Sing Guan who retires in accordance with the Company's Constitution (Article 103(1) of the Articles of Association of the Company as adopted before the commencement of the Companies Act 2016).	**(Ordinary Resolution 2)**
4.	To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	**(Ordinary Resolution 3)**

As Special Business:

5. To consider and if thought fit, to pass with or without modifications the following ordinary resolutions:-

   (i) **ORDINARY RESOLUTION**
   - PAYMENT OF DIRECTORS' FEES AND DIRECTORS' BENEFITS
   "That the Directors' fees and Directors' benefits of RM286,300 for the financial year ended 30 June 2018, be and is hereby approved for payment." **(Ordinary Resolution 4)**

   (ii) **ORDINARY RESOLUTION**
   - AUTHORITY TO ISSUE SHARES
   "That pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at such time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **(Ordinary Resolution 5)**

6. To transact any other business for which due notices shall have been given in accordance with the Companies Act 2016.

By Order of the Board,

CHEE WAI HONG (BC/C/1470)
Company Secretary

Penang

Date: 29 October 2018

Notes:

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 19 November 2018. Only a depositor whose name appears on the Record of Depositors as at 19 November 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. A member shall not be entitled to appoint more than two proxies to attend at the same meeting. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

3. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A (1) of SICDA.

5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Company's registered office at 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be.

6. All resolutions as set out in this notice of Twelfth Annual General Meeting are to be voted by poll.

Explanatory Note on Ordinary Business
Item 1 of the Agenda
To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and Auditors thereon.
This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

Explanatory Note on Special Business
Ordinary Resolution 4 – Payment of Directors' fees and Directors' benefits
The Proposed Ordinary Resolution 4, if passed, will authorise the payment of Directors' fees and Directors' benefits pursuant to the Company's Constitution (Article 111 of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016) and Section 230(1) of the Companies Act 2016.

Ordinary Resolution 5 – Authority to Issue Shares
The proposed Ordinary Resolution 5, if passed, primarily to renew the mandate to give authority to the Board of Directors of the Company to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company without convening a general meeting. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

Ordinary Resolution 5 – Authority to Issue Shares (Cont'd)
As at the date of this Notice, 8,675,300 ordinary shares were issued at an issue price of RM0.25 per share (via private placement) pursuant to Section 75 and Section 76 of the Companies Act 2016 under the general authority which was approved at the Eleventh Annual General Meeting held on 28 November 2017 and which will lapse at the conclusion of the Twelfth Annual General Meeting to be held on 27 November 2018. The total proceeds of RM2,168,825 from private placement exercise has been fully utilised as follows:-

Purpose	Proposed Utilisation RM	Actual Utilisation RM
Working capital	2,048,825	2,075,825*
Estimated expenses in relation to the Proposed Private Placement	120,000	93,000*
Total	**2,168,825**	**2,168,825**

* Surplus from the expenses in relation to the proposed private placement is adjusted to the amount for working capital accordingly.

A renewal of this authority is being sought at the Twelfth Annual General Meeting under proposed Ordinary Resolution 5.

This authority if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisition(s) and/or settlement of banking facility(ies).

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or it agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 5 as stated in the Notice of Annual General Meeting of the Company for the details.

Corporate Information

BOARD OF DIRECTORS

Dato' Ong Boon Aun @ Jaymes Ong
Independent Non-Executive Director/
Chairman

Dato' Loo Bin Keong
Executive Director

Dato' Tan Sin Keat
Executive Director

Mr. Teoh Teik Kean
Executive Director

Tuan Abdul Hamid Bin Abdul Shukor
Independent Non-Executive Director

Dato' Ibrahim Bin Saleh
Independent Non-Executive Director

Mr. Ong Sing Guan
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Mr. Ong Sing Guan

Members
Dato' Ibrahim Bin Saleh
Tuan Abdul Hamid Bin Abdul Shukor

REMUNERATION COMMITTEE

Chairman
Dato' Ibrahim Bin Saleh

Members
Dato' Ong Boon Aun @ Jaymes Ong
Tuan Abdul Hamid Bin Abdul Shukor

NOMINATION COMMITTEE

Chairman
Dato' Ong Boon Aun @ Jaymes Ong

Members
Dato' Ibrahim Bin Saleh
Mr. Ong Sing Guan

COMPANY SECRETARY

Mr. Chee Wai Hong
(BC/C/1470)

REGISTERED OFFICE

51-13-A, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Georgetown,
Penang, Malaysia
Tel: 04-2289700
Fax: 04-2279800

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
41, Jalan Medan Ipoh 6,
Bandar Baru Medan Ipoh,
31400 Ipoh, Perak
Tel No.: 05-5451222
Fax No.: 05-5459222

BUSINESS ADDRESS

No.19, 19A, 19B & 19C,
Jalan Pusat Perniagaan Falim 5,
Pusat Perniagaan Falim
30200 Ipoh, Perak.
Tel No.: 05-2850063
Fax No.: 05-2850272

PRINCIPAL BANKERS

RHB Bank Berhad
Malayan Banking Berhad
Pac Lease Berhad

AUDITORS

Deloitte PLT
Chartered Accountants
Level 2, Weil Hotel,
292, Jalan Sultan Idris Shah,
30000 Ipoh, Perak Darul Ridzuan
Tel No.: 05-2540288
Fax No.: 05-2547288

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Name: SCNWOLF
Stock Code: 7239
Sector: IND-PROD

Directors' Profile

Dato' Ong Boon Aun @ Jaymes Ong
Independent Non-Executive Chairman/Director

Dato' Ong Boon Aun @ Jaymes Ong, Malaysian, age 52, male, was appointed as Independent Non-Executive Director on 29 August 2016 and was designated as Independent Non-Executive Chairman on 28 November 2016. He graduated from the University of Montevallo, National University and Central Connecticut State University, all in the United States of America with the degrees of Bachelor of Business Administration (B.B.A.), Master of Business Administration (M.B.A.) and Master of Science in International Studies (M.Sc.) respectively. He completed his M.Sc. degree top of the class with a Cumulative Grade Point Average (CGPA) of 4.0/4.0. and was also the President of the Graduate Student Association at CCSU. Dato' Ong is also a prestigious Herbert D. Welte State Governor's Scholar. He had also attended a Japanese Business course at the world renowned Harvard University 26 years ago in the Summer of 1992 and had returned to Harvard this summer of 2018 for a course in Strategy. Dato' Ong is listed in the Who's Who Among Students In American Universities and Colleges Directory 1993. Having attended four universities, Dato' Ong has an impressive and outstanding academic qualification.

Professionally, Dato' Ong has over 26 years of working experience mainly in the banking and financial services industry. He first started his career in 1992 with Stanley Magic-Door Inc, a manufacturing subsidiary of one of the biggest asset based companies in the United States of America, Stanley Works. Upon returning to Malaysia, he joined Citibank Berhad in 1993 and quickly rised through the ranks before joining OSK Holdings Berhad in 2000 as a General Manager for Group Consumer Marketing. He later joined Hong Kong Bank as a Vice President in 2003 before assuming the post of Country Head at DBB Investment, a company he founded in 2004. In 1995, due to his extraordinary dedication and talent, Dato' Ong received The Citicorp Service Excellence Award, signed by the Chairman of Citibank, New York. In 2007, he had also acted in a consulting role of a director at Indra Malai Developments (M) Sdn Bhd and was a Company Director of Builex Sdn Bhd in 2006. Recently, on 2 September 2017, Dato' Ong was appointed as the Deputy Chief Executive Officer (Deputy CEO) to a Government Linked Company (GLC), Sunlight Inno Seafood Sdn Bhd ("Sunlight Inno") which is a company linked to Yayasan Sabah. Sunlight Inno is the biggest integrated aquaculture farming business in Malaysia with an asset of almost RM1 billion at its inception.

Dato' Ong is also an Ahli Mangku Negara (Bintang). Over the years, Dato' Ong had received many awards and accolades. He was conferred, amongst others, the D.I.M.P., S.M.P., A.A.P., A.M.P., A.M.K., A.M.N., B.K.M. and P.M.C. medals from Kebawah Duli Yang Maha Mulia Seri Paduka Baginda Yang Dipertuan Agong and three states' Sultans.

He is also the Chairman of the Nomination Committee and member of the Remuneration Committee. He does not hold any directorships in any other public companies and listed issuers.

Y. BHG. DATO' ONG BOON AUN @ JAYMES ONG
D.I.M.P., S.M.P., A.A.P., A.M.P., A.M.K., A.M.N., B.K.M., P.M.C.
B.B.A. (UM-USA), M.B.A. (NU), M.Sc. (C.C.S.U)

Dato' Tan Sin Keat
Executive Director

Dato' Tan Sin Keat, Malaysian, age 54, male, was appointed as Executive Director on 2 April 2007.

He is one of the founders of Scanwolf Plastic Industries Sdn. Bhd. and still serves as the Executive Director.

Dato' Tan Sin Keat has more than 20 years experience in the extrusion industry and is currently responsible for the product and business development aspect of the Group. His skill, knowledge and experience in various areas of PVC extrusion business, including machinery fabrication and colour matching, contributed immensely to the growth of the Group.

Dato' Tan was conferred Darjah Indera Mahkota Pahang (D.I.M.P.) by Kebawah Duli Yang Maha Mulia Sultan Pahang Darul Makmur Sultan Haji Ahmad Shah on 20 May 2014.

He does not hold any directorships in any other public companies and listed issuers.

Dato' Loo Bin Keong
Executive Director

Dato' Loo Bin Keong, Malaysian, age 60, male, resigned on 5 February 2015 and was re-appointed to the Board as an Executive Director again on 29 February 2016. He is one of the founders of Scanwolf Plastic Industries Sdn. Bhd. ("SPI"), a wholly-owned subsidiary of the Company. He also sits on the Board of all subsidiary companies within the Group.

Dato' Loo Bin Keong has more than 30 years experience in the furniture fittings and plastic extrusion industries. He is credited with the early expansion and transformation of SPI into an integrated manufacturer of a wide range of extrusion products, specializing in edgebands and profiles. He has diverse practical experience in the marketing and management of the business.

Dato' Loo was conferred Darjah Indera Mahkota Pahang (D.I.M.P.) by Kebawah Duli Yang Maha Mulia Sultan Pahang Darul Makmur Sultan Haji Ahmad Shah on 14 April 2014.

He does not hold any directorships in any other public companies and listed issuers

Mr. Teoh Teik Kean
Executive Director

Mr. Teoh Teik Kean, Malaysian, age 61, male, resigned on 29 August 2014 and was re-appointed to the Board as an Executive Director again on 13 July 2015. He graduated From Ungku Omar Polytechnic, Ipoh, Perak with a Diploma in Accountancy in 1977.

Mr. Teoh Teik Kean started his working career as an internal auditor in Ban Hin Lee Bank Bhd ("BHL Bank") in March 1978 and was given the opportunity to gain experience in various departments and branches of BHL Bank over a period of 22 years. His last position in BHL Bank was the branch manager of Ipoh branch. Upon the merger of BHL Bank and Southern Bank in July 2000, he was appointed as manager of sales & marketing of financial services department of the newly merged bank. In June 2002, he was promoted to Vice President in charge of business development for commercial and corporate loan in the state of Perak. He left the banking industry in January 2004 and joined Scanwolf Plastic Industries Sdn. Bhd. on 1 March 2004 as a corporate planner. As a corporate planner, he was involved in the formulation and implementation of strategic plans for the Company as well as providing advisory service on financial matters to the board of directors. His contributions in Scanwolf Corporation Berhad include ensuring the smooth and successful listing of the group on the Second Board of Bursa Malaysia Securities Berhad in 2007.

He does not hold any directorships in any other public companies and listed issuers.

Tuan Abdul Hamid Bin Abdul Shukor
Independent Non-Executive Director

Tuan Abdul Hamid bin Abdul Shukor, Malaysian, age 68, male, was appointed as Independent Non-Executive Director of the Company on 17 June 2015. He graduated with Bachelor of Arts (Sociology and Anthropology), University of Malaya.

Tuan Abdul Hamid bin Abdul Shukor had served 33 years with the Government and held various positions nationwide, amongst others as Fisheries State Director for Pahang and Sarawak, including at the National Security Council, Prime Minister Department.

He is a member of the Audit Committee and Remuneration Committee.

He does not hold any directorships in any other public companies and listed issuers.

Dato' Ibrahim Bin Saleh
Independent Non- Executive Director

Dato' Ibrahim Bin Saleh, Malaysia, age 67, male, was appointed as Independent Non-Executive Director of the Company on 17 June 2015. He graduated with Master of Science (Marine Policy), London School of Economics and Bachelor of Science, Universiti Sains Malaysia.

Dato' Ibrahim Bin Saleh had worked in the Department of Fisheries for more than 30 years and has held various positions amongst others as the State Director of Terengganu, the Director of Fisheries Research Institute and the Deputy Director General of Fisheries.

He is the chairman of Remuneration Committee and member of the Audit Committee and Nomination Committee.

He does not hold any directorships in any other public companies and listed issuers.

Mr. Ong Sing Guan
Independent Non- Executive Director

Mr. Ong Sing Guan, Malaysian, age 52, male, was appointed as an Independent Non-Executive Director of the Company. He resigned on 3 June 2015 and was appointed to the Board again on 13 July 2015. He is a member of Malaysia Institute of Accountants and Chartered Tax Institute of Malaysia. Ong Sing Guan graduated with Chartered Accountant of Malaysia Institute of Accountants and Diploma In Financial Accounting from Tunku Abdul Rahman College.

Mr. Ong Sing Guan was a Senior Tax Consultant (Tax Manager) in PricewaterhouseCoopers from 1992 to 2005. He joined Best Store Corporation Sdn. Bhd. as Financial Controller/General Manager from 2005 to 2011. He moved to Konsortium Bas Express Semenanjung (M) Sdn. Bhd. as Financial Controller from 2011 to 2012. Presently, he is the Director of T.H. Yew & Co.

He is Chairman of the Audit Committee and member of the Nomination Committee.

He does not hold any directorships in any other public companies and listed issuers.

Other Information:-

- **Directors' Shareholdings**
  Details of Directors' shareholdings in the Company are as disclosed on page 122 of the Annual Report 2018.

- **Family Relationship with Directors and Major Shareholders**
  None of the Directors of the Company have any family relationship with any Director and/or major shareholder of the Company.

- **Conflict of interest**
  All the Directors of the Company have no conflict of interest with the Company.

- **Conviction of Offences**
  Other than traffic offences, none of the Directors of the Company have any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

- **Public Reprimand**
  Bursa Malaysia Securities Berhad ("Bursa Securities") had publicly reprimanded Scanwolf Corporation Berhad in respect of the Company's fourth quarterly report for the financial year ended 30 June 2016 announced on 29 August 2016 which was in contravention of paragraph 9.16(1)(a) of the Bursa Securities Main Market Listing Requirements.

- **Attendance of the Board Meetings**
  The attendance of the Directors is disclosed in the Corporate Governance Overview Statement of this Annual Report.

Profile of Key Senior Management

Dato' Tan Sin Keat
Aged: 54, Malaysian, Male
Executive Director of Manufacturing Division

Dato' Tan's profile is set out on page 6 of this Annual Report.

Dato' Loo Bin Keong
Aged: 60, Malaysian, Male
Executive Director

Dato' Loo's profile is set out on page 7 of this Annual Report.

Mr Teoh Teik Kean
Aged: 61, Malaysian, Male
Executive Director

Mr Teoh's profile is set out on page 7 of this Annual Report.

Dato' Lai Kok Heng
Aged: 58, Malaysian, Male
Executive Director of Property Division

He was appointed as Executive Director of Scanwolf Development Sdn. Bhd., the Property Division of the Group on 29 February 2016. He has directorship in Scanwolf Properties Sdn Bhd (appointed on 1 June 2016) and Scanwolf Construction Sdn Bhd (appointed on 1 December 2016). He graduated from S.M.K Methodist (ACS) Ipoh, Perak Darul Ridzuan.

He has more than 20 years of experience in the property development industry. He also sits on the board of various private limited companies and also a Director of Ipoh City and Country Club.

He does not hold any directorship in any other public companies and listed issuers.

He does not have any relationships with any Director and/or major shareholder of the Company nor does he has any conflict of interest with the Company.

He has not conviction for any offences within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr Ng Chee Wai
Aged: 43, Malaysian, Male
Chief Financial Officer

He was appointed as Chief Financial Officer of Scanwolf Group on 28 November 2017. He is a member of Malaysian Institute of Accountants of Malaysia. Mr Ng is a Chartered Accountant of Malaysian Institute of Accountants and Certified Public Accountant of The Malaysian Institute of Certified Public Accountant. He graduated with Bachelor of Management Studies major in Accounting from University of Waikato, New Zealand.

Mr Ng joined Scanwolf Plastic Industries Sdn. Bhd. in 2005 as an Accountant and was subsequently promoted to Financial Controller in 2014. Previously, he was with PriceWaterhouseCoopers.

He has led the finance and account department of the Company over the years where he was responsible for financial management. In 2007, he was involved in the Initial Public Offering exercise of Scanwolf Corporation Berhad. He oversees all financial matters and holds the responsibility for establishing and executing on the Company's strategy and the Enterprise Risk Management efforts.

He does not hold any directorship in any other public companies and listed issuers.

He does not have any relationships with any Director and/or major shareholder of the Company nor does he has any conflict of interest with the Company.

He has not conviction for any offences within past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Chairman's Statement

Dear Shareholders,

On behalf of Scanwolf Corporation Berhad, it gives me great pleasure to write this letter. With this letter come my warmest greetings to each and every one of you. As with the past year, I am most pleased to present to you the Audited Financial Statements of Scanwolf Corporation Berhad ("Scanwolf") and its Group of Companies for the financial year ended 30 June 2018 in this volume of Annual Report.

The Malaysian economy has been growing steadily over the past 12 months. In this time, she also witnessed a change in government in Malaysia after 61 years of independence. Internationally, the world economy remains fluid due to a series of economic announcements made by the United States of America and China, two of the world's largest trading economies. We continue to remain concern on the probable repercussions of more new American trade policies that could lead to a trade war between America and its major trading partners in Europe and especially China which will inadvertently also affect trades in this region. Together with the Board of Directors and senior management of Scanwolf, we continue to take note and are careful of the world's economic landscape affecting Asia and Malaysia.

Scanwolf is mainly involved in two very challenging industries in Malaysia and globally. The property development industry in Malaysia remains very challenging and the plastic business in the world remains very competitive. Scanwolf's total operation has remained stable and it is expected to improve in the years ahead. This speaks volumes of our highly professional Board of Directors, management and staff.

Moving forward, the Group has worked diligently to increase productivity by prioritising efficiency in our operations and also to aggressively seek new businesses in various lucrative markets. Consistent growth in revenues and earnings in the future will be the Board of Directors' priorities. The Board will continue to strive to create and enhance value for its stakeholders with new business strategies.

Being your Chairman, I would like to record my sincere appreciation to all the shareholders, the Board of Directors of Scanwolf, all our valued customers, business associates, suppliers, bankers, fund managers, investment analysts, all media personnel as well as the regulatory bodies and the management & staff of Scanwolf group of companies for their continued support and hard work over the past year. From the bottom of my heart, a big thank you.

To all parties and especially the Board of Directors, I appreciate your continued support and sincere friendship. Again, thank you.

Yours most sincerely,

Y. BHG. DATO' ONG BOON AUN @ JAYMES ONG
D.I.M.P., S.M.P., A.A.P., A.M.P., A.M.K., A.M.N., B.K.M., P.M.C.
B.B.A. (UM-USA), M.B.A. (NU), M.Sc. (CCSU)
Independent Non-Executive Chairman,
Board of Directors.

Scanwolf Corporation Berhad (740909-T).
A Public Listed Company (PLC).

Management Discussion and Analysis

Overview of business and operation

Scanwolf Corporation Berhad and its subsidiary companies ("Scanwolf") are involved in the manufacturing of plastics extrusion products in Malaysia. Scanwolf was listed on the Second Board of Bursa Malaysia Securities Berhad on 16 July 2007 and was subsequently moved to the Main Board on 3 August 2009.

Scanwolf diversified its business into property development in March 2012.

In December 2016, a wholly-owned subsidiary of Scanwolf invested a joint-venture with a Japanese owned company to produce luxury vinyl tiles.

Manufacturing division

Scanwolf has a plastic extrusion manufacturing plant and warehouse in Tronoh, Perak and a warehouse in Shah Alam, Selangor under a wholly owned subsidiary, Scanwolf Plastic Industries Sdn Bhd ("SPI").

For the financial year ended ("FYE") 2018, 36% (2017: 39%) of the revenue was contributed by export sales.

SPI main focus and initiatives involved constantly improving the production process and product differentiation to grow business volume to become the market leader and the preferred brand in both local and overseas market.

During the financial year, SPI has completed the research and development of a few innovative products. These will augur well for SPI's performance in coming years.

On 2 December 2016, SPI invested in a joint-venture with Nissha Industrial And Trading Malaysia Sdn Bhd, a wholly owned subsidiary of Nissha Printing Co Ltd, a company listed in Tokyo Stock Exchange to produce plastic related products, in particular the production of luxury vinyl tiles ("LVT"), including LVT related products, calendar moulding related products and construction materials and its related products.

Currently, the plant has commenced part of the operation since June 2018 while waiting for the completion of electricity substation from Tenaga National Berhad.

Property division

In March 2012, Scanwolf announced the acquisition of 25 acres of leasehold land in Kampar, Perak. The land was located at the western portion of Bandar Baru Kampar. It has frontage onto an unnamed metalled road that leads from Bandar Baru Kampar. It lies approximately 1.5 kilometres to the north-west of the Kampar town centre.

Both the campus of Universiti Tunku Abdul Rahman which spans approximately 1,300 acres and has an estimated 10,000 students and Kolej Tunku Abdul Rahman which spans approximately 50 acres are situated approximately 1 kilometre to the north-east of the Land.

This parcel of land is slated for the development of residential properties, commercial suites, and serviced apartments with an estimated gross development value of approximately RM345 million.

There are 4 main phases of development under this parcel of land. Currently, phase 1 and 2 have been completed with certificate of fitness.

Financial review

Scanwolf registered a revenue of RM62.5 million in the financial year ended 30 June 2018 as compared to RM62.3 million in the previous financial year.

The Group registered a profit before tax of RM1.6 million in the financial year under review as compared to the pre-tax loss of RM1.3 million in the preceding financial year. The profit mainly derived from Property Division.

Financial position

Scanwolf continue to maintain a healthy financial position, conserving cash for acquisition of land bank and investment opportunities.

As at 30 June 2018, cash and cash equivalents stood at RM0.5 million (2017: RM2.1million). Debts to equity ratio have improved to 0.55 from 0.64 in previous financial year. This was due to cash generated from operations and funds raised from private placement during the financial year.

As at 30 June 2018, Scanwolf still have sufficient banking facilities for working capital expenditure. On a per share basis, net assets attributable to shareholders decreased to RM0.45 from RM0.46 in previous financial year.

Outlook and prospects

The Manufacturing Division is operating in global economic uncertainties as well as facing increases in production costs, rising of material costs and fluctuation in foreign exchange rates. Besides that, increasing labour cost and Sales Tax implementation from 1 September 2018 will increase the cost to manufacturing.

To mitigate all these adverse factors, Scanwolf will continue to improve production process, product quality and to develop new innovative products in order to stay competitive in both local and overseas market.

For the properties segment, the outlook for the Property Division continues to be challenging. Scanwolf's target market has always been affordable houses which should meet the demands of house buyers in Malaysia.

Moving forward, the outlook of our investment in the new joint-venture with Nissha Industrial And Trading Malaysia Sdn Bhd shall be breakeven by coming months and remains positive in view of the growing worldwide demand for residential and commercial vinyl flooring.

The Company does not have a dividend payout policy. However, the Company will consider to declare a dividend payout when the Company has excess funds and after looking at the capital commitments, working capital requirement and earnings.

Corporate Governance Overview Statement

The Board of Directors ("**the Board**") of Scanwolf Corporation Berhad ("**Scanwolf**" or "**the Company**") recognises the importance of good corporate governance and is committed to ensure that good corporate governance is being practised by the Group in order to safeguard stakeholders' interests as well as enhancing shareholders' value.

This Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in the Malaysian Code on Corporate Governance ("**MCCG**" or "**the Code**") during the financial year ended 30 June 2018 ("**FYE 2018**").

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report ("**CG Report**"). The CG Report was announced together with the Annual Report of the Company on 29 October 2018. Shareholders may obtain this CG Report by accessing www.scanwolf.com for further details.

APPLICATION OF THE PRINCIPLES AS SET OUT IN THE CODE

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1.1 The Board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

The Board, which assumes responsibility for the Company's leadership, is collectively responsible for meeting the objectives and goals of the Company. The Board recognizes the key role it plays in charting the strategic direction of the Company and has undertaken the following principal responsibilities in discharging its fiduciary and leadership functions:

- Reviewing the strategies, business plans and significant policies for the Company. Such strategies, business plans and significant policies will be presented by the management via its executive directors during board meetings.
- Monitoring corporate performance and the conduct of the Group's business and ensuring compliance to best practices and principles of corporate governance.
- Establishing, approving, reviewing and monitoring the Company's risk appetite and comprehensive risk management policies, processes and infrastructures. Thereafter, identifying and implementing appropriate systems to manage such risks. The Board undertakes this responsibility through the Audit Committee which presents these risk management activities during the Audit Committee meetings.
- Reviewing the adequacy and integrity of the Company's internal control and management information systems.
- Considering and evaluating emerging issues which may be material to the business and affairs of the Company.
- Ensuring that the Board has adequate procedures in place to receive reports periodically and/or on a timely basis from the Company's management.
- Ensuring that there shall be unrestricted access to independent advice or expert advice at the Companies expense in furtherance of the Board's duties whether as a Board or a director in his or her individual capacity.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee ("**AC**"), Nomination Committee ("**NC**") and Remuneration Committee ("**RC**") to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Certain matters which are reserved specifically for the Board's decision are discussed. These includes the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group and key policies, procedures and authority limits.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

1.1 The Board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met. (Cont'd)

The Board meets on a quarterly basis with additional meetings held whenever necessary. The Board met four (4) times during the year under review. The meeting attendance record of the Directors is as follows:

Name of director	Designation	No. of meetings attended
Dato' Ong Boon Aun @ Jaymes Ong	Independent Non-Executive Director/Chairman	4/4
Dato' Loo Bin Keong	Executive Director	3/4
Dato' Tan Sin Keat	Executive Director	4/4
Dato' Ibrahim Bin Saleh	Independent Non-Executive Director	4/4
Tuan Abdul Hamid Bin Abdul Shukor	Independent Non-Executive Director	4/4
Mr Teoh Teik Kean	Executive Director	4/4
Mr Ong Sing Guan	Independent Non- Executive Director	4/4

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Director of the Company must not hold directorships of more than five (5) public listed companies and must be able to commit sufficient time to the Company.

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

The details of training attended by the Directors of the Company during FYE 2018 are as follows:

Name	No. of days	Title
Dato' Ong Boon Aun @ Jaymes Ong	1/2	- The Edge Industry 4.0 - Thriving in the age of disruption
	1/2	- Corporate Governance Breakfast Series - Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability
	1	- Driving Financial Integrity & Performance - Enhancing Financial Literacy
	1/2	- Sustainability Engagement Series - Sector Specific Sustainability Reporting Workshop
	1/2	- Corporate Governance Breakfast Series - Leading Volatile Complex, Ambiguous (VUCA) World
	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
Dato' Loo Bin Keong	1/2	- Corporate Governance Breakfast Series - Integrating An Innovation Mindset with Effective Governance
	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
Dato' Tan Sin Keat	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
Dato' Ibrahim Bin Saleh	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
Tuan Abdul Hamid Bin Abdul Shukor	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
Mr Teoh Teik Kean	1	- Malaysian Code on Corporate Governance: New Dimension (Roadshow)
	1/2	- Corporate Governance Breakfast Series - Integrating An Innovation Mindset with Effective Governance
	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
	1/2	- Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

1.1 The Board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met. (Cont'd)

The details of training attended by the Directors of the Company during FYE 2018 are as follows: (Cont'd)

Name	No. of days	Title
Mr Ong Sing Guan	1	- Seminar Percukaian Kebangsaan 2017
	2	- Practical Auditing Methodology for SMPs
	1	- 2018 Budget Seminar
	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
	1/2	- Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide

In the future, the Board will continue to identify training needs amongst the Directors and enroll the directors for training programs, as and when required.

The Board is also mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social, health and safety, staff welfare and governance aspects are taken into consideration.

In addition, the Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. The Board observes the corporate disclosure framework under Bursa Malaysia Securities Berhad Main Market Listing Requirements and other regulatory bodies to provide timely and material information of the Group to its shareholders and other stakeholders to facilitate their decision making process. The Group also refers to the "Corporate Disclosure Guide" issued by Bursa Malaysia Securities Berhad to enhance the timelines and quality of its disclosure.

To augment the process of disclosure, the Board has earmarked a dedicated section for corporate governance on the Company's website where information on the Company's announcements to the regulators, the Board Charter, and the Company's Annual Report may be accessed.

1.2 A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

The Chairman plays a pivotal role in ensuring the effectiveness of the Board by providing leadership to the Board in ensuring that the Board carries out its functions effectively, manages the interface between Board and Management. Additionally, the Chairman ensures orderly conduct and proceedings of Board meetings by leading the discussions at our Board meetings and ensure that relevant matters are included in the meeting agenda alongside allocating sufficient time for discussions.

1.3 The positions of Chairman and Chief Executive Officer are held by different individuals.

The Chairman of the Company is an Independent Non-Executive Director and the Company does not appoint Chief Executive Officer currently.

The Group has a clear distinction and separation of roles between the Chairman and the Executive Directors, with clear division of responsibilities in order to ensure a clear balance of power between the Chairman and the Executive Directors.

The Chairman leads the Board in its collective oversight of management, while the Executive Directors are primarily responsible for the day-to-day management of the Group. Executive Directors are responsible for developing the business direction of the Group, ensure that the business strategies and policies are effectively implemented and to explain, clarify and inform the Board on matters pertaining to the Group.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

1.4 The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

The Board is supported by experienced, competent, and knowledgeable Company Secretary who is qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016.

The Company Secretary advise the Board on the issues relating to the Company's constitution, Malaysian Code on Corporate Governance, Companies Act 2016 and Listing Requirements of Bursa Malaysia Securities Berhad.

The Board obtained appropriate advice and services, if necessary, from Company Secretary to ensure adherence to Board meeting procedures and compliance with regulatory requirements.

1.5 Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Meeting materials alongside with the meeting agenda and the relevant papers submitted by management are issued and circulated in time for the members of the Board and Committees at least seven (7) days prior to each meeting.

The meetings of the Board and the board committees are properly minuted and circulated to all Board members.

All Board members/board committees' members reviewed and confirmed the minutes of the meetings to ensure they are accurately reflect the deliberations and decision of the Board, including whether any Director abstained from voting or deliberation on a particular matter. The signed board minutes are kept at the Company's minutes book.

2.1 The Board has a Board Charter which is periodically reviewed and published on the company's website. The Board Charter clearly identifies-

- **the respective roles and responsibilities of the board, board committees, individual directors and management; and**
- **issues and decisions reserved for the board.**

The Board has made available its Board Charter on the corporate website. The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. The Board Charter is subject to periodic review to ensure that it continues to be relevant and applicable as a reference to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company. On this, the Board has on 31 May 2018 reviewed its Board Charter. The Board Charter can be accessed at the Company's website at www.scanwolf.com.

3.1 The Board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

The Company's Codes of Conduct and Ethics for Directors continue to govern the standards of ethics and good conduct expected of Directors. The Code of Conduct and Ethics for Directors includes principles relating to corporate governance; conflict of interest; relationship with employees; shareholders and business partners; social responsibilities and environmental commitment; compliance with laws, rules and regulations and dealings in securities are available at the Company's website.

3.2 The Board establishes, reviews and together with management implements policies and procedures on whistleblowing.

The Company does not adopt a whistleblowing policy. The Board has always conducted themselves in an ethical manner while executing their duties and function. The Board believes in open management that any issues of concern can be channelled to any Independent Directors for appropriate action. Nonetheless, the Company is in the midst of formulating a whistleblowing policy and the Company expects to adopt a whistleblowing policy by the second quarter of financial year ending 30 June 2019.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION

4.1 At least half of the Board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

As at 30 June 2018, there are seven (7) Board members; of which four (4) are Independent Directors and three (3) are Non-Independent Directors. The Independent Directors constitute 57.14% of the Board. The Board composition also complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors.

It is within the viewpoint of the Board that with the current composition of Directors and their individual backgrounds and specialisations, the Company is aided with a wide range of experience and expertise in areas such as finance, accounting and audit, taxation, corporate affairs, marketing, property management and banking.

To ensure that the Company promotes corporate governance effectiveness, the Independent Non-Executive Directors are in place to provide check and balance in the function of the Board and reflects the Company's commitment to uphold effective corporate governance.

The profile of each of the members of the Board is set out at pages 6 to 8 of this Annual Report.

4.2 The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the Board as a non-independent director.

If the Board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

The Independent Non-Executive Directors bring objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders and stakeholders. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision by giving rationale and fair view and to decide impartially.

Presently, the tenure of all the Independent Non-Executive Directors does not exceed a cumulative term of nine (9) year as recommended by the Code.

4.3 Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

To maintain the best interest of the Company, diversity within the Board, Senior Management and all levels of the organization is applied. In line with this, the Board and Senior Management are appointed based on merit, mix of skills, competencies, experience, professionalism and other relevant qualities which involve age and cultural background to have better governance in the Group.

4.4 The Board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

At present, the Company does not maintain a gender diversity policy as recommended by the Code. The Company is in the midst of formulating a gender diversity policy which will encapsulates the objectives, principles and measures of the Group's diversity culture. The Board is supportive in upholding gender diversity within the boardroom and the Management with due consideration on merited factors, such as, skills, experience, attitude and suitability of any potential candidates.

Hence, as part of the Company's succession planning, gender diversity objectives will constantly be observed as a key consideration by the Company even without any specific targets determined. The Board is taking steps to identify women candidates for appointment to the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

4.5 In identifying candidates for appointment of directors, the Board does not solely rely on recommendations from existing board members, management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates.

The Company has in place, its procedures and criteria for identifying candidates for appointment of directors. All candidates for appointment are first considered by the Nomination Committee, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities to manage the Company.

4.6 The Nomination Committee is chaired by an Independent Director or the Senior Independent Director.

Dato' Ong Boon Aun @ Jaymes Ong, Independent Non-Executive Director chairs the Nomination Committee.

During the financial year ended 30 June 2018, the Nomination Committee held two (2) meetings and carried out activities in the discharge of its functions and duties.

5.1 The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The Board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

The Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Non-Executive Directors.

The Nomination Committee has developed criteria to access the effectiveness of the Board and individual Director. The evaluation on the Board's effectiveness is divided into four sections on the following key areas:

- Adding value
- Conformance
- Stakeholder Relationship
- Performance management

The process also assesses the competencies of each Director in the areas of integrity and ethics, governance, strategic perspective, business acumen, judgement and decision making, teamwork, communication and leadership.

The Nomination Committee also undertakes annual assessment of the independence of its independent directors based on required mix skills, criteria of independence as per requirements of Main Market Listing Requirements, meeting attendance, ability to ensure effective checks and balances on the Board's decision making process, constructively challenge business propositions and contributes to the development of business strategy and direction of the Company, ensures that adequate systems and controls to safeguard the interests of the Company are in place and continuous updating of knowledge and enhancing of skills through attendance of business related trainings

The Nomination Committee had met two (2) times during the financial year and activities of the Nomination Committee are as follows:

(a) Reviewed and assessed the current composition of Board and Board committees.
(b) Reviewed and recommended the re-election of Directors who were retiring and seek for re-election at Eleventh Annual General Meeting.
(c) Reviewed and recommended to the Board the potential candidate as Independent Non-Executive Director of the Company.
(d) Reviewed and accessed the effectiveness of the Board and the contribution of each individual director.
(e) Reviewed and accessed performance of independent directors.
(f) Reviewed the term of office and performance of audit committee and each of its members.

The Nomination Committee and the Board was satisfied with the current composition of the Board and Board committees as well as the performance of the Directors and independence of the Independent Directors.

The terms of reference of the Nomination Committee can be viewed at the Company's website at www.scanwolf.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION

6.1 The Board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

The objective of the Company's policy on Directors' remuneration is to attract and retain the appropriate Directors of the caliber to run the Group successfully. In general, the remuneration is structured so as to link rewards to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the Director concerned.

While the Board has not formalised it remuneration policies, it is the practice of the Company and the Group that all Executive Directors and Senior Management are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.

6.2 The Board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

At present, the RC consists of three (3) Independent Non-Executive Directors, which meet the recommended practice of having a full composition of Non-Executive Directors as members.

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted, with the Directors concerned abstaining from discussions on their individual remuneration. During the financial year under review, the Committee met two (2) times attended by all members.

The Board as a whole approves the remuneration of the Executive Directors with the Directors concerned abstaining from the decision in respect of their remuneration.

The Remuneration Committee has written Terms of Reference which deals with its authority and duties. The Board will take necessary step to publish the Terms of Reference of Remuneration Committee on the Company's website at www.scanwolf.com.

7.1 There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

In order to enable stakeholders to assess whether the remuneration of Directors commensurate with their individual performance, the detailed disclosure on named basis for the remuneration of Directors is disclosed.

The details of the remuneration of each Directors of the Company received from the Company and on group basis respectively during the financial year ended 30 June 2018 are as follows:

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION (Cont'd)

7.1 There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments. (Cont'd)

a) Group Level

	Fees RM	Salaries RM	Bonus RM	Other Emoluments RM	Total RM
Executive Directors					
Dato' Loo Bin Keong	30,000	403,200	5,000	153,632	591,832
Dato' Tan Sin Keat	32,000	340,500	5,000	144,848	522,348
Mr Teoh Teik Kean	30,000	320,676	5,000	125,536	481,212
Independent Directors					
Dato' Ong Boon Aun @ Jaymes Ong	42,000	-	-	7,500	49,500
Mr Ong Sing Guan	37,000	-	-	6,000	43,000
Dato' Ibrahim Bin Saleh	36,000	-	-	7,500	43,500
Tuan Abdul Hamid Bin Abdul Shukor	34,000	-	-	7,500	41,500
Total	241,000	1,064,376	15,000	452,516	1,772,892

b) Company Level

	Fees RM	Salaries RM	Bonus RM	Other Emoluments RM	Total RM
Executive Directors					
Dato' Loo Bin Keong	30,000	403,200	5,000	153,632	591,832
Dato' Tan Sin Keat	32,000	-	-	6,000	38,000
Mr Teoh Teik Kean	30,000	320,676	5,000	125,536	481,212
Independent Directors					
Dato' Ong Boon Aun @ Jaymes Ong	42,000	-	-	7,500	49,500
Mr Ong Sing Guan	37,000	-	-	6,000	43,000
Dato' Ibrahim Bin Saleh	36,000	-	-	7,500	43,500
Tuan Abdul Hamid Bin Abdul Shukor	34,000	-	-	7,500	41,500
Total	241,000	723,876	10,000	313,668	1,288,544

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION (Cont'd)

7.2 The Board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

The top five Senior Management's remuneration for the financial year ended 30 June 2018, in bands of RM50,000 is as follow:

Range of remuneration	No. of Senior management
RM550,001 to RM600,000	1
RM500,001 to RM550,000	1
RM450,001 to RM500,000	1
RM300,001 to RM350,000	1
RM200,001 to RM250,000	1
Total	5

The Board is of the view that the disclosure in accordance with the recommendation of Practice 7.2 is not in the best interest of the Company and has decided to depart from the recommendation in order to alleviate valid concerns on the confidentiality of remuneration packages and given the competitiveness in the employment environment.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

8.1 The Chairman of the Audit Committee is not the Chairman of the board.

The Chairman of the Audit Committee is Mr Ong Sing Guan who is an Independent Director whereas the Chairman of the Board is Dato' Ong Boon Aun @ Jaymes Ong. At present, the Audit Committee comprises of three (3) members of the Board who are Independent Directors.

8.2 The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

Presently, none of the members of the Board were former key audit partners of the Company's external auditors. Hence, no former key audit partner is appointed to Audit Committee.

The Board took note of the recommended of the Code and will update its policy to stipulate that no former key audit partner shall be appointed as a member of the Audit Committee unless he/she has observed a cooling-off period of at least two (2) years before the appointment.

8.3 The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

The Audit Committee is responsible for the annual assessment of the competency and independence of the external auditors. Having assessed the performance and independence of the external auditors, the Audit Committee will recommend the re-appointment of external auditors to the Board, who will then seek the shareholders' approval at the Annual General Meeting.

The external auditors are required to declare their independence annually to the Audit Committee as specified by the By-Laws issued by the Malaysian Institute of Accountants. The external auditors have provided the declaration in their annual audit plan presented to the Audit Committee of the Company.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

I. AUDIT COMMITTEE (Cont'd)

8.3 The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor. (Cont'd)

During the year, the Audit Committee conducted an annual assessment of the external auditors based on the following conditions:
- Calibre of External Audit Firm
- Quality Processes/Performance
- Audit Team
- Independence and Objectivity
- Audit Scope and Planning
- Audit Fees
- Audit Communications

During the year, the external auditors reported the details of the non-audit services rendered which includes review of Interim Financial Information of the Group, review of the Statement on Risk Management and Internal Control and agreed upon procedures on Housing Development accounts and tax compliance.

Furthermore, the external auditors provided a confirmation to the Audit Committee that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

On 29 August 2017, an annual assessment on the suitability and independence of external auditors was conducted by the Audit Committee. The Audit Committee was satisfied with the performance and independence of the external auditors. The Audit Committee has recommended their re-appointment to the Board, upon which shareholders' approval will be sought at the Eleventh AGM.

In addition to the above, the Audit Committee meets with external auditors at least twice a year to discuss their audit plans, audit findings and the Company's financial statements. Also, the Audit Committee meets with the external auditors additionally whenever the need arises. Two discussion sessions between the Audit Committee and the external auditors were held on 29 August 2017 and 31 May 2018 respectively without the presence of the Executive Directors and the Management. Furthermore, the external auditor attends every annual general meeting whereby the financial statements of the company for a financial year are to be laid to respond according to his knowledge and ability to any question raised in regards to the financial statements' audit.

8.4 The Audit Committee should compromise solely of Independent Directors.

Currently, the Audit Committee of the Company comprises solely of Independent Non-Executive Directors.

8.5 Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The members of the Audit Committee presently fulfills the requirement set out within the Main Market Listing Requirement - Paragraph 15.09, which stipulates the necessary skills and experiences required to be a member of the Audit Committee.

Within the current composition of the Audit Committee, majority of the Audit Committee members have the necessary financial, commercial expertise and capital markets skills, experience required to meet their responsibilities and provide an effective level of challenge to the Management. On an ongoing basis, the Audit Committee members will participate in training and development sessions in order to ensure that the members are educated with the latest developments in accounting and auditing standards, guidelines and practices.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9.1 The Board should establish an effective risk management and internal control framework.

In order to be effective in discharging these responsibilities, the Board is assisted by the Audit Committee which functions as an oversight body to review controls and systems in general and to carry out on-going assessment over the adequacy and effectiveness of the risk management and internal control practices within the organisation.

In addition to the abovementioned, the Board is supported by the Management in developing, implementing and monitoring practices for identifying and managing risks. This is added with the role of the Management to provide assurance that the necessary control practices are adhered and carried out accordingly based on stipulated policies and framework.

9.2 The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

During the year, an assurance is provided by the Executive Directors and Chief Financial Officer that the Group's risk management and internal controls have been operating adequately and effectively, in all material aspects, during the year under review and up to the date of this Statement to the Board. Taking into consideration this assurance during the Board's assessment of the Group's risk management and internal control, the Board is of the view that the systems of internal control and the risk management is considered adequate for the Group's business operations.

The key elements and overall state of the internal control and risk management framework of the Group have been disclosed accordingly within the Annual Report.

10.1 The Audit Committee should ensure that the internal audit function is effective and able to function independently.

As disclosed within the Terms of Reference of the Audit Committee, one of the primary responsibilities of the Audit Committee is to administer the review and assessment of the Company's internal audit function.

The internal audit function is currently outsourced to an external professional firm/service provider who reports directly to the Audit Committee, i.e. by providing independent and objective reports on the state of internal control of the various operations within the Group and the extent of compliance on established policies and procedures.

The Audit Committee has on 28 August 2018 carried out an assessment on the performance of the outsourced internal audit function and has reported such assessment to the Board.

Details of the internal audit function and activities relevant to the discharge of the Audit Committee's responsibilities are set out in the Statement on Risk Management and Internal Control and the Audit Committee Report of the Company's Annual Report 2018.

10.2 The Board should disclose-

- **whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;**
- **the number of resources in the internal audit department;**
- **name and qualification of the person responsible for internal audit; and**
- **whether the internal audit function is carried out in accordance with a recognised framework.**

The Company's internal audit function is outsourced to Finfield Corporate Services Sdn Bhd. The internal auditors on the Engagement Team are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The number of staff deployed for the internal audit reviews ranges from 2 to 3 staffs per visit including the Engagement Director.

The Engagement Director is Mr Tan Yen Yeow who has diverse professional experience in internal audit and risk management. He is a Member of the Institute of Internal Auditors Malaysia and a member of the Malaysian Institute of Accountants.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

11.1 The Board ensures there is effective, transparent and regular communication with its stakeholders.

The Board believes that effective communication fosters better understanding of the Group's objectives and financial performance. In order to promote effective communication with the Company's stakeholders, information/results are made available through timely announcements and disclosure, executed via the Bursa Malaysia Securities Berhad's website, the Company's webpage, press releases and annual reports in line with the disclosure requirements of Main Market Listing Requirements.

Additionally, the Company emphasises on providing a principal platform for dialogue and interactions with stakeholders, i.e. primarily its shareholders, through its Annual General Meeting. The Annual General Meeting serves as a principal forum for dialogues with individual shareholders as it provides shareholders the opportunity to ask questions about the proposed resolutions or about the Company's operations in general.

11.2 Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

This recommended practice is not applicable for the Company, as it is not classified as a "Large Company".

II. CONDUCT OF GENERAL MEETINGS

12.1 Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

The Company ensures the adherence of the stipulated period of issuance for notice of Annual General Meeting ("**AGM**"), in which all AGM notice and related circulars are provided at least 28 days in advance to enable shareholders to make adequate preparation.

In addition to sending the notice, the Company also published the AGM Notice on its website and the information still remains on its website.

12.2 All directors attend General Meetings. The Chair of the Audit, Nomination, Risk Management and other committees provide meaningful response to questions addressed to them.

All the Directors of the Company attend General Meetings in order to engage directly with shareholders and to take up any relevant questions which are related to matters that fall under the purview of the Board Committees or Board, unless unforeseen circumstances preclude them from attending General Meetings.

At the Eleventh AGM of the Company held on 28 November 2017, all the Directors attended the AGM accordingly.

The shareholders present at the AGM were invited to ask questions about the resolutions being proposed at the AGM before putting them to vote by poll.

12.3 Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate-
- **including voting in absentia; and**
- **remote shareholders' participation at General Meetings.**

The Company does not have a large number of shareholders and conducts its general meetings at a well-established and convenient location on a consistent basis.

The Company sends out Notice of General Meeting within appropriate and considerate timeframe in order to give shareholders ample preparation time. For circumstances whereby shareholders are not able to attend the meetings physically, they are entitled to appoint representatives or proxy(ies) to represent on their behalf.

This statement is issued in accordance with a resolution of the Board dated October 24, 2018.

Sustainability Statement

Definition:

"Sustainability" is the process of maintaining change in a balanced fashion, in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony and enhance both current and future potential to meet human need and aspiration.

"Corporate Sustainability" is an approach that creates long-term stakeholder value by implementing a business strategy that considers every dimension of how a business operates in the ethical, social, environment, cultural, and economic spheres. It also formulates strategies to build a company that fosters longevity through transparency and proper employee development.

Sustainability is an issue confronting all businesses today no matter their size or place in the marketplace. Scanwolf Corporation Berhad ("SCB") and its subsidiary companies ("the Group") have become more aware of the concept of sustainability and are finding that embracing sustainable practices will eventually lead to better corporate culture, more reliable products and greater long term profitability.

This Sustainability Statement sets out our approach to sustainability that SCB has undertaken in this financial year to drive sustainability within the Group. This statement covers areas that will form the foundation for our continued growth and success and have been deemed to be important not only to the Group but to all our stakeholders. The areas covered in our Sustainability Statement are:

- Economic
- Environmental
- Social

Economic - Sustainable Business Growth

Since its incorporation, the Group has been a firm believer in keeping up to date with developments in the edge banding industries. We have always pride ourselves as the leading edge-band producer in Malaysia as well as in South East Asia. Our manufacturing arm, Scanwolf Plastic Industries Sdn Bhd ("SPI") has always been keeping up with the latest machinery innovations and has consistently upgrade its machineries and production methods. Over the years, the production process has evolved from single extrusion to multi-extrusion and lately to manufacturing T-die PVC sheet, commonly referred to as Jumbo Roll, which will enable SPI to improve efficiency and reduces wastages and other expenses such as electricity and wages.

SPI had also invested in a Joint Venture ("JV") with Nissha Industrial And Trading Malaysia Sdn Bhd, a wholly-owned subsidiary of Nissha Printing Co., Ltd, a company listed in Tokyo Stock Exchange, to produce Luxury Vinyl Tiles ("LVT") for local and overseas market. The JV will enable SPI to diversify into the building material industries.

In addition, SPI is currently working very closely with an Australian property developer to develop a product for the property development industry in Australia. The product has been patented and SPI has been officially appointed as the Original Equipment Manufacturer ("OEM") for the product. This product is expected to improve the Company's bottom-line in the coming financial year.

Apart from the business sustainability, SCB is also aware that ethics, integrity and transparency have increasingly become the mainstream business issue in today's business environment. The last quarter of this financial year saw the adoption of the Code of Conduct and Ethics for directors as a guide for all directors to conduct business ethically and sustainably. The Company is also in the process of implementing a Whistle-Blowing Policy to establish relevant mechanisms to provide avenues for employees and other stakeholders to lodge complaints of corrupt practices or wrong-doings in confidence.

In managing our supply chain, SCB works closely with our vendors and suppliers to conduct our business ethically in line with our corporate core values of Integrity, Respect and Professionalism.

Environmental

- **Stewardship**
  The catch phrase of today's world is "environmental preservation". The need to look after our planet has never been more urgent. The Group has always taken environmental issues seriously and have long taken environmental stewardship in its stride as an integral part of its strategy towards sustainability.

- **Compliance**
  The Group have always been committed to comply with the legal and regulatory requirements of the Department of Environment, Malaysia ("DOE") and other regulators and authorities. Environmental protection measures and considerations have long been embedded in our manufacturing processes and day to day operations.

Environmental (Cont'd)

- **Management of Manufacturing Waste**
  Production waste is an inevitable part of our manufacturing process. Polyvinyl Chloride ("PVC") wastes are collected, pulverise and recycled for production use. Chemical and other solid waste such as plastics, wood, paper, metal etc are sent to regulator-approved companies for proper disposal or recycling. As a business, we see waste as an additional cost to production. All employees, Heads of Departments in particular, are reminded to minimise wastages.

Social Responsibility

Social responsibility is the integration of business practices with strong ethical values towards achieving the fiscal goals of the Company, while at the same time aligning with the aspirations of society, local community and other stakeholders in general. SCB has always believed in the need to strike a balance between profitability and fulfilling its social responsibilities.

- **Human Capital Management**
  Human capital is the greatest asset of all successful companies. In SCB, we believe that employees with good knowledge, competent skills and positive attitude are among the cornerstones of our continuous success. They are not only the face of who we are but are also responsible for running our day to day operations and helping us fulfil our goals and objectives. Thus we actively create opportunities for our employees to develop and realise their true potential through formal and informal training opportunities, whether on the job or outside the job. This includes participation in external or internally organised trainings in various job related areas.

  Employee performance review is conducted for each employee on an annual basis. The objective of the performance review is to provide a systematic and comprehensive approach in the evaluation of employee performance in relation to competencies and agreed deliverables. The outcome of the review is used to establish the employees' development plan, training needs, career aspirations and appropriate remuneration package.

  SCB values its employees and is committed to providing a conducive work environment where each employee feels appreciated and valued and are treated professionally and with utmost respect.

  To help build rapport among employees, various activities including social gatherings are planned throughout the year. These include Hari Raya lunch, annual dinners and occasional birthday celebrations. We believe these will help our employees to get to know each other better and instil a sense of belonging and support a more cohesive and cooperative work environment.

- **Safety and Occupational Health Management**
  Safety and occupational health has always been given paramount consideration in SCB and its Group of Companies and we are committed to comply with the relevant laws and regulations prescribed by the Department of Occupational Safety and Health ("DOSH"). The Occupational Safety and Health policy in SCB encompasses the provision of a safe and healthy working environment for employees in the Group.

  The Occupational Safety and Health Committee was set up as part of the Group's plan to ensure a healthy and safe working environment for the employees and also to ensure compliance of the requirement prescribed by DOSH. The Committee is chaired by the Manager of the Human Resource Department and its members include employees from various departments of the Company. The Committee ensures that all initiatives on safety and health implemented by the Group are appropriately adhered to.

- **Community**
  As a responsible corporate citizen, SCB has from time to time made financial contributions and donations to various organisations, government departments and schools. For the current financial year, donations were made to Yayasan Bina Upaya Darul Ridzuan, Perak to help the foundation carry out its activities in helping the poor and the needy and also to Majlis Daerah Kampar for their various activities during the year. The Perak Chinese Assembly Hall also received a contribution from SCB to assist in its day to day operation.

Our Commitment

Moving forward, the Group will continue to review our sustainability structure on a regular basis to seek improvements in terms of initiatives undertaken, monitoring tracking as well as reporting. We will strive to continuously seek enhancement opportunities in pursuing economic, environmental and social sustainability.

Statement on Risk Management and Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad Main Market Listing Requirements require Directors of listed companies to include a statement in annual reports on the state of their risk managements and internal controls. The Bursa Malaysia Securities Berhad's "Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Issuers" provides guidance for compliance with these requirements.

The Board's Statement on Risk Management and Internal Control, which has been prepared in accordance with the Guidance, is set out below.

RESPONSIBILITY

The Board affirms their responsibilities for a sound system of internal control, quality risk management practices and for reviewing the Group's adequacy and integrity in these systems. The principal function of internal control system is intended to identify and to manage significant risks faced by the Group's business operations, which may impede the achievement of the Group's objective. The Board ensures that the effectiveness and integrity of the risk management and internal control system are reviewed on an ongoing basis and is of the view that the system in place is sound and sufficient to safeguard the Group's assets.

The Board also acknowledges that these systems are designed to ensure that risks are identified and managed at acceptable levels rather than to eliminate such risks. Hence, systems can only provide reasonable but not absolute assurance against financial losses or uncertainties.

RISK MANAGEMENT

The Board regards risk management as an integral part of the Group's business operations. These include market price risk, counterparty, credit, legal and interest rate risks.

During the financial year under review, the identified risks were discussed at management committees' meetings and controls were developed to mitigate such risks identified. Further the internal auditors have also identified operational risks and have recommended the remedial controls to counter the risks identified. All these findings were escalated to the Board for further discussion during the board meetings. The directors were also brought up those unidentified risks which they felt were significant for management's consideration and action. The board is of the opinion that the risk management practices during the financial year under review were sufficient to meet the Group's risk objectives and risk appetite.

INTERNAL CONTROL

The outsourced internal auditors have assessed the adequacy and effectiveness of the Group's system of internal control and compliance frameworks pursuant to the audit plan as approved by the Audit Committee, and have subsequently reported their findings to the Audit Committee. The Audit Committee reviewed the internal audit reports together with the internal auditors and report to the Board on the adequacy and effectiveness of the Group's system of internal control.

For the financial year under review, the Board is satisfied with the adequacy of the Group's system of risk management and internal control. No major weaknesses or uncertainties, which could result in material losses, were identified.

The key elements of the Group's internal control system are:

- Organization structure with clearly defined lines of authority and the appropriate levels of delegation.
- Policies and procedures are clearly communicated to all staff members.
- The executive directors and the senior management would discuss the possible risk areas on the Group's operational and management issues as and when necessary.
- The executive directors oversee the Group's operations and internal controls and report to the Board on the key risks.
- The Audit Committee meets on a quarterly basis or as and when required to discuss on matters besides the quarterly announcements which are significant to the Group's operation.
- All major decisions are subject to detailed appraisal and review by the Board.
- The Board receives and reviews quarterly reports from management covering the financial performance and key business indicators of various business operating units.

Statement on Risk Management and Internal Control (Cont'd)

REVIEW OF EFFECTIVENESS

The Board has received assurance from the executive directors and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects. The Board is of the view that the risk management and internal control system is satisfactory and that there was no material internal control failures which had resulted in material losses or contingencies during the financial year under review.

REVIEW BY EXTERNAL AUDITORS

In accordance with paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the financial year ended 30 June 2018 and reported to the Board that nothing has come to their attention that caused them to believe that the Statement is inconsistent with their understanding of the process the Board adopted in the review of adequacy and integrity of internal controls of the Company.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on October 24, 2018.

Audit Committee Report

The Audit Committee currently comprises the following members:

<u>Chairman</u>
Mr. Ong Sing Guan (Independent Non-Executive Director)

<u>Members</u>
Dato' Ibrahim Bin Saleh (Independent Non-Executive Director)
Tuan Abdul Hamid Bin Abdul Shukor (Independent Non-Executive Director)

INTRODUCTION

The Audit Committee of Scanwolf Corporation Berhad is pleased to present the Audit Committee Report for the financial year ended 30 June 2018 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The primary objective of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting process and system of internal control.

The Audit Committee has adopted practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to all the Company's shareholders.

MEETINGS AND ATTENDANCE

During the financial year ended 30 June 2018, the Committee convened four (4) meetings. The records of attendance of the Committee members are as follows:

Name of Committee Members	Attendance
Mr. Ong Sing Guan (Chairman, Independent Non-Executive Director)	4/4
Dato' Ibrahim Bin Saleh (Member, Independent Non-Executive Director)	4/4
Tuan Abdul Hamid bin Abdul Shukor (Member, Independent Non-Executive Director)	4/4

AUTHORITY

The Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:

a) have authority to investigate any matter within its terms of reference;
b) have adequate resources and unrestricted access to any information from both internal and external auditors and all employees of the Group in performing its duties;
c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
d) be able to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend, if necessary; and
e) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the Terms of Reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 30 June 2018 in discharging its functions and duties:

Financial Performance & Reporting
- Reviewed the unaudited quarterly financial results of the Group prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act 2016, Financial Reporting Standards, International Financial Reporting Standards and applicable Listing Requirements of Bursa Malaysia Securities Berhad.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd)

Oversight of External Auditors

- The Audit Committee met twice with the external auditors on 29 August 2017 and 31 May 2018 respectively without the presence of any executive directors or management of the Company to review the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries arising from the audit.
- On 29 August 2017, the Audit Committee reviewed the external auditors audit summary memorandum in relation to the audit on the Group's financial statements for the financial year ended 30 June 2017.
- On 29 August 2017, the Audit Committee also evaluated the performance and independence of the external auditors covering (a) caliber of external audit firm; (b) quality processes/performance; (c) audit team; (d) independence and objectivity; (e) audit scope and planning; (f) audit fees; (g) audit communications. The Audit Committee having been satisfied with the performance and independence of the external auditors, Deloitte PLT, had recommended their re-appointment of Deloitte PLT as external auditors to the Board for approval by the shareholders.
- On 31 May 2018, the Audit Committee reviewed the Planning Report prepared by the external auditor in relation to the audit on the Group's financial statements for the financial year ended 30 June 2018. The said Planning Report covered the following:

  (i) auditors' responsibilities, the use of audit data analytics, property development costs recognized/property development project as well as quality
  (ii) Client service team
  (iii) Deloitte tailor their audit to the Group's business and strategy
  (iv) Group structure
  (v) Business highlights
  (vi) Materiality
  (vii) Scoping of components
  (viii) Significant risks and areas of audit focus
  (ix) Internal control plan
  (x) Involvement of internal auditors
  (xi) Involvement of internal specialists
  (xii) Timing of audit
  (xiii) Technical update
  (xiv) Fraud responsibilities and representations
  (xv) Engagement quality control
  (xvi) Independence policies and procedures
  (xvii) Proposed professional fee for 2018 audit.

  The proposed audit fees for the external auditors in respect of their audit of the financial statements of the Company and its subsidiaries were reviewed by the Audit Committee for recommendation to the Board for approval.

Internal Audit

- The internal auditors presented its findings together with recommendation and management action plan to the Audit Committee for review on 28 November 2017 and 31 May 2018 respectively. The Internal Auditors have conducted review on internal control of the following subsidiaries of the Company focusing on the following areas:

Company	Audit Areas	Reporting Date
Scanwolf Plastic Industries Sdn Bhd	(a) Purchasing (b) Accounts payable (c) Payments	28 November 2017
Scanwolf Development Sdn Bhd	(a) Revenue and accounts receivables (b) Development expenditure	31 May 2018
Scanwolf Plastic Industries Sdn Bhd	(a) Inventory management (b) Goods returned from customers (c) Production scraps	31 May 2018

The Management was invited to attend the meetings as and when necessary to brief the Audit Committee on matters relating to their areas of responsibility.

Some weaknesses in internal control were identified for the year under review and measures have been or are being taken to address the areas of weaknesses. The internal auditors monitored the implementation of Management's action plan on outstanding issues through follow up reports to ensure that all key risks and control weaknesses are being properly addressed.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd)

Internal Audit (Cont'd)

- On 28 November 2017 and 31 May 2018, the Audit Committee reviewed and approved the internal audit plan for financial year 2018 and 2019 respectively.

Related Party Transaction

- The Audit Committee also reviewed any related party transaction and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises the questions on management integrity.

Other matters considered by Audit Committee

- On 29 August 2017, the Audit Committee reviewed the Audit Committee Report for inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to Messrs Finfield Corporate Services Sdn. Bhd., a professional company specializing in providing internal audit services.

The cost incurred for the internal audit function in respect of the financial year ended 30 June 2018 was RM9,000.00.

During the financial year ended 30 June 2018 the internal auditors have carried out audits to assess the adequacy of the internal controls of the main operating subsidiaries, based on the audit plan approved by the Audit Committee. The internal auditors reported their findings and recommendations to the Audit Committee for deliberations together with the Management. Where areas of improvements were required, it was highlighted to the Management for implementation. The internal auditors monitored the progress of the implementation and reported the same to the Audit Committee for deliberation.

The detail of internal audit functions during the period under review is stated in the Statement on Risk Management and Internal Control of this Annual Report.

During the period under review, the Internal Auditors carried out the following activities:

a) Presented and obtained approval from the Audit Committee the annual internal audit plan, its audit strategy and scope of audit work;
b) Performed audits according to the annual internal audit plan, to review the adequacy and effectiveness of the internal control system, compliance with policies and procedures and reported ineffective and inadequate controls and made recommendations to improve their effectiveness; and
c) Performed follow-up reviews in assessing the progress of the agreed management's action plans and report to the management and Audit Committee.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The terms of reference of the Audit Committee can be viewed on the Company's website at http://scanwolf.listedcompany.com/misc/TOR_AC.pdf

Statement of Directors' Responsibility for Preparing Financial Statements

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group as at the end of the financial year and of the financial performance and cash flows of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 30 June 2018, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors approved the financial statements for the year ended 30 June 2018 on October 24, 2018.

Additional Compliance Information

1. **Utilisation of Proceeds**
On 7 March 2018, the Company completed the listing of 8,675,300 new ordinary shares to third party investors through private placement. The placement shares were issued at an issue price of RM0.25 per share and total proceeds of RM2,168,825 was received from the said placement.

Below are the status of utilization of proceeds as at 2 October 2018:

Purpose	Proposed Utilisation RM	Actual Utilisation RM	Balance to be Utilised RM	Timeframe Utilisation
Working capital	2,048,825	2,075,825 #	-	Within 6 months from the date of listing of the placement shares
Estimated expenses in relation to the Proposed Private Placement	120,000	93,000 #	-	Within 1 month from the date of listing of the placement shares
Total	**2,168,825**	2,168,825	-	

Note:

Surplus from the expenses in relation to the proposed private placement is adjusted to the amount for working capital accordingly.

2. **Audit and Non-audit Fees Paid to External Auditors**
The amount of audit and non-audit fees incurred for services rendered to the Company and the Group for the financial year ended 30 June 2018 by Deloitte PLT and/or their affiliates are as follows:

	Company (RM)	Group (RM)
Audit services rendered by Deloitte PLT	45,500	113,000
Non-audit services rendered by Deloitte PLT and their affiliates for: - Review of Interim Financial Information of the Group - Review of Statement on Risk Management and Internal Control - Agreed upon procedures on Housing Development accounts - Taxation services	32,600	55,800

3. **Material Contracts Involving Directors, Chief Executive or Major Shareholders' Interest**
There were no material contracts entered into by the Company and its subsidiaries involving the interests of the Directors, chief executive who is not a director or major shareholders, either still subsisting as at 30 June 2018 or entered into since the end of the previous financial year.

4. **Recurrent Related Party Transactions Of A Revenue Or Trading Nature**
There was no recurrent related party transaction of a revenue or trading nature during the financial year ended 30 June 2018.

5. **Employee Share Scheme**
There was no Employee Share Scheme implemented by the Company during the financial year ended 30 June 2018.

Directors' Report

The Directors of **SCANWOLF CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended June 30, 2018.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company is as disclosed in Note 15 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit/(Loss) for the year attributable to owners of the Company	534,566	(2,561,843)

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the impairment loss on investment in a subsidiary company.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors also do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

On March 5, 2018, the issued share capital of the Company was increased from RM46,887,186 to RM49,056,011 by way of issuance of 8,675,300 new ordinary shares amounting to RM2,168,825 pursuant to a private placement exercise. The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

TREASURY SHARES

There was no share repurchased by the Company during the financial year.

As of June 30, 2018, 780,900 out of the total of 96,209,300 issued and paid-up ordinary shares are held as Treasury Shares by the Company.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

DIRECTORS

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Ong Boon Aun @ Jaymes Ong
Dato' Loo Bin Keong
Dato' Tan Sin Keat
Mr. Teoh Teik Kean
Tuan Abdul Hamid bin Abdul Shukor
Dato' Ibrahim bin Saleh
Mr. Ong Sing Guan

The Directors who held office in the subsidiary companies of the Company during the financial year and up to the date of this report are:

Scanwolf Plastic Industries Sdn. Bhd.
Dato' Loo Bin Keong
Dato' Tan Sin Keat
Mr. Tan Yann Kang

Scanwolf Properties Sdn. Bhd.
Dato' Loo Bin Keong
Dato' Lai Kok Heng

Scanwolf Construction Sdn. Bhd.
Dato' Loo Bin Keong
Dato' Lai Kok Heng
Encik Mohd Azizal Bin Shubali

Scanwolf Development Sdn. Bhd.
Dato' Loo Bin Keong
Dato' Lai Kok Heng

DIRECTORS' INTERESTS

The interests in shares in the Company of those who were Directors during or at beginning and end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Number of ordinary shares			
	Balance as of 1.7.2017	Bought	Sold	Balance as of 30.6.2018
Shares in the Company				
Registered in the name of Directors				
Dato' Loo Bin Keong	9,723,121	-	-	9,723,121
Dato' Tan Sin Keat	2,977,781	200,000	-	3,177,781
Mr. Teoh Teik Kean	467,999	-	-	467,999
Tuan Abdul Hamid bin Abdul Shukor	2,519,100	-	-	2,519,100
Indirect interest				
Dato' Loo Bin Keong	30,000	-	-	30,000
Dato' Tan Sin Keat	150,000	-	-	150,000

None of the other Directors in office held shares or had beneficial interest in the shares of the Company or its related corporation during or at the beginning and end of the financial year. Under the Company's Constitution, the Directors are not required to hold any share in the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate of remuneration received or due and receivable by Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and a company in which a Director of the Company and subsidiary company are also Directors and shareholders as disclosed in Note 21 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There was no indemnity given to or insurance effected for any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended June 30, 2018 is as disclosed in Note 10 to the financial statements.

Signed on behalf of the Board, as approved by the Board
in accordance with a resolution of the Directors,

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DATO' LOO BIN KEONG

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DATO' TAN SIN KEAT

Ipoh,
October 24, 2018

Independent Auditors' Report to the Members of Scanwolf Corporation Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **SCANWOLF CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of June 30, 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 119.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of June 30, 2018, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(Forward)

Key audit matters	*Our audit performed and responses thereon*
<u>Recognition of property development project revenue and property development cost</u> The Group recognises property development project revenue and property development costs in profit or loss by using the percentage of completion method. The percentage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs. The revenue recognition on property development project is considered to be a matter of significance as significant judgement and estimates are required to be made in determining the percentage of completion of the property development project and the estimated total property development project revenue and costs. The revenue from property development project recognised in profit or loss and property development projects in the statements of financial position are disclosed in Notes 6 and 19 to the financial statements respectively.	Our audit procedures included, among others: • Understanding relevant key controls and obtained evidence of management reviews and approvals for estimated total property development revenue and costs, and authorisation and recording of actual costs incurred. • Performed retrospective review of management-prepared budgets to ascertain accuracy of property development project revenue and costs. • Examined management-prepared budgets for property development projects and challenged the assumptions used in determining the estimated total property development project costs. • Conducted visits to the sites on dates close to June 30, 2018 to inspect and assess the physical completion status of the on-going projects to arrive at an overall assessment as to whether information provided by management was reasonable.
<u>Impairment review of loss making subsidiary company, Scanwolf Plastic Industries Sdn. Bhd.</u> Scanwolf Plastic Industries Sdn. Bhd. recorded operating losses for the current and prior financial years. Based on management's assessment, there are indications of impairment in relation to property, plant and equipment and investment in subsidiary company due to recurring losses. The assessment of the recoverable amount which is determined based on value-in-use calculation of property, plant and equipment and investment cost requires significant management judgement, as described in Notes 4(b)(i), 4(b)(vii), 14 and 15.	• Obtained an understanding of key controls around the impairment review process. • Challenged the key assumptions include forecast future cash flows, future growth rates and the discount rates applied by management in the impairment working model for property, plant and equipment and investment in subsidiary company with reference to historical performance and our understanding of the future utilisation of assets and the recoverability of the investment cost. • Engaged internal valuation specialists to assess the discount rate applied by benchmarking against independent data and impairment working model. • Evaluated management's assessment of the sensitivity of the impairment working models to reasonably possible changes and considered the disclosures provided by the management in relation to its impairment review.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

(Forward)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

(Forward)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

YEOH SIEW MING
Partner - 02421/05/2019 J
Chartered Accountant

Ipoh,
October 24, 2018

Statements of Profit or Loss and Other Comprehensive Income

for the year ended June 30, 2018

		The Group		The Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	6	**62,465,753**	62,386,416	**420,000**	-
Investment revenue	7	**221,822**	51,828	**-**	-
Other gains and (losses)	8	**(385,957)**	107,102	**-**	-
Other operating income	10	**490,108**	383,085	**8,668**	-
Changes in inventories of finished goods, work-in-progress and completed development units held for sale		**689,814**	(2,164,676)	**-**	-
Raw materials and consumables used		**(22,471,990)**	(18,813,679)	**-**	-
Purchase of trading goods		**(2,551,250)**	(2,124,409)	**-**	-
Disposal of land held for property development		**-**	(1,670,779)	**-**	-
Property development costs recognised	19	**(10,555,276)**	(14,171,921)	**-**	-
Directors' remuneration	9	**(2,325,562)**	(2,151,612)	**(1,308,544)**	(1,187,008)
Employee benefit expenses	10	**(9,692,614)**	(8,391,042)	**(237,650)**	-
Depreciation of property, plant and equipment	14	**(1,590,499)**	(2,476,799)	**-**	-
Impairment loss on investment in a subsidiary company	15	**-**	-	**(1,082,299)**	-
Finance costs	11	**(1,322,056)**	(1,283,128)	**-**	-
Share of losses of an associated company	16	**(606,574)**	(136,556)	**-**	-
Other operating expenses	10	**(10,784,627)**	(10,877,090)	**(362,018)**	(271,835)
Profit/(Loss) before tax		**1,581,092**	(1,333,260)	**(2,561,843)**	(1,458,843)
Tax expenses	12	**(1,046,526)**	(771,131)	**-**	-
PROFIT/(LOSS) FOR THE YEAR		**534,566**	(2,104,391)	**(2,561,843)**	(1,458,843)
Other comprehensive income:					
Item that will not be reclassified subsequently to profit or loss:					
Gain arising from revaluation of properties, net of tax		**-**	1,697,353	**-**	-
Total comprehensive profit/(loss) for the year attributable to owners of the Company		**534,566**	(407,038)	**(2,561,843)**	(1,458,843)
Profit/(Loss) per share:					
Basic and diluted	13	**0.60 sen**	(2.43 sen)		

The accompanying Notes form an integral part of the financial statements.

Statements of Financial Position

as at June 30, 2018

		The Group		The Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	**28,624,663**	26,301,683	**-**	-
Investment in subsidiary companies	15	**-**	-	**20,841,777**	21,924,076
Investment in an associated company	16	**129,370**	212,444	**-**	-
Amount owing by an associated company	21	**4,612,521**	3,095,614	**-**	-
Land held for property development	17	**10,149,129**	10,111,119	**-**	-
Total non-current assets		**43,515,683**	39,720,860	**20,841,777**	21,924,076
Current assets					
Inventories	18	**17,784,125**	15,591,774	**-**	-
Property development projects	19	**37,187,383**	31,513,939	**-**	-
Trade and other receivables	20	**11,468,919**	19,308,203	**14,155**	19,854
Amount owing by subsidiary companies	21	**-**	-	**22,215,940**	21,382,591
Amount owing by an associated company	21	**457,816**	-	**8,424**	-
Current tax assets	12	**96,217**	179,031	**-**	28,710
Fixed deposits, cash and bank balances	22	**1,528,713**	3,035,578	**5,606**	10,420
Total current assets		**68,523,173**	69,628,525	**22,244,125**	21,441,575
Total assets		**112,038,856**	109,349,385	**43,085,902**	43,365,651
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	23(a)	**49,056,011**	46,887,186	**49,056,011**	46,887,186
Treasury shares	23(b)	**(307,138)**	(307,138)	**(307,138)**	(307,138)
Reserves	24	**(5,465,201)**	(5,999,767)	**(6,095,414)**	(3,533,571)
Total equity		**43,283,672**	40,580,281	**42,653,459**	43,046,477

Statements of Financial Position

as at June 30, 2018 (Cont'd)

		The Group		The Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Non-current liabilities					
Trade and other payables	25	**1,287,523**	1,536,202	**-**	-
Hire-purchase payables	26	**947,511**	1,063,883	**-**	-
Borrowings	27	**10,721,278**	14,796,862	**-**	-
Deferred tax liabilities	28	**1,128,173**	1,139,976	**-**	-
Total non-current liabilities		**14,084,485**	18,536,923	**-**	-
Current liabilities					
Trade and other payables	25	**39,653,921**	28,843,003	**432,443**	319,174
Hire-purchase payables	26	**391,845**	354,719	**-**	-
Borrowings	27	**13,074,883**	12,685,343	**-**	-
Progress billings	29	**598,986**	7,284,620	**-**	-
Current tax liabilities	12	**951,064**	1,064,496	**-**	-
Total current liabilities		**54,670,699**	50,232,181	**432,443**	319,174
Total liabilities		**68,755,184**	68,769,104	**432,443**	319,174
Total equity and liabilities		**112,038,856**	109,349,385	**43,085,902**	43,365,651

The accompanying Notes form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended June 30, 2018

		Attributable to Owners of the Company						
				Non-distributable Reserves			Distributable	
The Group	Note	Share Capital RM	Treasury Shares RM	Reverse Acquisition Reserve RM	Share Premium RM	Property Revaluation Reserve RM	Reserve Retained Earnings RM	Net Equity RM
Balance as of July 1, 2016		43,767,000	(307,138)	(19,524,076)	3,120,186	3,020,072	10,911,275	40,987,319
Loss for the year		-	-	-	-	-	(2,104,391)	(2,104,391)
Other comprehensive income for the year	24(b)	-	-	-	-	1,697,353	-	1,697,353
Total comprehensive income/(loss) for the year		-	-	-	-	1,697,353	(2,104,391)	(407,038)
Transfer arising from "no par value" regime	23(a)	3,120,186	-	-	(3,120,186)	-	-	-
Balance as of June 30, 2017		46,887,186	(307,138)	(19,524,076)	-	4,717,425	8,806,884	40,580,281
Profit and total comprehensive income for the year		-	-	-	-	-	534,566	534,566
Issuance of shares	23(a)	2,168,825	-	-	-	-	-	2,168,825
Balance as of June 30, 2018		**49,056,011**	**(307,138)**	**(19,524,076)**	**-**	**4,717,425**	**9,341,450**	**43,283,672**

The accompanying Notes form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended June 30, 2018 (Cont'd)

			Non-distributable			
The Company	**Note**	**Share Capital RM**	**Treasury Shares RM**	**Reserve Share Premium RM**	**Accumulated Losses RM**	**Net Equity RM**
Balance as of July 1, 2016		43,767,000	(307,138)	3,120,186	(2,074,728)	44,505,320
Loss and total other comprehensive loss for the year		-	-	-	(1,458,843)	(1,458,843)
Transfer arising from "no par value" regime	23(a)	3,120,186	-	(3,120,186)	-	-
Balance as of June 30, 2017		46,887,186	(307,138)	-	(3,533,571)	43,046,477
Loss and total other comprehensive loss for the year		-	-	-	(2,561,843)	(2,561,843)
Issuance of shares	23(a)	2,168,825	-	-	-	2,168,825
Balance as of June 30, 2018		**49,056,011**	**(307,138)**	**-**	**(6,095,414)**	**42,653,459**

The accompanying Notes form an integral part of the financial statements.

Statement of Cash Flows

for the year ended June 30, 2018

		The Group	
		2018	2017
	Note (s)	RM	RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit/(Loss) for the year		**534,566**	(2,104,391)
Adjustments for:			
Depreciation of property, plant and equipment		**1,590,499**	2,476,799
Finance costs		**1,171,231**	1,129,660
Tax expenses recognised in profit or loss		**1,046,526**	771,131
Share of losses of an associated company		**606,574**	136,556
Inventories written down		**406,488**	-
Unrealised loss on foreign exchange		**355,066**	100,693
Provision for liquidated and ascertained damages		**319,625**	102,362
Bad debts written off		**220,534**	-
Changes in fair value on amount owing by an associated company		**80,455**	-
Impairment loss recognised on receivables		**24,649**	739,600
Investment revenue		**(221,822)**	(51,828)
Interest income		**(55,286)**	(245,079)
Property, plant and equipment written off		**-**	1,271,977
Gain on revaluation of properties		**-**	(376,917)
Reversal of inventories written down		**-**	(295,684)
Gain on disposal of property, plant and equipment		**-**	(49,000)
Impairment loss recognised on receivables no longer required		**-**	(43,012)
		6,079,105	3,562,867
Movements in working capital:			
(Increase)/Decrease in:			
Land held for property development		**(38,010)**	1,670,779
Inventories		**(2,598,839)**	285,052
Property development projects		**(5,673,444)**	(11,665,770)
Trade and other receivables		**7,266,251**	(1,511,859)
Increase/(Decrease) in:			
Trade and other payables		**9,427,319**	3,982,709
Progress billings		**(6,685,634)**	1,244,530
Cash Generated From/(Used In) Operations		**7,776,748**	(2,431,692)
Income tax refunded		**414,074**	-
Interest income on current account received		**51,784**	242,099
Interest income on Housing Development Account received		**3,502**	2,980
Income tax paid		**(1,503,021)**	(877,039)
Net Cash From/(Used In) Operating Activities		**6,743,087**	(3,063,652)

(Forward)

Statement of Cash Flows

for the year ended June 30, 2018 (Cont'd)

		The Group	
		2018	**2017**
	Note(s)	**RM**	**RM**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest on fixed and short-term deposits received		**29,961**	28,788
Purchase of property, plant and equipment	31(a)	**(2,602,019)**	(6,250,524)
Advances granted to an associated company		**(2,386,817)**	(3,072,574)
Placement of fixed deposits		**(29,961)**	(1,580)
Proceeds from disposal of property, plant and equipment		**-**	1,050,000
Investment in an associated company		**-**	(349,000)
Addition to land held for property development		**-**	(58,820)
Net Cash Used In Investing Activities		**(4,988,836)**	(8,653,710)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from bank overdrafts	31(b)	**2,722,593**	836,090
Proceeds from issuance of shares	23(a)	**2,168,825**	-
Proceeds from term loans	31(b)	**1,000,000**	4,215,000
(Repayment of)/Proceeds from bridging loans	31(b)	**(6,556,917)**	16,002,900
Finance costs paid		**(1,171,231)**	(1,022,985)
Repayment of term loans	31(b)	**(475,720)**	(5,612,633)
Net repayment of bankers' acceptances	31(b)	**(376,000)**	(1,189,722)
Repayment of hire-purchase payables	31(b)	**(359,246)**	(375,248)
Repayment to joint venture partner - net	25, 31(b)	**(233,458)**	(210,169)
Repayment to a Director		**-**	(255,000)
Net Cash (Used In)/From Financing Activities		**(3,281,154)**	12,388,233
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,526,903)**	670,871
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,058,488**	1,357,061
Effect of changes in exchange rate on foreign currency translation		**(9,923)**	30,556
CASH AND CASH EQUIVALENTS AT END OF YEAR	31(c)	**521,662**	2,058,488

The accompanying Notes form an integral part of the financial statements.

Statement of Cash Flows

for the year ended June 30, 2018 (Cont'd)

	Note	The Company 2018 RM	The Company 2017 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Loss for the year		**(2,561,843)**	(1,458,843)
Adjustment for impairment loss on investment in a subsidiary company		**1,082,299**	-
		(1,479,544)	(1,458,843)
Movements in working capital:			
Decrease/(Increase) in trade and other receivables		**5,699**	(4,448)
Increase in trade and other payables		**113,269**	34,598
Cash Used in Operations		**(1,360,576)**	(1,428,693)
Income tax refunded		**28,710**	-
Income tax paid		**-**	(9,520)
Net Cash Used in Operating Activities		**(1,331,866)**	(1,438,213)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
(Advances granted to)/Repayment from subsidiary companies		**(833,349)**	1,418,036
Advances granted to an associated company		**(8,424)**	-
Net Cash (Used In)/From Investing Activities		**(841,773)**	1,418,036
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from issuance of shares		**2,168,825**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(4,814)**	(20,177)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**10,420**	30,597
CASH AND CASH EQUIVALENTS AT END OF YEAR	31(c)	**5,606**	10,420

Notes to the Financial Statements

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally an investment holding company.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company is as disclosed in Note 15.

The registered office of the Company is located at 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

The principal place of business of the Company is located at No. 19, 19A, 19B & 19C, Jalan Pusat Perniagaan Falim 5, Pusat Perniagaan Falim, 30200 Ipoh, Perak Darul Ridzuan.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM").

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on October 24, 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the provisions of the Companies Act, 2016 in Malaysia.

Adoption of New and Revised Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the amendments to FRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after July 1, 2017.

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRSs	Annual Improvements to FRSs 2014-2016 Cycle

The adoption of these amendments to FRSs did not result in significant changes in the accounting policies of the Group and of the Company and have no significant effect on the financial performance or position of the Group and of the Company.

2.1 Adoption of the Malaysian Financial Reporting Standards

On November 19, 2011, MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework"), a fully International Financial Reporting Standards ("IFRS") compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after January 1, 2012, with the exception of Transitioning Entities ("TEs").

TEs, being entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15: *Agreements for the Construction of Real Estate*, including its parents, significant investors and venturers were allowed to defer the adoption of the MFRS Framework until such time as mandated by the MASB. On October 28, 2015, with the issuance of MFRS 15 *Revenue from Contracts with Customers* and Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*, the MASB announced that TEs which have chosen to continue with the FRS Framework is now required to adopt the MFRS Framework for the periods beginning on or after January 1, 2018.

The Group and the Company being TEs have availed themselves of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group and the Company will be required to apply MFRS 1 *First-time adoption of Malaysian Financial Reporting Standards* in the financial statements for the financial year ending June 30, 2019, being the first set of financial statements prepared in accordance with the new MFRS Framework. Further, an explicit and unreserved statement of compliance with IFRSs will be made in these financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

2.2 Standards in issue but not yet effective

The Group and the Company have not elected for early adoption of the relevant new and amendments to MFRSs which have been issued but not yet effective until future periods at the date of authorisation for issue of these financial statements. The Directors anticipate that the adoption of these Standards when they become effective will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as discussed below:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)[1]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications)[1]
MFRS 16	Leases[2]
MFRS 17	Insurance Contracts[3]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts[1]
Amendments to MFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement[2]
Amendments to MFRS 128	Long-term Interest in Associates and Joint Ventures[2]
Amendments to MFRS 140	Transfers of Investment Property[1]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
IC Interpretation 23	Uncertainty over Income Tax Treatments[2]
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle[1]
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle[2]

[1] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

[3] Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

[4] Effective date deferred to a date to be determined and announced, with earlier application still permitted.

MFRS 9 *Financial Instruments*

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) include requirements for the classification and measurement of financial liabilities and for derecognition, and in February 2014, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

(Forward)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

2.2 Standards in issue but not yet effective *(Cont'd)*

MFRS 9 *Financial Instruments (Cont'd)*

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Group and of the Company have done an impact assessment on the amounts reported in respect of the Group's and of the Company's financial assets and financial liabilities upon application of MFRS 9 as follows:

(a) Classification of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVTOCI"); and
- Fair Value though Profit or Loss ("FVTPL").

The standard eliminated the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

(Forward)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

2.2 Standards in issue but not yet effective *(Cont'd)*

MFRS 9 *Financial Instruments (Cont'd)*

The Directors of the Group and of the Company have done an impact assessment on the amounts reported in respect of the Group's and of the Company's financial assets and financial liabilities upon application of MFRS 9 as follows: (Cont'd)

(a) Classification of financial assets (Cont'd)

Based on its assessment, the financial assets held by the Group and the Company as of June 30, 2018 will be reclassified to the following classifications:

	The Group RM	The Company RM	Existing classification under FRS 139	New classification under MFRS 9
Financial assets				
Amount owing by an associated company	5,070,337	8,424	L&R	AC
Trade and other receivables	8,984,425	4,000	L&R	AC
Amount owing by subsidiary company	-	22,215,940	L&R	AC
Fixed deposits, cash and bank balances	1,528,713	5,606	L&R	AC
	15,583,475	22,233,970		

(b) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in FRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a profitability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVTOCI, except for investment in equity instruments.

The Group has estimated that the application of MFRS 9's impairment requirements as of July 1, 2018 will not have a material impact on the amounts reported and disclosures made in the financial statements.

MFRS 9 largely retains the existing requirements in FRS 139 for the classification of financial liabilities.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities as of July 1, 2018.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Subsequently, amendments to MFRS 15 were issued in June 2016 which provide clarification on certain requirements of MFRS 15 and provide additional transitional relief upon implementing MFRS 15. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

2.2 Standards in issue but not yet effective *(Cont'd)*

MFRS 15 *Revenue from Contracts with Customers (Cont'd)*

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The Group and the Company will elect for the modified retrospective approach upon adoption of MFRS 15 with all financial impact, if any, adjusted at the transition date, July 1, 2018. The Directors of the Group and of the Company have assessed and have determined that the application of MFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in these financial statements except for revenue from property development project. For revenue from manufacturing and trading sales, the Group's revenue is derived from a single performance obligation which is sale of products. The recognition of sale is assessed to be similar to those currently adopted under MFRS 118. It is also not expected to have a material impact to the revenue currently recognised by the Group. Although MFRS 15 requires the Group to adjust the transaction price of its product with variable considerations such as discounts and rebates as the Group currently recognises such discounts and rebates as a reduction in sales. For revenue from property development project, MFRS 15 requires the Group to adjust the variable consideration inclusive discount or rebate, free fit-out such as kitchen cabinet and other package, "free" legal fee and liquidated damages for late delivery where these have been identified as distinct obligation. These costs will be eligible for capitalisation and recognised as contract cost assets. The contract cost assets will be amortised based on systematic basis that is consistent with the transfer to the customer of the goods and service to which the asset relates.

MFRS 16 *Leases*

MFRS 16 specifies how an MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The Directors of the Group and of the Company anticipate that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company perform a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 2, leasing transactions that are within the scope of FRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 102 or value in use in FRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Subsidiary Companies and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiary companies controlled by the Company. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassessed whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

(Forward)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Subsidiary Companies and Basis of Consolidation (Cont'd)

Financial statements of Scanwolf Plastic Industries Sdn. Bhd.'s Group ("SPI Group") are consolidated with those of the Company using the reverse acquisition method of accounting. FRS 3 requires that the consolidated financial statements to be issued under the name of the legal parent company, though they are a continuation of the financial statements of the legal subsidiary company. In order to comply with FRS 3, the following have been reflected in the consolidated financial statements:

(i) the assets and liabilities of the Company and SPI Group have been recognised at their book values immediately prior to the reverse acquisition;

(ii) the retained earnings and other equity balances recognised in the consolidated financial statements are those of SPI Group immediately before the business combination;

(iii) the amount recognised as issued equity instruments in the consolidated financial statements is the sum of:
  a) the issued and paid-up share capital of SPI immediately before the reverse acquisition; and
  b) the cost of achieving the combination;

(iv) the equity structure appearing in these consolidated financial statements after the reverse acquisition reflects the equity structure of the Company.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Company and to the non-controlling interests. Total comprehensive income of subsidiary companies is attributed to the owner of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are eliminated on consolidation unless cost cannot be recovered.

Changes in the Group's ownership interest in existing subsidiary companies

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary company, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary company are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business Combination

The acquisitions of other subsidiary companies are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Associated Company

An associated company is a non-subsidiary in which the Group hold not less than 20% of the equity voting rights as long-term investment and in which the Group is in a position to exercise significant influence in its management.

The investments in associated company of the Group for the financial year ended June 30, 2018 are accounted for under the equity method of accounting and appropriate adjustments have been made for the effects of significant transactions made up until June 30, 2018. Under this method of accounting, the interest in the post-acquisition profits and reserves of the associates of the Group is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated statement of financial position.

Unrealised profits and losses arising on transactions between the Group and its associated company are eliminated to the extent of the equity interest of the Group in the associated company except where unrealised losses provide evidence of an impairment of the asset transferred.

Segment Reporting

For management purposes, the Group is organised into operating segments that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that related to transactions with any of the Group's other components. The Group's reporting segments were identified based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's reportable segments are strategic business operations that are managed separately based on the Group's management and internal reporting structure.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable net of sales tax/goods and services tax, trade discounts and customer returns.

Sale of goods

Revenue from sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the customer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time apportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

Income from management fee

Income from management services rendered is recognised as and when the services are provided.

(Forward)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

Property development projects

Revenue and cost of property development projects are recognised in profit or loss using the percentage of completion method in respect of sales where agreement has been finalised by the end of the reporting period. The percentage of completion is determined based on the proportion that property development costs incurred for work performed to-date bear to the estimated total property development costs.

Employee Benefits

Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plan

The Group and the Company are required by law to make monthly contributions to the Employees' Provident Fund ("EPF"), a statutory defined contribution plan, for all their eligible employees based on certain prescribed rates of the employees' salaries. The Group's and the Company's contributions to the EPF are recognised as an expense when employees have rendered service entitling them to the contributions and are disclosed separately. The employees' contributions to EPF are included in salaries and wages. Once the contributions have been paid, the Group and the Company have no further payment obligations.

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company, and also the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Group and of the Company, transactions in currencies other than the functional currency are initially recorded in Ringgit Malaysia at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gains and losses are recognised in the other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in the other comprehensive income.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which require a substantial period of time to get them ready for their intended use, are capitalised and included as part of the cost of the related assets. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(Forward)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

Finance lease

Assets held under finance leases are initially recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group general policy on borrowing costs.

Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The tax effects of unutilised reinvestment allowance are only recognised upon actual realisation.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or to settle the carrying amount of its assets and liabilities.

(Forward)

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Taxation (Cont'd)

Deferred tax (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the consolidated profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares.

Diluted EPS is determined by adjusting the consolidated profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for treasury shares held and the effects of all dilutive potential ordinary shares.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any.

The Directors are unable to segregate the cost of the long-term leasehold land, which has a remaining lease period of 79 years from the date of acquisition, from the cost of long-term leasehold land and factory building. As such, the long-term leasehold land and factory building are amortised based on depreciation rate of 2% per annum. The Directors do not consider the impact on the financial statements to be material.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statements of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued land and buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

(Forward)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, Plant and Equipment (Cont'd)

Depreciation is recognised so as to write off the cost or valuation of assets, less their residual values over their estimated useful lives, using the straight-line method on the following bases:

Factory buildings	2%
Office buildings	2%
Plant and machinery	10%
Moulds	20%
Motor vehicles	20%
Office equipment	10%
Computers	20%
Furniture, fixtures and fittings	8% to 20%
Tools and equipment	10%
Electrical installation	10%
Air-conditioners	10%
Signboard	10%
Renovation	10%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under hire-purchase arrangements are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Property, Plant and Equipment Under Hire-Purchase Arrangements

Assets acquired under hire-purchase arrangements which transfer substantially all of the risks and rewards incident to ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding hire-purchase obligations are recorded at their fair values or, if lower, at the present value of the minimum hire-purchase payments of the assets at the inception of the respective arrangements.

Finance costs, which represent the difference between the total hire-purchase commitments and the fair values of the assets acquired, are charged to profit or loss over the term of the relevant hire-purchase period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Prepaid Lease Payments

Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease period is treated as an operating lease. The payment made on entering into or acquiring a leasehold interest is accounted for as prepaid lease payments at the end of the reporting period. In the case of a lease of land and buildings, the prepaid lease payments are allocated whenever necessary, between the land element and building element of the lease at the inception of the lease in proportion to their relative fair value.

Prepaid lease payments on leasehold land are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Leasehold land is amortised evenly over the remaining lease period ranging from 44 to 86 years.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Land Held for Property Development

Land held for future development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less impairment losses, if any.

Land held for future development will be reclassified to property development project when significant development work has been undertaken and is expected to be completed within the normal operating cycle of two to three years.

Property Development Projects

Property development projects consist of the cost of land, direct building costs and related development expenditure incurred less cost recognised in profit or loss and allowances for foreseeable loss (if any).

Property development revenue is recognised for all units sold, using the percentage of completion method, based on the proportion that property development costs incurred bear to the estimated total costs for the property development, in respect of sales where agreements have been finalised by the end of the financial year.

When the outcome of a property development activity cannot be estimated reliably, property development revenue is recognised to the extent of property development costs incurred that is probable of recovery.

Any anticipated loss on a property development project (including costs to be incurred over the defects liability period), is recognised as an expense immediately.

Costs incurred on development activities that are not expected to be completed within the normal operating cycle are classified within non-current assets and are stated at cost less impairment loss, if any. Such development will be reclassified to current property development projects when significant development work has been undertaken and is expected to be completed within the normal operating cycle of two to three years.

Accrued billings represent the excess of property development revenue recognised in profit or loss over the billings to purchasers while progress billings represent the excess of billings to purchasers over property development revenue recognised in profit or loss.

Allowance for foreseeable loss (if any) is made based on losses estimated to arise upon the completion of the property development project which are already in progress.

Investments

Investment in subsidiary company, which is eliminated on consolidation, and investment in associated company, are stated in the Company's separate financial statements at cost less accumulated impairment losses, if any.

Goodwill

Goodwill acquired in a business combination is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill arising on consolidation represents the excess of cost of business combination over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities recognised of the acquiree at the date of the combination.

Goodwill is not amortised. Instead, it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in consolidated profit or loss and any impairment loss recognised for goodwill is not subsequently reversed.

(Forward)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill (Cont'd)

On disposal of an entity or operation, the goodwill associated with the entity or operation disposed of is included in the carrying amount of the entity or operation when determining the gain or loss on disposal.

Impairment of Assets Excluding Goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of their assets (other than inventories, property development projects and financial assets which are dealt with in their respective policies) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case, the impairment loss is treated as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but the increased carrying amount would not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the "First-in, First-out" method. The cost of raw materials, packing materials and spare parts comprise the original purchase price plus cost incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprise the cost of raw materials, direct labour and an appropriate proportion of production overheads. Properties held for resale are stated at the lower of cost and net realisable value. Costs of completed unit is determined on the specific identification method and includes cost of land, construction and appropriate development overheads.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of past event and it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when, and only when the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income and expense is recognised on an effective interest basis for debt instruments other than those financial assets or financial liabilities classified as at FVTPL.

(a) Financial assets

Financial assets of the Group and of the Company are classified into 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(Forward)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment of financial assets (Cont'd)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(b) Financial liabilities and equity instruments

(i) Classification as debt or equity

Financial liabilities and debt, and equity instruments issued by the Group and the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definition of a financial liability and an equity instrument.

(Forward)

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

(b) Financial liabilities and equity instruments (Cont'd)

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised as treasury shares at the cost of repurchase, including directly attributable costs, and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iii) Financial liabilities

Financial liabilities of the Group and of the Company, including borrowings, are classified into "other financial liabilities" category, and are initially measured at fair value, net of transaction costs.

(iv) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(v) Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(vi) Financial guarantee contracts

The Group has issued corporate guarantee to banks for borrowings of its subsidiary companies. These guarantees are financial guarantees as they require the Group to reimburse the banks if the subsidiary companies fail to make principal or interest payments when due in accordance with the terms of their borrowings. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liabilities are initially recognised at their fair values plus transaction costs and subsequently at the higher of the amount determined in accordance with FRS 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate, in the Group's statements of financial position.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiary companies are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiary companies.

Financial guarantees are subsequently amortised to the statements of profit or loss and other comprehensive income over the period of the subsidiary companies' borrowings, unless it is probable that the Group will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Group's statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise cash and bank balances, demand deposits which are not pledged, and highly liquid investments which are short-term, readily convertible to known amount of cash, and are subject to an insignificant risks of changes in value, against which bank overdraft, if any, is deducted.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

(a) Critical judgement made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, the Directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements other than those exercised in the property development projects.

In the application of the Group's and of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Property development projects

The Group recognises property development revenue and costs in profit or loss by using the stage of percentage-of-completion method, which is the standard in the industry.

The stage of completion is determined by the proportion that property development costs incurred bear to the estimated total costs for the property development projects. Estimated losses are recognised in full when determined. Property development projects and expenses estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the stage of completion, the estimated total property development revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Group evaluates by relying on the work of specialists. If the Group is unable to make reasonably dependable estimates, the Group would not recognise any profit before a project is completed, but would recognise a loss as soon as the loss becomes evident.

Adjustments based on the percentage-of-completion method are reflected in property development revenue and costs in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported property development revenue and costs, the Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

(Forward)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (Cont'd)

(b) Key sources of estimation uncertainties

The following are key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(i) Impairment of Property, Plant and Equipment

The carrying amounts of property, plant and equipment of the Group as of June 30, 2018 was RM28,624,663 (2017: RM26,301,683).

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. These calculations use pre-tax cash flow projections based on one year financial budget and a financial forecast covering subsequent four years period. Projected future cash flows are based on the Group's estimate, calculated based on historical, general market and economic conditions, changes in technology and other available information. Management of the Group has carried out an impairment review on its property, plant and equipment and concluded that there is no impairment loss on the Group's property, plant and equipment.

(ii) Estimated Useful Lives of Property, Plant and Equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(iii) Recoverability of Receivables

The carrying amounts of third-party trade and other receivables of the Group as of June 30, 2018 were RM8,583,351 (2017: RM16,819,029).

An allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of transactions. This is determined based on the ageing profile and collection patterns. Where the expectation is different from the original estimate, such difference will impact the carrying values of the trade and other receivables and doubtful receivables expenses in the period in which such estimate has been changed.

(iv) Inventories Valuation

The carrying amount of inventories of the Group as of June 30, 2018 amounted to RM17,784,125 (2017: RM15,591,774).

The Group writes down the carrying amounts of inventories based on an assessment of the recoverability of the inventories through sales and recycling for alternatives uses. Net realisable value is applied to inventories where events or changes in circumstances indicate that the costs may not be recoverable

The determination of net realisable value requires use of judgement and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and inventories written down expense in the period in which such estimate has been changed.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (Cont'd)

(b) Key sources of estimation uncertainties (Cont'd)

(v) Deferred Tax Assets

Deferred tax assets are recognised to the extent that it is possible that future taxable profit will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. The details of recorded deferred tax assets are disclosed in Note 28.

(vi) Property Development Projects

The carrying amount of property development projects of the Group as of June 30, 2018 amounted to RM37,187,383 (2017: RM31,513,939).

Management is required to estimate the profitability of each property development projects by formulating reasonable assumptions and estimates of each project's budgeted costs and revenue. The assumptions and estimates are reviewed annually or when circumstances on which the original assumptions and estimates were based on have changed.

(vii) Impairment of Investments in Subsidiary Companies

The carrying amount of investment in subsidiary companies of the Company as of June 30, 2018 was RM20,841,777 (2017: RM21,924,076).

The Company holds unquoted shares in subsidiary companies that are not traded in an active market. Management of the Company has performed an impairment review of the investment in subsidiary company with indication of impairment. The Company used pre-tax cash flow projections based on one-year financial budget and a financial forecast covering the subsequent four years period. Impairment loss of RM1,082,299 has been recognised by the Company as the computed recoverable amount is lower than the carrying amount as of June 30, 2018.

5. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segment. The segment reporting is presented based on the Group's management and internal reporting structure.

Information reported to chief operating decision maker and senior management for the purpose of resource allocation and assessment of performance focused on operations of the Group organised into manufacturing and property development divisions.

The Group is organised into the following operating divisions:

- manufacturing (includes design and manufacture of plastic extrusions, PVC compounding, processing of PVC coils and trading of industrial consumables)
- property development
- others (includes investment holding)

Unallocated corporate assets and liabilities include items that cannot be reasonably allocated to individual segment.

(Forward)

5. SEGMENT REPORTING (Cont'd)

The Group 2018	Manufacturing RM	Property Development RM	Others RM	Eliminations RM	Consolidated RM
Revenue					
External sales	37,094,782	25,370,971	-	-	62,465,753
Inter-segment sales	-	1,435,918	420,000	(1,855,918)	-
	37,094,782	26,806,889	420,000	(1,855,918)	62,465,753
Results					
Segment results	(3,152,266)	5,994,776	(2,561,843)	3,007,233	3,287,900
Investment revenue	191,861	29,961	-	-	221,822
Finance costs	(947,043)	(559,579)	-	184,566	(1,322,056)
Share of losses of an associated company	(606,574)	-	-	-	(606,574)
(Loss)/Profit before tax	(4,514,022)	5,465,158	(2,561,843)	3,191,799	1,581,092
Tax expenses					(1,046,526)
Profit for the year					534,566
Other information					
Capital expenditure:					
Property, plant and equipment	3,911,639	1,840	-	-	3,913,479
Land held for property development	-	38,010	-	-	38,010
Depreciation of property, plant and equipment	1,479,671	125,144	-	(14,316)	1,590,499
Impairment loss on investment in a subsidiary company	-	-	1,082,299	(1,082,299)	-
Impairment loss recognised on receivables	24,649	-	-	-	24,649
Inventories written down	391,898	14,590	-	-	406,488
Consolidated Statement of Financial Position					
Assets					
Segment assets	48,509,679	63,503,995	25,185	-	112,038,856
Consolidated total assets					112,038,856
Liabilities					
Segment liabilities	24,739,792	43,585,949	429,443	-	68,755,184
Consolidated total liabilities					68,755,184

5. SEGMENT REPORTING (Cont'd)

The Group 2017	Manufacturing RM	Property Development RM	Others RM	Eliminations RM	Consolidated RM
Revenue					
External sales	37,644,544	24,741,872	-	-	62,386,416
Inter-segment sales	-	-	-	-	-
	37,644,544	24,741,872	-	-	62,386,416
Results					
Segment results	(3,534,771)	5,658,113	(1,458,843)	(629,903)	34,596
Investment revenue	23,040	28,788	-	-	51,828
Finance costs	(702,668)	(784,479)	-	204,019	(1,283,128)
Share of losses of an associated company	(136,556)	-	-	-	(136,556)
(Loss)/Profit before tax	(4,350,955)	4,902,422	(1,458,843)	(425,884)	(1,333,260)
Tax expenses					(771,131)
Loss for the year					(2,104,391)
Other information					
Capital expenditure:					
Property, plant and equipment	7,117,060	627,940	-	-	7,745,000
Land held for property development	-	58,820	-	-	58,820
Disposal of land held for property development	-	1,670,779	-	-	1,670,779
Depreciation of property, plant and equipment	2,388,495	120,128	-	(31,824)	2,476,799
Property, plant and equipment written off	1,271,977	-	-	-	1,271,977
Impairment loss recognised on receivables	739,600	-	-	-	739,600
Reversal of inventories written down	326,642	(30,958)	-	-	295,684
Consolidated Statement of Financial Position					
Assets					
Segment assets	44,476,615	64,816,786	55,984	-	109,349,385
Consolidated total assets					109,349,385
Liabilities					
Segment liabilities	18,041,355	50,411,575	316,174	-	68,769,104
Consolidated total liabilities					68,769,104

5. SEGMENT REPORTING (Cont'd)

The analysis of the Group's segment revenue from external customers by geographical area based on the region in which the customer is located is as follows:

	The Group	
	2018	**2017**
	RM	**RM**
Asia	**8,954,474**	9,508,884
Oceania	**2,711,021**	3,354,148
Middle East	**1,281,193**	1,435,001
Africa	**263,051**	198,891
Others	**253,029**	115,077
Total export	**13,462,768**	14,612,001
Malaysia	**49,002,985**	47,774,415
Total revenue	**62,465,753**	62,386,416

There is no single customer that contributed 10% or more to the Group's revenue for both 2018 and 2017.

Information on the carrying amounts of segment assets by geographical market and cost to acquire property, plant and equipment by location of assets have not been provided as the Group operates principally in Malaysia.

6. REVENUE

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Manufacturing sales	**33,496,588**	35,176,351	**-**	-
Property development project	**24,068,571**	22,444,242	**-**	-
Trading sales	**3,598,194**	2,468,193	**-**	-
Sale of completed development units	**1,302,400**	677,200	**-**	-
Sale of land held for property, development	**-**	1,620,430	**-**	-
Management fees received from subsidiary companies (Note 21)	**-**	-	**420,000**	-
	62,465,753	62,386,416	**420,000**	-

7. INVESTMENT REVENUE

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Investment revenue earned on loans and receivables (including cash and cash equivalents):				
Interest income from:				
Advances granted to an associated company (Note 21)	**191,861**	23,040	**-**	-
Fixed and short-term deposits	**29,961**	28,788	**-**	-
	221,822	51,828	**-**	-

8. OTHER GAINS AND (LOSSES)

	The Group	
	2018	2017
	RM	RM
Realised gain/(loss) on foreign exchange	**49,564**	(218,122)
Unrealised loss on foreign exchange	**(355,066)**	(100,693)
Changes in fair value on amount owing by an associated company	**(80,455)**	-
Gain on revaluation of properties	**-**	376,917
Gain on disposal of property, plant and equipment	**-**	49,000
	(385,957)	107,102

9. DIRECTORS' REMUNERATION

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Executive Directors:				
Fees	**92,000**	92,000	**92,000**	92,000
Salaries, bonuses and allowances	**1,298,176**	1,163,340	**880,676**	787,320
EPF contributions	**205,216**	182,976	**138,368**	122,688
	1,595,392	1,438,316	**1,111,044**	1,002,008
Non-executive Directors:				
Fees:				
Current year	**149,000**	149,000	**149,000**	149,000
Prior year	**20,000**	-	**20,000**	-
Allowances	**28,500**	36,000	**28,500**	36,000
	197,500	185,000	**197,500**	185,000
Directors of subsidiary company:				
Salaries, bonuses and allowances	**464,870**	461,000	-	-
EPF contributions	**67,800**	67,296	-	-
	532,670	528,296	-	-
	2,325,562	2,151,612	**1,308,544**	1,187,008

10. OTHER OPERATING INCOME/(EXPENSES) AND EMPLOYEE BENEFIT EXPENSES

Included in other operating income/(expenses) and employee benefit expenses are the following:

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Rental of premises received/ receivable (Note 21)	**305,100**	-	**8,100**	-
Interests on:				
Current account	**51,784**	242,099	-	-
Housing Development Accounts	**3,502**	2,980	-	-
Rental of motor vehicle received (Note 21)	**3,000**	-	-	-
Utilities charges paid/payable	**(2,258,138)**	(2,291,333)	-	-
Sales agent commission paid/payable	**(687,865)**	(563,988)	-	-
Freight charges paid/payable	**(412,001)**	(428,899)	-	-

(Forward)

10. OTHER OPERATING INCOME/(EXPENSES) AND EMPLOYEE BENEFIT EXPENSES (Cont'd)

Included in other operating income/(expenses) and employee benefit expenses are the following: (Cont'd)

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Inventories written down (Note 18)	**(406,488)**	-	-	-
Provision for liquidated and ascertained damages (Note 25)	**(319,625)**	(102,362)	-	-
Bad debts written off	**(220,534)**	-	-	-
Auditors' remuneration:				
Statutory audit:				
Current year	**(113,000)**	(98,500)	**(45,500)**	(32,000)
Prior year	**(13,500)**	-	**(13,500)**	-
Non-statutory audit services:				
Current year	**(32,000)**	(6,000)	**(29,000)**	-
Prior year	**(3,000)**	-	**(3,000)**	-
Rental of premises				
paid/payable to:				
Third party	**(37,150)**	(121,872)	-	-
A Director of the Company (Note 21)	**(30,450)**	(26,400)	-	-
A Director of a subsidiary company (Note 21)	-	(18,750)	-	-
A subsidiary company (Note 21)	-	-	**(36,000)**	(13,500)
Impairment loss recognised on trade receivables (Note 20)	**(24,649)**	(739,600)	-	-
Reversal of inventories written down (Note 18)	-	295,684	-	-
Impairment loss on trade receivables no longer required (Note 20)	-	43,012	-	-
Property, plant and equipment written off	-	(1,271,977)	-	-

Included in employee benefit expenses of the Group are contributions made to EPF of RM691,019 (2017: RM583,831).

11. FINANCE COSTS

	The Group	
	2018	2017
	RM	RM
Interests on:		
Bridging loans	**992,479**	861,380
Term loans	**637,583**	691,244
Bankers' acceptances	**243,635**	189,399
Bank overdrafts	**203,318**	161,094
Hire-purchase	**86,695**	68,348
Fixed loan	-	19,575
Bank charges and commission	**150,825**	153,468
	2,314,535	2,144,508
Less: Interest on bridging loans capitalised under property development projects (Note 19)	**(992,479)**	(861,380)
	1,322,056	1,283,128

12. TAX EXPENSES

Income tax recognised in profit or loss

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Income tax expense comprises:				
Current tax expense in respect of the current year	**(1,809,286)**	(1,345,000)	-	-
Adjustments recognised in the current year in relation to the income tax of prior years	**750,957**	(727,267)	-	-
	(1,058,329)	(2,072,267)	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences:				
Current year	**409,425**	1,182,000	-	-
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(442,758)**	74,000	-	-
	(33,333)	1,256,000	-	-

(Forward)

12. TAX EXPENSES (Cont'd)

Income tax recognised in profit or loss (Cont'd)

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Relating to crystallisation of deferred tax liability on revaluation surplus of property, plant and equipment	**45,136**	45,136	**-**	-
(Note 28)	**11,803**	1,301,136	**-**	-
Total tax expenses	**(1,046,526)**	(771,131)	**-**	-

The Group's and the Company's income tax rate remained at 24% for the year of assessment 2018 (2017: 24%).

The Finance Act, 2017, which was gazetted on January 16, 2017, enacted that the incremental portion of chargeable income compared to the immediate preceding year of assessment enjoys reduced income tax rate as follows with effect from years of assessment 2017 and 2018:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction in tax rate	Tax rate after reduction %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

(Forward)

12. TAX EXPENSES (Cont'd)

The tax expenses for the year can be reconciled to profit/(loss) before tax as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Profit/(Loss) before tax	**1,581,092**	(1,333,260)	**(2,561,843)**	(1,458,843)
Tax (expenses)/credit calculated using the Malaysian statutory income tax rate of 24% (2017: 24%)	**(379,000)**	320,000	**615,000**	350,000
Tax effects of:				
Expenses that are not deductible in determining taxable profit	**(706,725)**	(228,864)	**(615,000)**	(350,000)
Unutilised tax losses not recognised as deferred tax assets	**(269,000)**	(351,000)	**-**	-
Expenses available for double deduction	**-**	142,000	**-**	-
Adjustments recognised in the current year in relation to the taxes of prior years:				
Income tax	**750,957**	(727,267)	**-**	-
Deferred tax	**(442,758)**	74,000	**-**	-
Tax expenses recognised in profit or loss	**(1,046,526)**	(771,131)	**-**	-
Current tax assets				
Tax refund receivables	**96,217**	179,031	**-**	28,710
Current tax liabilities				
Income tax payables	**951,064**	1,064,496	**-**	-

As of June 30, 2018, the Company has unutilised tax losses of approximately RM224,000 (2017: RM224,000).

As of June 30, 2018, certain subsidiary companies have unutilised reinvestment allowances claimed, unutilised tax losses and unabsorbed tax capital allowances amounting to approximately RM3,536,000 (2017: RM3,096,000), RM3,339,000 (2017: RM2,955,000) and RM2,115,000 (2017: RM1,632,000) respectively which are available to set-off against future taxable income.

13. PROFIT/(LOSS) PER SHARE

The basic and diluted profit/(loss) per share are calculated as follows:

	The Group	
	2018	**2017**
	RM	**RM**
Basic and diluted		
Profit/(Loss) for the year attributable to owners of the Company	**534,566**	(2,104,391)
Number of ordinary shares in issue as of July 1	**87,534,000**	87,534,000
Share repurchased and held as treasury shares as of July 1	**(780,900)**	(780,900)
Effect of issuance of shares through private placement	**2,891,767**	-
Weighted average number of ordinary shares in issue as of June 30	**89,644,867**	86,753,100

	The Group	
	2018	**2017**
Basic and diluted profit/(loss) per ordinary share (sen)	**0.60**	(2.43)

14. PROPERTY, PLANT AND EQUIPMENT

The Group 2018	At beginning of year RM	Additions RM	Write off RM	At end of year RM
	Cost or valuation			
At valuation:				
Factory buildings	9,240,000	-	-	9,240,000
Long-term leasehold land	410,000	-	-	410,000
Short-term leasehold land	3,710,000	-	-	3,710,000
Long-term leasehold land and factory building	5,802,405	-	-	5,802,405
At cost:				
Office buildings	2,300,000	-	-	2,300,000
Plant and machinery	22,441,765	1,146,852	(152,132)	23,436,485
Plant and machinery under hire-purchase	1,581,857	300,878	-	1,882,735
Moulds	4,656,943	34,517	-	4,691,460
Motor vehicles	1,271,031	-	-	1,271,031
Motor vehicles under hire-purchase	644,193	-	-	644,193
Office equipment	468,968	20,042	-	489,010
Computers	456,264	2,547	-	458,811
Furniture, fixtures and fittings	534,944	30,060	-	565,004
Tools and equipment	637,989	-	-	637,989
Electrical installation	501,116	72,516	-	573,632
Air-conditioners	248,632	-	-	248,632
Signboard	28,744	-	-	28,744
Renovation	354,088	-	-	354,088
Capital work-in-progress	-	2,306,067	-	2,306,067
Total	55,288,939	3,913,479	(152,132)	59,050,286

(Forward)

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	← Accumulated depreciation →			
The Group	At beginning of year	Charge for the year	Write off	At end of year
2018	RM	RM	RM	RM
At valuation:				
Factory buildings	32,845	197,069	-	229,914
Long-term leasehold land	816	4,895	-	5,711
Short-term leasehold land	15,840	95,043	-	110,883
Long-term leasehold land and factory building	54,398	72,530	-	126,928
At cost:				
Office buildings	53,667	46,000	-	99,667
Plant and machinery	20,465,021	659,073	(152,132)	20,971,962
Plant and machinery under hire-purchase	77,625	163,200	-	240,825
Moulds	4,604,338	29,238	-	4,633,576
Motor vehicles	1,134,732	29,488	-	1,164,220
Motor vehicles under hire-purchase	309,609	128,837	-	438,446
Office equipment	290,081	31,682	-	321,763
Computers	388,486	23,924	-	412,410
Furniture, fixtures and fittings	277,891	33,636	-	311,527
Tools and equipment	546,994	19,420	-	566,414
Electrical installation	467,154	14,181	-	481,335
Air-conditioners	196,069	8,683	-	204,752
Signboard	17,128	1,245	-	18,373
Renovation	54,562	32,355	-	86,917
Capital work-in-progress	-	-	-	-
Total	28,987,256	1,590,499	(152,132)	30,425,623

(Forward)

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group 2017	At beginning of year RM	Revaluation RM	Additions RM	Disposals RM	Write off RM	Reclassification RM	At end of year RM
	Cost or valuation						
At valuation:							
Factory buildings	9,071,000	1,196,485	-	-	-	(1,027,485)	9,240,000
Long-term leasehold land	350,000	81,235	-	-	-	(21,235)	410,000
Short-term leasehold land	2,560,000	1,451,582	-	-	-	(301,582)	3,710,000
Long-term leasehold land and factory building	-	-	5,802,405	-	-	-	5,802,405
At cost:							
Office buildings	3,407,180	-	-	(1,100,000)	-	(7,180)	2,300,000
Plant and machinery	31,329,347	-	32,800	-	(8,280,288)	(640,094)	22,441,765
Plant and machinery under hire-purchase	-	-	941,763	-	-	640,094	1,581,857
Moulds	4,656,943	-	-	-	-	-	4,656,943
Motor vehicles	1,131,031	-	140,000	-	-	-	1,271,031
Motor vehicles under hire-purchase	461,633	-	182,560	-	-	-	644,193
Office equipment	414,822	-	46,966	-	-	7,180	468,968
Computers	433,332	-	22,932	-	-	-	456,264
Furniture, fixtures and fittings	301,251	-	233,693	-	-	-	534,944
Tools and equipment	637,989	-	-	-	-	-	637,989
Electrical installation	501,116	-	-	-	-	-	501,116
Air-conditioners	211,302	-	37,330	-	-	-	248,632
Signboard	17,744	-	11,000	-	-	-	28,744
Renovation	60,537	-	293,551	-	-	-	354,088
Total	55,545,227	2,729,302	7,745,000	(1,100,000)	(8,280,288)	(1,350,302)	55,288,939

(Forward)

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group 2017	Accumulated depreciation At beginning of year RM	Charge for the year RM	Disposals RM	Write off RM	Reclassification RM	At end of year RM
At valuation:						
Factory buildings	866,243	194,087	-	-	(1,027,485)	32,845
Long-term leasehold land	17,814	4,237	-	-	(21,235)	816
Short-term leasehold land	253,025	64,397	-	-	(301,582)	15,840
Long-term leasehold land and factory building	-	54,398	-	-	-	54,398
At cost:						
Office buildings	90,167	62,500	(99,000)	-	-	53,667
Plant and machinery	25,768,164	1,626,938	-	(7,008,311)	78,230	20,465,021
Plant and machinery under hire-purchase	-	155,855	-	-	(78,230)	77,625
Moulds	4,565,596	38,742	-	-	-	4,604,338
Motor vehicles	1,124,950	9,782	-	-	-	1,134,732
Motor vehicles under hire-purchase	202,069	107,540	-	-	-	309,609
Office equipment	258,698	31,383	-	-	-	290,081
Computers	361,680	26,806	-	-	-	388,486
Furniture, fixtures and fittings	252,271	25,620	-	-	-	277,891
Tools and equipment	515,941	31,053	-	-	-	546,994
Electrical installation	450,847	16,307	-	-	-	467,154
Air-conditioners	188,741	7,328	-	-	-	196,069
Signboard	16,541	587	-	-	-	17,128
Renovation	35,323	19,239	-	-	-	54,562
Total	34,968,070	2,476,799	(99,000)	(7,008,311)	(1,350,302)	28,987,256

(Forward)

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group	Carrying amounts 2018 RM	2017 RM
At valuation:		
Factory buildings	**9,010,086**	9,207,155
Long-term leasehold land	**404,289**	409,184
Short-term leasehold land	**3,599,117**	3,694,160
Long-term leasehold land and factory building	**5,675,477**	5,748,007
At cost:		
Office buildings	**2,200,333**	2,246,333
Plant and machinery	**2,464,523**	1,976,744
Plant and machinery under hire-purchase	**1,641,910**	1,504,232
Moulds	**57,884**	52,605
Motor vehicles	**106,811**	136,299
Motor vehicles under hire-purchase	**205,747**	334,584
Office equipment	**167,247**	178,887
Computers	**46,401**	67,778
Furniture, fixtures and fittings	**253,477**	257,053
Tools and equipment	**71,575**	90,995
Electrical installation	**92,297**	33,962
Air-conditioners	**43,880**	52,563
Signboard	**10,371**	11,616
Renovation	**267,171**	299,526
Capital work-in-progress	**2,306,067**	-
Total	**28,624,663**	26,301,683

Certain leasehold land and buildings of the Group with total carrying value of RM9,274,594 and RM11,210,419 (2017: RM1,393,965 and RM8,824,545) respectively are charged to local licensed banks for facilities granted to the Group as mentioned in Note 27.

The leasehold land and factory buildings of the Group were revalued by the Directors on April 13, 2017 and April 17, 2017 respectively based on valuation by independent qualified valuers using "Comparison Method", "Depreciated Replacement Cost" and "Cost Method" basis. The resulting revaluation surplus amounting to RM1,697,353 (net of gain on revaluation of properties of RM376,917 and deferred tax of RM655,032) has been credited to property revaluation reserve account.

The fair values of leasehold land were arrived at based on recent transactions and by assessing prices of similar land in the surrounding areas with adjustments made for differences in location, terrain, size and shape of the land, tenure, title restrictions, if any and other relevant characteristics.

The fair value of factory buildings was determined based on estimation made of the current new replacement cost less an appropriate adjustment for depreciation or obsolescence to reflect the existing condition of the factory buildings at the date of valuation. In estimating the fair values of the properties, the highest and best use of the properties is their current use.

(Forward)

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Details of the Group's leasehold land and factory buildings and information about the fair value hierarchy are as follows:

	Fair Value		
	Level 1	Level 2	Level 3
2018	RM	RM	RM
Factory buildings	-	9,240,000	-
Long-term leasehold land	-	410,000	-
Short-term leasehold land	-	3,710,000	-
Long-term leasehold land and factory building	-	5,802,405	-
2017			
Factory buildings	-	9,240,000	-
Long-term leasehold land	-	410,000	-
Short-term leasehold land	-	3,710,000	-
Long-term leasehold land and factory building	-	5,802,405	-

There were no transfers between Levels 1 and 2 during the year.

The historical cost, accumulated depreciation and carrying amount of the revalued leasehold land and factory buildings are as follows:

	The Group	
	2018	2017
	RM	RM
Cost:		
Leasehold land	**2,004,968**	2,004,968
Factory buildings	**7,455,988**	7,455,988
	9,460,956	9,460,956
Accumulated depreciation:		
Leasehold land	**770,229**	732,935
Factory buildings	**2,593,133**	2,442,827
	3,363,362	3,175,762
Carrying amounts	**6,097,594**	6,285,194

No historical cost, accumulated depreciation and carrying amount were disclosed for the long-term leasehold land and factory building as the acquisition cost was same as the fair value amount in the year of acquisition.

(Forward)

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Impairment review of property, plant and equipment

One of the subsidiary companies, Scanwolf Plastic Industries Sdn. Bhd., has been making losses for the current and prior financial years, which is considered as a triggering event for impairment review on the subsidiary company's property, plant and equipment.

Recognising that the recoverable value of the subsidiary company's property, plant and equipment is sensitive to changes in assumptions over future discount rates and cashflow projections which require judgement, the Directors have performed a detailed impairment review to determine that the judgement used are consistent with both market and operating model.

Based on review, the Directors are satisfied that a robust and consistent approach had been used and no impairment will be recognised on the subsidiary company's property, plant and equipment.

The Directors have completed the assessment of impairment on the carrying value of the property, plant and equipment for 2018 by the computation of value-in-use.

The principal assumptions used for the impairment review are as follows:

- Discount rate - a pre-tax discount rate of 7.89% was used in the calculation of recoverable amount that reflects the current market assessment and the risks specific to the subsidiary company.
- Revenue growth rate - based on management's expectations of revenue, drawing from the past experience and current assessment of the market growth.
- Variable factory overhead - estimated after taking into account of the related production volume, production efficiency and reasonable increment rates.
- Fixed operating costs (include fixed factory overhead, administrative and marketing expense) - mostly constant but reflect inflation effects in activity level.

15. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2018	**2017**
	RM	**RM**
Unquoted shares, at cost	**21,924,076**	21,924,076
Less: Accumulated impairment losses:		
At beginning of year	**-**	-
Additions	**1,082,299**	-
At end of year	**1,082,299**	-
	20,841,777	21,924,076

(Forward)

15. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

The details of the subsidiary company of the Group as at the end of the reporting period are as follows:

Name of Company	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2018 %	2017 %	Principal Activities
Scanwolf Plastic Industries Sdn. Bhd. ("SPI")	Malaysia	**100**	100	Design and manufacture of plastic extrusions, PVC compounding, processing of PVC coils and trading of industrial consumables.
Scanwolf Properties Sdn. Bhd.	Malaysia	**100**	100	Property development.
Held through Scanwolf Plastic Industries Sdn. Bhd.				
Scanwolf Construction Sdn. Bhd.	Malaysia	**100**	100	Sales and marketing of PVC extruded building materials, trading of other building materials and manufacturing of foam profile.
Held through Scanwolf Properties Sdn. Bhd.				
Scanwolf Development Sdn. Bhd.	Malaysia	**100**	100	Property development.

Composition of the Group

Information about the composition of the Group at the end of the reporting date is as follows:

Industry	Place of incorporation and operation	Number of wholly-owned subsidiary companies 2018	2017
Manufacturing	Malaysia	**2**	2
Property development	Malaysia	**2**	2
		4	4

15. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

Impairment review of investment in subsidiary companies

Scanwolf Plastic Industries Sdn. Bhd. ("SPI") has been making losses for the current and prior financial years which is considered as a triggering event for impairment review on the investment cost in SPI amounting to RM21,824,076 (2017: RM21,824,076). The recoverable value of the investment cost is determined using SPI as the CGU.

Recognising that the recoverable value of the investment cost is sensitive to changes in assumptions over future discount rates and cashflow projections which require judgement, the Directors have performed a detailed impairment review to determine that the judgement used are consistent with both market and operating model.

Based on review, the Company recognised impairment loss of RM1,082,299 during the financial year.

The principal assumptions used for the impairment review are as follows:

- Discount rate - a pre-tax discount rate of 7.89% was used in the calculation of recoverable amount that reflects the current market assessment and the risks specific to SPI.

- Revenue growth rate - based on management's expectations of revenue, drawing from the past experience and current assessment of the market growth.

- Variable factory overhead - estimated after taking into account of the related production volume, production efficiency and reasonable increment rates.

- Fixed operating costs (include fixed factory overhead, administrative and marketing expenses) - mostly constant but reflect inflation effects in activity level.

16. INVESTMENT IN AN ASSOCIATED COMPANY

	The Group	
	2018	**2017**
	RM	**RM**
Unquoted equity shares, at cost	**872,500**	349,000
Group's share of post-acquisition reserve	**(743,130)**	(136,556)
	129,370	212,444

16. INVESTMENT IN AN ASSOCIATED COMPANY (Cont'd)

The details of the associated company as at the end of the reporting period are as follows:

Name of Company	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2018 %	2017 %	Principal Activity
Nissha Flooring Industries Sdn. Bhd. ("NFI")	Malaysia	**35**	35	Manufacturing of plastic related products, in particular luxury vinyl tiles, calendar moulding related products, construction materials and its related products.

During the financial year, the Group acquired additional shares in NFI by setting off the amount owing by associated company for a total purchase consideration of RM523,500. The equity interest remained the same after the acquisition.

The year end of the associated company is December 31. This was the reporting date established when the associated company was incorporated. For the purpose of applying the equity method of accounting, appropriate adjustments have been made for the effects of significant transactions made up until June 30, 2018.

Summarised financial information in respect of the Group's associated company is set out below:

	The Group	
	2018 RM	2017 RM
Total assets	**20,906,070**	14,273,090
Total liabilities	**20,535,382**	13,664,368
Net assets	**370,688**	608,722
Group's share of net assets of associated company	**129,370**	212,444
Net loss for the year	**(1,738,034)**	(391,278)
Group's share of losses of associated company for the year	**(606,574)**	(136,556)

17. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2018	2017
	RM	RM
At beginning of year		
Land cost - leasehold	**2,307,663**	7,052,786
Development costs	**7,803,456**	8,006,227
	10,111,119	15,059,013
Additions:		
Development costs	**38,010**	58,820
Reclassification:		
Land cost - leasehold	**2,381,487**	-
Development costs	**(2,381,487)**	-
	-	-
Disposals:		
Land cost - leasehold	**-**	(4,745,123)
Development costs	**-**	(50,349)
	-	(4,795,472)
Transfer to property development projects (Note 19):		
Development costs	**-**	(211,242)
At end of year:		
Land cost - leasehold	**4,689,150**	2,307,663
Development costs	**5,459,979**	7,803,456
	10,149,129	10,111,119
Accumulated impairment loss:		
At beginning of year	**-**	3,124,693
Disposals	**-**	(3,124,693)
At end of year	**-**	-
Net	**10,149,129**	10,111,119

The land held for property development with carrying amounts of RM4,789,035 (2017: RM4,789,035) has been pledged to a licensed bank to secure term loan facility granted to the subsidiary company as disclosed in Note 27.

18. INVENTORIES

	The Group	
	2018	2017
	RM	RM
Completed development units held for sale	**8,661,985**	7,732,147
Work-in-progress	**2,958,304**	1,927,836
Raw materials	**2,944,574**	3,532,528
Finished goods	**2,790,052**	2,167,702
Packing materials and spare parts	**260,715**	231,561
Goods-in-transit	**168,495**	-
	17,784,125	15,591,774

The cost of inventories recognised as an expense during the year for the Group was RM35,976,357 (2017: RM34,219,298).

Included in cost of inventories is the following:

	The Group	
	2018	2017
	RM	RM
Inventories written down	**(406,488)**	-
Reversal of inventories written down	**-**	295,684

Completed development units of RM4,310,419 (2017: RM4,310,419) which are pledged to a licensed bank relates to a back-to-back arrangement for term loan and bank overdraft facilities granted to a joint-venture partner which is further on loan to the Group as disclosed in Note 25.

Completed development units of RM838,280 (2017: RM1,912,946) has been charged to a licensed bank to secure a term loan facility granted to the Group as disclosed in Note 27.

The titles deeds to the leasehold land included in completed development units held for sale are registered under the name of the joint venture partner.

19. PROPERTY DEVELOPMENT PROJECTS

	The Group	
	2018	**2017**
	RM	**RM**
Property development projects:		
Landowners' entitlement	**2,993,472**	8,896,020
Land costs	**3,140,776**	-
Development costs	**50,368,513**	41,545,957
At beginning of year	**56,502,761**	50,441,977
Costs incurred during the year:		
Landowners' entitlement	**96,108**	171,352
Land costs	**220,266**	-
Development costs	**17,819,779**	27,933,942
	18,136,153	28,105,294
	74,638,914	78,547,271
Transfer from land held for property development (Note 17)	**-**	211,242
Transfer to inventories	**(1,907,432)**	(2,267,603)
Reclassification:		
Land costs	**-**	2,555,547
Landowners' entitlement	**-**	(2,555,547)
	-	-
Costs recognised as an expense in profit or loss:		
Prior year	**(24,988,823)**	(30,805,050)
Current year	**(10,555,276)**	(14,171,921)
	(35,544,099)	(44,976,971)
At end of year:		
Landowners' entitlement	**-**	334,276
Land costs	**2,038,999**	1,999,645
Development costs	**35,148,384**	29,180,018
	37,187,383	31,513,939

19. PROPERTY DEVELOPMENT PROJECTS (Cont'd)

Included in property development costs incurred during the year are the following:

	The Group	
	2018	2017
	RM	RM
Interest on bridging loans (Note 11)	**992,479**	861,380
Hire of machinery	-	11,870

Property development projects of RM37,187,383 (2017: RM31,513,939) are charged to licensed banks to secure banking facilities granted to the subsidiary company as disclosed in Note 27.

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade receivables	**8,523,661**	21,315,141	-	-
Less: Allowance for doubtful debts	**(24,649)**	(4,665,646)	-	-
	8,449,012	16,649,495	-	-
Other receivables	**134,339**	221,564	-	-
Less: Allowance for doubtful debts	-	(52,030)	-	-
	134,339	169,534	-	-
Refundable deposits	**351,074**	517,617	**4,000**	3,000
Loans and receivables	**8,984,425**	17,336,646	**4,000**	3,000
Advance payment for:				
Landowners' entitlements	**800,000**	800,000	-	-
Purchase of raw materials	**459,961**	407,189	-	-
Prepaid expenses	**771,171**	647,055	**9,998**	10,998
Goods and Services Tax receivables	**453,362**	117,313	**157**	5,856
	11,468,919	19,308,203	**14,155**	19,854

Trade receivables of the Group comprise amount receivable for the sale of goods and amounts receivable from progress billings to customers. Certain trade transactions for sale of goods were on cash terms (2017: cash terms) and credit period granted for remaining trade transactions ranged from 30 days to 120 days (2017: 30 days to 120 days). Credit period for progress billings to customers is 14 days (2017: 14 days).

(Forward)

20. TRADE AND OTHER RECEIVABLES (Cont'd)

Other receivables of the Group comprise mainly advances granted to employees and expenses paid on behalf, which are unsecured, interest-free and repayable upon demand.

The currency profile of trade and other receivables are as follows:

	The Group	
	2018	**2017**
	RM	**RM**
Ringgit Malaysia	**7,120,304**	17,777,869
United States Dollar	**1,512,703**	3,482,018
Singapore Dollar	**24,993**	276,818
	8,658,000	21,536,705

An allowance has been made for estimated irrecoverable amounts of trade and other receivables based on the default experience of the Group.

Movement in the allowance for doubtful debts is as follows:

	The Group	
	2018	**2017**
	RM	**RM**
Trade receivables		
Balance at beginning of year	**4,665,646**	3,978,910
Impairment loss recognised on receivables (Note 10)	**24,649**	739,600
Amount written off	**(4,665,646)**	(9,852)
Impairment loss recognised on receivables no longer required (Note 10)	**-**	(43,012)
Balance at end of year	**24,649**	4,665,646
Other receivables		
Balance at beginning of year	**52,030**	52,030
Amount written off	**(52,030)**	-
Balance at end of year	**-**	52,030

(Forward)

20. TRADE AND OTHER RECEIVABLES (Cont'd)

Ageing of impaired trade and other receivables are as follows:

	The Group	
	2018	2017
	RM	RM
Trade receivables		
181 days to 270 days	**4,914**	-
271 days to 360 days	**5,262**	19,598
More than 360 days	**14,473**	4,646,048
	24,649	4,665,646
Other receivables		
More than 360 days	**-**	52,030

In 2017, included in trade receivables of the Group was related party balance RM172,380.

Included in trade receivables of the Group are receivable with total carrying amount of RM4,500,014 (2017: RM4,668,772) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances nor does it have a legal right to offset against any amounts owed by the company to the counterparty.

Ageing of trade receivables which are past due but not impaired as at the end of the reporting period is as follows:

	The Group	
	2018	2017
	RM	RM
1 - 30 days	**3,197,840**	1,234,419
31 - 60 days	**711,205**	827,528
61 - 90 days	**225,460**	955,896
91 - 120 days	**138,885**	738,714
More than 120 days	**226,624**	912,215
	4,500,014	4,668,772

The Group seeks to maintain strict control over its outstanding trade receivables and has a credit period policy to minimise credit risk. Overdue balances are reviewed regularly by management. The Group has not provided for impairment loss on these trade receivables accounts that are past due as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Prepaid expense of RM435,251 (2017: RM62,000) arose from rental paid in advance for a guaranteed rental scheme undertaken by the Group.

21. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS

The amount owing by subsidiary companies represents unsecured advances granted which are interest-free (2017: interest-free) and management fees which are collectible upon demand.

The non-trade balance amount owing by an associated company arose mainly from advances granted to an associated company and rental receivable. The advances granted are unsecured, bore interest at a rate of 4.50% (2017: 4.57%) per annum, repayment of which is by way of 120 monthly instalments and first instalment due for payment in January 2019. Rental receivable is interest free and repayable upon demand. Trade transactions with associated company for sale of goods were on cash terms (2017: Nil).

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Amount owing by an associated company				
Trade account - current portion	**2,546**	-	**-**	-
Non-trade account - current portion	**455,270**	-	**8,424**	-
	457,816	-	**8,424**	-
Non trade account - non-current portion	**4,612,521**	3,095,614	**-**	-
	5,070,337	3,095,614	**8,424**	-

Other than as disclosed elsewhere in the financial statements, the related parties and their relationship with the Company and its subsidiary companies are as follows:

Name of related parties	Relationship
Almal Development Sdn. Bhd.	) A company in which a Director of the Company and a Director of) a subsidiary company are Directors and have substantial financial) interests.
Dato' Lai Kok Heng	) Director of a subsidiary company.

During the financial year, significant related party transactions are as follows:

	The Company	
	2018	2017
	RM	RM
Subsidiary companies		
Advances granted	**2,740,000**	3,570,000
Repayment received on advances granted	**2,309,670**	4,988,036
Management fee received/receivable (Note 6)	**420,000**	-
Rental of premises paid/payable (Note 10)	**36,000**	13,500

21. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (Cont'd)

	The Group	
	2018	2017
	RM	RM
Associated company		
Advances granted	**2,268,500**	3,071,200
Rental of premises received/receivable (Note 10)	**305,100**	-
Interest on advances granted receivable (Note 7)	**191,861**	23,040
Deposit on rental of premises received	**81,000**	-
Trade sales	**3,409**	-
Rental of motor vehicle received (Note 10)	**3,000**	-
Trade purchase	**(1,000)**	-
Related party		
Interest on term loan and bank overdraft paid/payable	**(252,477)**	(251,795)
Director of the Company		
Rental of premises paid/payable (Note 10)	**(30,450)**	(26,400)
Director of subsidiary company		
Rental of premises paid/payable (Note 10)	**-**	(18,750)

Ageing of trade balances amount owing by an associated company which are past due but not impaired are as follows:

	The Group	
	2018	2017
	RM	RM
1 - 30 days	**125**	-
31 - 60 days	**229**	-
61 - 90 days	**2,192**	-
	2,546	-

Compensation of key management personnel

The Directors' remuneration is as disclosed in Note 9. The remuneration of other member of key management personnel of the Group and the Company during the financial year are as follows:

	The Group and The Company	
	2018	2017
	RM	RM
Salaries, bonuses and allowances	**211,000**	-
EPF contributions	**26,650**	-
	237,650	-

22. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Fixed deposits with licensed banks	**1,007,051**	977,090	**-**	-
Cash on hand and at banks	**370,512**	1,829,765	**5,606**	10,420
Housing Development Accounts with licensed banks	**151,150**	228,723	**-**	-
	1,528,713	3,035,578	**5,606**	10,420

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers and interest credited thereon, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to the subsidiary company upon the completion of the property development projects and after all property development costs have been fully settled.

Fixed deposits of the subsidiary company with carrying amount of RM1,007,051 (2017: RM977,090) have been pledged to a licensed bank to secure the subsidiary company's banking facilities as mentioned in Note 27, and have maturity period of 30 days (2017: 30 days).

The effective interest rates per annum are as follows:

	2018	2017
The Group	%	%
Fixed deposits	**2.95 - 3.20**	2.95
Housing Development Accounts	**2.20**	1.95

The currency profile of fixed deposits, cash and bank balances is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	**1,439,333**	2,834,217	**5,606**	10,420
United States Dollar	**67,248**	73,689	**-**	-
Euro	**17,769**	125,556	**-**	-
Singapore Dollar	**4,363**	-	**-**	-
Others	**-**	2,116	**-**	-
	1,528,713	3,035,578	**5,606**	10,420

23. SHARE CAPITAL AND TREASURY SHARES

(a) Share Capital

	The Group and The Company			
	2018 Number of ordinary shares	2017 Number of ordinary shares	2018 RM	2017 RM
Issued and fully paid:				
Ordinary shares:				
At beginning of year	**87,534,000**	87,534,000	**46,887,186**	43,767,000
Transfer from share premium arising from "no par value" regime (Note 24 (a))	**-**	-	**-**	3,120,186
Issued during the year	**8,675,300**	-	**2,168,825**	-
At end of year	**96,209,300**	87,534,000	**49,056,011**	46,887,186

On March 5, 2018, the issued share capital of the Company was increased from RM46,887,186 to RM49,056,011 by way of issuance of 8,675,300 new ordinary shares amounting to RM2,168,825 pursuant to a private placement exercise. The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The amount standing to the credit of the Group's and of the Company's share premium account has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the related entitlement of any of the shareholders. However, in accordance with the transitional provision of the Act, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium in a manner as specified by the Act.

(b) Treasury Shares

As of June 30, 2018, 780,900 (2017: 780,900) out of the total of 96,209,300 (2017: 87,534,000) issued and fully paid ordinary shares are held as Treasury Shares by the Company. The number of ordinary shares in issue and fully paid as of June 30, 2018 after excluding the Treasury Shares is 95,428,400 (2017: 86,753,100).

The mandate given by the shareholders to repurchase of the Company's own shares expired at the previous year Annual General Meeting. As such, there was no share repurchased by the Company during the financial year.

24. RESERVES

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-distributable reserves				
Property revaluation reserve	**4,717,425**	4,717,425	-	-
Reverse acquisition reserve	**(19,524,076)**	(19,524,076)	-	-
	(14,806,651)	(14,806,651)	-	-
Distributable reserve				
Retained earnings/(Accumulated losses)	**9,341,450**	8,806,884	**(6,095,414)**	(3,533,571)
	(5,465,201)	(5,999,767)	**(6,095,414)**	(3,533,571)

(a) Share premium

	The Group and The Company	
	2018	2017
	RM	RM
At beginning of year	-	3,120,186
Transfer to share capital arising from "no par value" regime (Note 23 (a))	-	(3,120,186)
At end of year	-	-

(b) Property revaluation reserve

	The Group	
	2018	2017
	RM	RM
At beginning of year	**4,717,425**	3,020,072
Increase arising from revaluation of properties (Note 14)	-	2,352,385
Deferred tax liability arising on revaluation reserve (Note 28)	-	(655,032)
	-	1,697,353
At end of year	**4,717,425**	4,717,425

The property revaluation reserve of the Group arose from revaluation of leasehold of land and factory buildings. When revalued leasehold land and factory buildings are sold, the portion of the property revaluation reserve that relates to the disposed asset is effectively realised, and is transferred directly to retained earnings.

(c) Reverse acquisition reserve

Reverse acquisition reserve arose from the reverse acquisition of the Company by SPI Group in 2008.

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade payables	**32,012,651**	23,192,152	**-**	-
Other payables	**5,676,686**	4,379,607	**75,052**	16,613
	37,689,337	27,571,759	**75,052**	16,613
Accrued expenses	**2,113,630**	1,906,345	**357,391**	302,561
	39,802,967	29,478,104	**432,443**	319,174
Deposits received from purchasers	**1,048,227**	767,018	**-**	-
Refundable deposits received	**90,250**	9,000	**-**	-
Goods and Services Tax payables	**-**	125,083	**-**	-
	40,941,444	30,379,205	**432,443**	319,174
Less: Amount due within 12 months (shown under current liabilities)	**(39,653,921)**	(28,843,003)	**(432,443)**	(319,174)
Non-current portion:				
Other payables	**1,287,523**	1,536,202	**-**	-

The non-current portion of the other payables of the Group is repayable as below:

	The Group	
	2018	2017
	RM	RM
Financial years ending June 30:		
2019	**-**	254,773
2020	**265,418**	266,533
2021	**278,301**	279,464
2022	**292,231**	292,395
2023	**306,724**	306,132
2024 and above	**144,849**	136,905
	1,287,523	1,536,202

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The credit terms granted to the Group for trade purchases and construction works ranged from 30 days to 120 days (2017: 30 days to 120 days). The amounts are non-interest bearing. The Group has finance risk management policies in place to ensure that all payables are paid within the time frame.

(Forward)

25. TRADE AND OTHER PAYABLES (Cont'd)

Included in other payables is an amount of RM2,526,768 (2017: RM2,760,226) which relates to a back-to-back arrangement for term loan and bank overdraft facilities of RM4,500,000 (2017: RM4,500,000) and RM1,000,000 (2017: RM1,000,000) respectively granted to a joint venture partner which is further on loan to the Group. Under the arrangement, the interest expense arising from the term loan and bank overdraft are borne by the Group. The term loan is repayable by 180 monthly instalments commencing from September 2014. The term loan and bank overdraft facilities are secured by a charge on 8 units of three (3) storey shop office as disclosed in Note 18. The effective interest rates for the facilities are 4.85% and 7.85% (2017: 4.60% and 7.60%) per annum respectively.

The amounts owing to other payables of the Group and of the Company are unsecured, interest-free and are repayable upon demand.

Accrued expenses of the Group comprise mainly accruals for provision for liquidated ascertained damages of RM595,527 (2017: RM377,190).

	The Group	
	2018	2017
	RM	RM
Liquidated ascertained damages:		
At beginning of year	**377,190**	339,473
Additions (Note 10)	**319,625**	102,362
Payment	**(101,288)**	(64,645)
At end of year	**595,527**	377,190

The currency profile of trade and other payables are as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	**36,875,584**	26,957,220	**75,052**	16,613
United States Dollar	**448,426**	569,263	**-**	-
Euro	**364,135**	4,288	**-**	-
Chinese Renminbi	**1,192**	40,929	**-**	-
Singapore Dollar	**-**	59	**-**	-
	37,689,337	27,571,759	**75,052**	16,613

26. HIRE-PURCHASE PAYABLES

	The Group			
	Minimum hire-purchase payments		Present value of minimum hire-purchase payments	
	2018	2017	2018	2017
	RM	RM	RM	RM
Amounts payable under hire-purchase arrangements:				
Within one year	**470,910**	440,364	**391,845**	354,719
In the second to fifth year inclusive	**1,040,043**	1,181,911	**947,511**	1,063,883
	1,510,953	1,622,275	**1,339,356**	1,418,602
Less: Future finance charges	**(171,597)**	(203,673)	**-**	-
Present value of hire-purchase payables	**1,339,356**	1,418,602	**1,339,356**	1,418,602
Less: Amount due within 12 months (shown under current liabilities)			**(391,845)**	(354,719)
Non-current portion			**947,511**	1,063,883

The non-current portion is repayable as follows:

	The Group	
	2018	2017
	RM	RM
Financial years ending June 30:		
2019	**-**	344,083
2020	**363,292**	311,232
2021	**309,767**	254,150
2022	**215,074**	154,418
2023	**59,378**	-
	947,511	1,063,883

It is policy of the Group to acquire certain of its property, plant and equipment under hire-purchase arrangements. The terms for hire-purchase is 5 years (2017: 3 to 5 years). For the financial year ended June 30, 2018, the average effective borrowing rate was 6.67% (2017: 6.58%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

The hire-purchase payables of the Group are secured by the assets under hire-purchase and certain hire-purchase payables are guaranteed by the Company and a Director of the Company.

27. BORROWINGS

	The Group	
	2018	2017
	RM	RM
Secured:		
Bridging loans	**9,445,983**	16,002,900
Term loans	**6,424,886**	5,900,606
Bankers' acceptances	**4,024,000**	4,400,000
Bank overdrafts	**3,901,292**	1,178,699
	23,796,161	27,482,205
Less: Amount due within 12 months (shown under current liabilities)	**(13,074,883)**	(12,685,343)
Non-current portion	**10,721,278**	14,796,862

The non-current portion is repayable as follows:

	The Group	
	2018	2017
	RM	RM
Financial years ending June 30:		
2019	-	7,086,901
2020	**5,494,341**	2,976,686
2021	**661,218**	454,948
2022	**710,179**	492,573
2023	**607,908**	533,390
2024 and above	**3,247,632**	3,252,364
	10,721,278	14,796,862

The average effective interest rates per annum are as follows:

	The Group	
	2018	2017
	%	%
Bridging loans	**8.15**	7.90
Term loans	**5.42**	4.49
Bankers' acceptances	**4.89**	4.63
Bank overdrafts	**6.57**	5.99

The Group's banking facilities with licensed banks amounting to RM52,501,393 (2017: RM39,380,000) are secured by:

(a) Leasehold land and buildings of the Group as disclosed in Note 14;
(b) Facility agreement of RM26,200,000 (2017: RM8,000,000);
(c) Leasehold land held for property development and property development projects as disclosed in Notes 17 and 19;
(d) Completed development units as disclosed in Note 18; and
(e) Pledged of fixed deposits as disclosed in Note 22.

(Forward)

27. BORROWINGS (Cont'd)

The facilities are further guaranteed by the Company, a subsidiary company, a Director of the Company and a Director of the subsidiary company jointly and severally.

The Group has three (3) term loans as follows:

(a) a seven (7) year term loan of RM4,215,000 (2017: RM4,215,000) which is repayable by 83 monthly instalments of RM52,260 (2017: RM52,260) each and last instalment of RM1,707,754 commencing November 2016;

(b) a five (5) year term loan of RM1,000,000 (2017: Nil) which is repayable by 60 monthly instalments of RM18,917 (2017: Nil) each commencing November 2017 with revision to RM19,034 each commencing March 2018; and

(c) a twenty (20) year term loan of RM1,955,000 (2017: RM1,955,000) which is repayable by 240 monthly instalments of RM12,957 (2017: RM12,957) each commencing May 2016.

The Group has four (4) bridging loans which are to be settled via redemption sum based on certain percentage of the subsidiary company's selling price of property development units as follows:

(a) two (2) bridging loans of RM3,000,000 (2017: RM3,000,000) and RM5,000,000 (2017: RM5,000,000) which are repayable commencing September 2016. Both bridging loans has been fully settled during the financial year;

(b) a bridging loan of RM5,000,000 (2017: RM5,000,000) which is repayable commencing October 2016. As of the end of the reporting date, RM4,878,000 (2017: RM4,878,000) of the facility has been drawndown by the subsidiary company; and

(c) a bridging loan of RM5,000,000 (2017: RM5,000,000) which is repayable commencing April 2017. As of the end of the reporting date, RM4,924,932 (2017: RM4,924,932) of the facility has been drawndown by the subsidiary company.

28. DEFERRED TAX LIABILITIES

Deferred tax balances are presented in the statements of financial position after appropriate offsetting as follows:

	The Group	
	2018	**2017**
	RM	**RM**
Deferred tax assets	**2,088,758**	1,616,000
Deferred tax liabilities	**(3,216,931)**	(2,755,976)
	(1,128,173)	(1,139,976)

(Forward)

28. DEFERRED TAX LIABILITIES (Cont'd)

The Group 2018	At beginning of year RM	Recognised in profit or loss (Note 12) RM	At end of year RM
Deferred tax assets			
Property development projects	560,000	(28,242)	531,758
Allowance for slow moving inventories	345,000	94,000	439,000
Unutilised tax losses and unabsorbed tax capital allowances	686,000	347,000	1,033,000
Unrealised (gain)/loss on foreign exchange	25,000	60,000	85,000
	1,616,000	472,758	2,088,758

The Group 2018	At beginning of year RM	Recognised in profit or loss (Note 12) RM	At end of year RM
Deferred tax liabilities			
Property, plant and equipment	(1,073,000)	(506,091)	(1,579,091)
Property revaluation reserve	(1,682,976)	45,136	(1,637,840)
	(2,755,976)	(460,955)	(3,216,931)

The Group 2017	At beginning of year RM	Recognised in profit or loss (Note 12) RM	At end of year RM
Deferred tax assets			
Property development projects	-	560,000	560,000
Allowance for slow moving inventories	423,000	(78,000)	345,000
Unutilised tax losses and unabsorbed tax capital allowances	452,000	234,000	686,000
Unrealised (gain)/loss on foreign exchange	(107,000)	132,000	25,000
	768,000	848,000	1,616,000

(Forward)

28. DEFERRED TAX LIABILITIES (Cont'd)

The Group 2017	At beginning of year RM	Recognised in profit or loss (Note 12) RM	Recognised in property revaluation reserve (Note 14) RM	At end of year RM
Deferred tax liabilities				
Property, plant and equipment	(1,481,000)	408,000	-	(1,073,000)
Property revaluation reserve	(1,073,080)	45,136	(655,032)	(1,682,976)
	(2,554,080)	453,136	(655,032)	(2,755,976)

Unrecognised deferred tax assets

At reporting date, deferred tax assets have not been recognised in respect of the following items:

	The Group 2018 RM	 2017 RM
Unutilised tax losses	**1,121,000**	1,700,000

29. PROGRESS BILLINGS

	The Group 2018 RM	 2017 RM
Progress billings to-date	**49,014,766**	46,502,325
Cumulative revenue recognised in profit or loss	**(48,415,780)**	(39,217,705)
	598,986	7,284,620

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Categories of financial instruments

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Financial assets				
Loans and receivables:				
Amount owing by an associated company	**5,070,337**	3,095,614	**8,424**	-
Trade and other receivables	**8,984,425**	17,336,646	**4,000**	3,000
Amount owing by subsidiary companies	**-**	-	**22,215,940**	21,382,591
Fixed deposits, cash and bank balances	**1,528,713**	3,035,578	**5,606**	10,420
Financial liabilities				
Other financial liabilities:				
Trade and other payables	**39,893,217**	29,487,104	**432,443**	319,174
Hire-purchase payables	**1,339,356**	1,418,602	**-**	-
Borrowings	**23,796,161**	27,482,205	**-**	-

Financial Risk Management Objectives and Policies

Risk management is integral to the whole business of the Group and of the Company. Management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's and the Company's activities.

There have been no changes to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

(a) Market risk management

The Group's and the Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rate.

There have been no changes to the Group's and the Company's exposure to market risks or the manner in which these risks are managed and measured.

(i) Foreign currency risk management

The Group is exposed to the effects of foreign currency exchange rate fluctuation primarily in relation to the United States Dollar ("USD"), arising from normal trading activity. Exposure to foreign currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are disclosed in Notes 20, 22 and 25.

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial Risk Management Objectives and Policies (Cont'd)

(a) Market risk management (Cont'd)

(i) Foreign currency risk management (Cont'd)

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of USD. The management considers that the impact of the other currencies to be immaterial.

The following table details the Group's sensitivity to a 6% (2017: 7%) increase and decrease in RM against the relevant foreign currency. 6% (2017: 7%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates in the next 12 months.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 6% (2017: 7%) change in foreign currency rates. A positive number below indicates an increase in profit (2017: a decrease in loss) net of tax, where the USD strengthens 6% (2017: 7%) against the RM. For a 6% (2017: 7%) weakening of USD against the RM, there would be a comparable impact on the profit/loss net of tax, and the balances below would be negative.

	The Group Profit or loss	
	2018	2017
	RM	RM
USD impact	**52,138**	182,807

The above potential impact is mainly attributable to the exposure on USD for receivables, cash and bank balances and payables of the Group outstanding at the end of the reporting period in the Group. In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the full exposure of the Group during the year.

(ii) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its borrowings.

Interest rate sensitivity analysis

The management does not consider the Group's exposure to interest rate risk significant as floating interest rate borrowings outstanding as of the end of the reporting period was insignificant. Therefore, interest rate sensitivity analysis is not disclosed.

(Forward)

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial Risk Management Objectives and Policies (Cont'd)

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The exposure of the Group and of the Company and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

As the Group does not hold any collateral, the maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position.

For other receivables, management does not foresee any credit risk due to the nature of other receivables which comprise mainly advances granted which are repayable upon demand.

The Group provides unsecured advances to its associated company. As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount in the statements of financial position and there is no indication that the balance is not recoverable.

The Group places its cash and cash equivalents with a number of creditworthy financial institutions. The Group's policy limits the concentration of financial exposure to any single financial institution.

There is no other class of financial assets that is past due and/or impaired except for trade receivables and trade balances owing by an associated company as disclosed in Note 20 and 21 respectively.

<u>Financial Guarantees</u>

The Company provides financial guarantees to licensed banks in respect of credit facilities granted to its subsidiary companies. The Company monitors on an ongoing basis the trend of repayments made by the subsidiary companies.

The maximum exposure to credit risk amounts to RM23,796,161 (2017: RM27,482,205) representing the outstanding balance of credit facilities of the subsidiary companies in which financial guarantees are given as of the end of the reporting period.

At the end of the reporting period, there was no indication that the subsidiary companies would default on repayment.

The financial guarantees have not been recognised as their fair values on initial recognition are insignificant.

(c) Liquidity and cash flow risks management

Ultimate responsibility for liquidity and cash flow risks management rests with the Board of Directors, which has established an appropriate liquidity and cash flow risks management framework for the management of the Group's and the Company's short, medium and long-term funding and liquidity and cash flow management requirements. The Group and the Company manage liquidity and cash flow risks by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Management is of the view that the Group's and the Company's exposure to liquidity and cash flow risks are minimal as the Group and the Company have sufficient funds to finance its ongoing working capital requirements. The Group and the Company may consider opportunities to obtain additional funds to support its working capital requirements and capital expenditures.

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial Risk Management Objectives and Policies (Cont'd)

(c) Liquidity and cash flow risks management

The Group has credit facilities of approximately RM17,733,000 (2017: RM4,596,000) which is unused at the end of the reporting period. The Group expects to meet its financial obligations from its operating cash flows and proceeds from maturing financial assets.

The maturity profile for the non-derivative financial assets/liabilities of the Group and of the Company at the end of the reporting period based on the undiscounted cash flows of the respective financial assets/liabilities representing the earliest date on which the Group and the Company are entitled to receive/required to pay, is as follows:

The Group 2018	On demand or within one year RM	One year to five years RM	Over five years RM	Total RM
Non-derivative financial assets:				
Amount owing by an associated company	673,390	4,101,947	1,349,808	6,125,145
Trade and other receivables	8,984,425	-	-	8,984,425
Fixed deposits, cash and bank balances	1,559,680	-	-	1,559,680
Total undiscounted non-derivative financial assets	11,217,495	4,101,947	1,349,808	16,669,250
Non-derivative financial liabilities:				
Trade and other payables	38,658,744	2,114,105	71,359	40,844,208
Hire-purchase payables	470,910	1,040,043	-	1,510,953
Borrowings	13,875,541	10,801,501	2,024,217	26,701,259
Total undiscounted non-derivative financial liabilities	53,005,195	13,955,649	2,095,576	69,056,420
Net undiscounted non-derivative financial liabilities	(41,787,700)	(9,853,702)	(745,768)	(52,387,170)

(Forward)

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial Risk Management Objectives and Policies (Cont'd)

(c) Liquidity and cash flow risks management (Cont'd)

The Group 2017	On demand or within one year RM	One year to five years RM	Over five years RM	Total RM
Non-derivative financial assets:				
Amount owing by an associated company	-	1,830,160	2,070,575	3,900,735
Trade and other receivables	17,336,646	-	-	17,336,646
Fixed deposits, cash and bank balances	3,064,402	-	-	3,064,402
Total undiscounted non-derivative financial assets	20,401,048	1,830,160	2,070,575	24,301,783
Non-derivative financial liabilities:				
Trade and other payables	28,219,123	2,079,308	468,779	30,767,210
Hire-purchase payables	440,364	1,181,911	-	1,622,275
Borrowings	14,218,191	13,686,354	3,833,565	31,738,110
Total undiscounted non-derivative financial liabilities	42,877,678	16,947,573	4,302,344	64,127,595
Net undiscounted non-derivative financial liabilities	(22,476,630)	(15,117,413)	(2,231,769)	(39,825,812)

(Forward)

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial Risk Management Objectives and Policies (Cont'd)

(c) Liquidity and cash flow risks management (Cont'd)

The Company 2018	On demand or within one year RM	One year to five years RM	Over five years RM	Total RM
Non-derivative financial assets:				
Trade and other receivables	4,000	-	-	4,000
Amount owing by subsidiary companies	22,215,940	-	-	22,215,940
Amount owing by an associated company	8,424	-	-	8,424
Cash and bank balances	5,606	-	-	5,606
Total undiscounted non-derivative financial assets	22,233,970	-	-	22,233,970
Non-derivative financial liabilities:				
Trade and other payables	432,443	-	-	432,443
Financial guarantee facilities	23,796,161	-	-	23,796,161
Total undiscounted non-derivative financial liabilities	24,228,604	-	-	24,228,604
Net undiscounted non-derivative financial liabilities	(1,994,634)	-	-	(1,994,634)

(Forward)

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial Risk Management Objectives and Policies (Cont'd)

(c) Liquidity and cash flow risks management (Cont'd)

The Company 2017	On demand or within one year RM	One year to five years RM	Over five years RM	Total RM
Non-derivative financial assets:				
Trade and other receivables	3,000	-	-	3,000
Amount owing by subsidiary companies	21,382,591	-	-	21,382,591
Cash and bank balances	10,420	-	-	10,420
Total undiscounted non-derivative financial assets	21,396,011	-	-	21,396,011
Non-derivative financial liabilities:				
Trade and other payables	319,174	-	-	319,174
Financial guarantee facilities	27,482,205	-	-	27,482,205
Total undiscounted non-derivative financial liabilities	27,801,379	-	-	27,801,379
Net undiscounted non-derivative financial liabilities	(6,405,368)	-	-	(6,405,368)

(d) Capital risk management

The Group and the Company manage their capital to ensure the Group and the Company will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debts and equity balance. The Group's and the Company's overall strategy remains unchanged from 2017.

The capital structure of the Group and of the Company consists of net debts and equity of the Group and of the Company.

The debts to equity ratio is calculated as net debts divided by total equity. Net debts is calculated as total borrowings less fixed deposits, cash and bank balances.

(Forward)

30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial Risk Management Objectives and Policies (Cont'd)

(d) Capital risk management (Cont'd)

The debts to equity ratio as at the end of the reporting period were as follows:

		The Group	
		2018	**2017**
	Note	**RM**	**RM**
Hire-purchase payables	26	**1,339,356**	1,418,602
Borrowings	27	**23,796,161**	27,482,205
Less: Fixed deposits, cash and bank balances	22	**(1,528,713)**	(3,035,578)
Net debts		**23,606,804**	25,865,229
Total equity		**43,283,672**	40,580,281
Debts to equity ratio		**0.55**	0.64

Fair Values of Financial Instruments

Financial instruments carried at amortised cost

The carrying amounts of short-term financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of hire-purchase payables, bridging and term loans of the Group are included in Level 2 category of the fair value hierarchy in accordance with FRS 7 Financial Instruments: Disclosure and have been estimated using discounted cash flow analysis based on the current borrowing rates for similar types of hire-purchase, bridging and term loans arrangements. There is no material difference between the carrying amounts and the estimated fair values of hire-purchase payables, bridging and term loans.

31. STATEMENTS OF CASH FLOWS

(a) Purchase of property, plant and equipment

Property, plant and equipment were acquired by the following means:

	The Group	
	2018	**2017**
	RM	**RM**
Cash purchase	**2,602,019**	6,250,524
Other payables	**1,031,460**	-
Hire-purchase financing	**280,000**	932,476
Advance payment for acquisition of property, plant and equipment in previous year	**-**	562,000
	3,913,479	7,745,000

(Forward)

31. STATEMENTS OF CASH FLOWS (Cont'd)

(a) Purchase of property, plant and equipment (Cont'd)

The principal amount of instalment repayments for property, plant and equipment acquired by hire-purchase are reflected as cash outflows from financing activities.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

The Group	Note	Balance as of 1.7.2017 RM	Financing cash flows RM	Proceeds not included in financing activities RM	Balance as of 30.6.2018 RM
Other payable	25	2,760,226	(233,458)	-	2,526,768
Hire-purchase payables	26	1,418,602	(359,246)	280,000	1,339,356
Term loans	27	5,900,606	524,280	-	6,424,886
Bank overdrafts	27	1,178,699	2,722,593	-	3,901,292
Bankers' acceptances	27	4,400,000	(376,000)	-	4,024,000
Bridging loans	27	16,002,900	(6,556,917)	-	9,445,983

(c) Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include fixed deposits, cash on hand and at banks and Housing Development Accounts with licensed banks. Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits with licensed banks	**1,007,051**	977,090	**-**	-
Cash on hand and at banks	**370,512**	1,829,765	**5,606**	10,420
Housing Development Accounts with licensed banks	**151,150**	228,723	**-**	-
	1,528,713	3,035,578	**5,606**	10,420
Less: Fixed deposits pledged	**(1,007,051)**	(977,090)	**-**	-
	521,662	2,058,488	**5,606**	10,420

32. CAPITAL COMMITMENTS

As of June 30, 2018, the Group has the following capital commitment in respect of property, plant and equipment:

	The Group	
	2018	2017
	RM	RM
Approved and contracted for	**53,816**	-
Approved but not contracted for	**564,407**	-
	618,223	-

Statement by Directors

The Directors of **SCANWOLF CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of June 30, 2018 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

DATO' LOO BIN KEONG

DATO' TAN SIN KEAT

Ipoh,
October 24, 2018

Declaration by the Officer

primarily responsible for the financial management of the company

I, **MR. NG CHEE WAI (IC No. 750407-08-5935)**, the officer primarily responsible for the financial management of **SCANWOLF CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MR. NG CHEE WAI (MIA No. CA 23200)

Subscribed and solemnly declared by
the abovenamed **MR. NG CHEE WAI**
at **IPOH** this **24th** day of **October, 2018.**

Before me,

KONG WAI NGEE (A213)
COMMISSIONER FOR OATHS

List of Group's Properties

Item	Location	Description	Usage	Area	Tenure	Age of Buildings (Years)	Net Book Value 30-Jun-18 RM	Date of Valuation	Company Name
1	Title No. HS (D) 44267, Lot P.T. 404, Mukim of Belanja, District of Kinta, State of Perak	Industrial land with two single storey detached factory/ office buildings	Factory	3.7 acres	Lease period expiring on 13/6/2054	21 and 14	7,805,242.50	13 April 2017	Scanwolf Plastic Industries Sdn Bhd
2	Title No. Pajakan Negeri 148201, Lot 192446, Mukim of Belanja, District of Kinta, State of Perak	Industrial land with a single storey detached factory	Factory	3.2 acres	Lease period expired on 2/12/2051	11	3,593,638.41	13 April 2017	Scanwolf Plastic Industries Sdn Bhd
3	Title No. Pajakan Negeri 90115, Lot 195536, Mukim of Belanja, District of Kinta, State of Perak	Industrial land with a single storey detached building	Staff use	2.9 acres	Lease period expiring on 26/5/2052	11	1,210,321.66	13 April 2017	Scanwolf Plastic Industries Sdn Bhd
4	(HSM 1048, P.T. 4528), (HSM 1049, P.T. 4529), (HSM 1050, P.T. 4530), (HSM 1051, P.T. 4531), (HSM 1052, P.T. 4538), (HSM 1053, P.T. 4539), (HSM 1054, P.T. 4540), (HSM 1055, P.T. 4541), (HSM 1059, P.T. 4552), (HSM 1067, P.T. 4583), (HSM 1068, P.T. 4584), (HSM 1069, P.T. 4585), (HSM 1070, P.T. 4586), (HSM 1071, P.T. 4587), (HSM 1072, P.T. 4590), (HSM 1073, P.T. 4591), (HSM 1074, P.T. 4592), (HSM 1075, P.T. 4593), (HSM 1076, P.T. 4594), and (HSM 1077, P.T. 4595) Mukim of Sungai Terap, District of Kinta, State of Perak	20 parcel of vacant detached house lots	Vacant	4,000 sq ft per unit	Lease period expiring on 07/10/2093	N/A	404,288.98	13 April 2017	Scanwolf Plastic Industries Sdn Bhd
5	No. 19, 19A, 19B & 19C, Jalan Pusat Perniagaan Falim 5, Pusat Perniagaan Falim, 30200 Ipoh, Perak	Four storey shop office	Office	185 sq mtr	Freehold	2	2,200,333.43	2 December 2015	Scanwolf Properties Sdn Bhd
6	No. 16, Jalan Utarid U5/16, Bandar Pinggiran Subang, Seksyen U5, Shah Alam, 40150 Selangor	Single storey detached factory with annexed three storey office building	Warehouse	2051 sq mtr	Lease period expiring on 11/12/2096	1	5,675,477.53	28 March 2016	Scanwolf Plastic Industries Sdn Bhd

Analysis of Shareholdings

as at 2 October 2018

Class of Shares	:	Ordinary shares
Voting Rights	:	On a show of hands, 1 vote
	:	On a poll, 1 vote for 1 ordinary share

LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY
(Excluding 780,900 Treasury Shares)

	Number of Shares Held			
Name	**Direct**	**%**	**Deemed**	**%**
CEDRIC WONG KING TI	7,000,000	7.34	-	-
DATO' LOO BIN KEONG	9,723,121	10.19	30,000 *	0.03
YII LONG GING	8,200,000	8.59	-	-
DATO' LAI KOK HENG	6,865,000	7.19	-	-

Note:

* Deemed interested by virtue of shares held by Loo Run Wei (Son)

DIRECTORS' SHAREHOLDINGS IN THE COMPANY
(Excluding 780,900 Treasury Shares)

	Number of Shares Held			
Name	**Direct**	**%**	**Deemed**	**%**
DATO' LOO BIN KEONG	9,723,121	10.19	30,000 *	0.03
DATO' TAN SIN KEAT	3,177,781	3.33	150,000 #	0.16
TEOH TEIK KEAN	467,999	0.49	-	-
ABDUL HAMID BIN ABDUL SHUKOR	2,519,100	2.64	-	-
DATO' IBRAHIM BIN SALEH	-	-	-	-
ONG SING GUAN	-	-	-	-
DATO' ONG BOON AUN @ JAYMES ONG	-	-	-	-

Note:

* Deemed interested by virtue of shares held by Loo Run Wei (Son)
\# Deemed interested by virtue of shares held by Tan Yann Kang (Son)

ANALYSIS BY SIZE OF SHAREHOLDINGS
(Excluding 780,900 Treasury Shares)

Size of shareholdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100 shares	6	0.54	300	0.00
100 to 1,000 shares	233	20.93	189,400	0.20
1,001 to 10,000 shares	428	38.46	2,354,700	2.47
10,001 to 100,000 shares	364	32.70	13,576,600	14.23
100,001 to less than 5% of issued shares	78	7.01	50,523,960	52.94
5% and above of issued shares	4	0.36	28,783,440	30.16
Total	**1,113**	**100.00**	**95,428,400**	**100.00**

Analysis of Shareholdings

as at 2 October 2018

LIST OF THIRTY LARGEST SHAREHOLDERS
(Excluding 780,900 Treasury Shares)

	NAME	NO. OF SHARES HELD	%
1	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YII LONG GING (E-TMI)*	8,200,000	8.59
2	CEDRIC WONG KING TI	7,000,000	7.34
3	LAI KOK HENG	6,865,000	7.19
4	LOO BIN KEONG	6,718,440	7.04
5	TAN SIN KEAT	3,177,781	3.33
6	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOO BIN KEONG*	3,004,681	3.15
7	LAW TEIK SUAT	2,927,700	3.07
8	OW KOK CHEE	2,749,700	2.88
9	PHOON YEE LY	2,550,300	2.67
10	ABDUL HAMID BIN ABDUL SHUKOR	2,519,100	2.64
11	NG CHOI HA	2,361,599	2.47
12	MD.SHAH BIN ABU HASAN	2,059,900	2.16
13	GO WINSTON DY	1,794,000	1.88
14	LOO SOON KOOI	1,682,000	1.76
15	TAN SWEE EAN	1,617,000	1.69
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)*	1,500,000	1.57
17	VINCENT HOOI WY-HON	1,375,300	1.44
18	TAN SWEE EAN	1,319,000	1.38
19	YU WOON GIN	938,000	0.98
20	TAI YEE FONG	857,000	0.90
21	LOO SOON KOOI	800,000	0.84
22	TAN YEAN CHOW	760,000	0.80
23	LEE YUET CHIN	710,000	0.74
24	CHOW YOW CHOY	709,000	0.74
25	TAN AH LIM	700,000	0.73
26	ONG SOI TAT	555,400	0.58
27	TAN GEOK HENG	524,000	0.55
28	OOI LEE PENG	521,700	0.55
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NG GEOK WAH (B BRKLANG-CL)*	519,200	0.54
30	SANTHI NAIR A/P BASKARAN NAIR	515,600	0.54

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PROXY FORM

Scanwolf Corporation Berhad
(Company No.: 740909-T)
(Incorporated in Malaysia)

CDS Account No.

No. of ordinary shares held

*I/We……………………………………………………………NRIC No./Company No. ……………………………………………
(Full Name in Block Letters)

of ……
(Full Address)

being a *Member/Members of Scanwolf Corporation Berhad hereby appoint ………………………………………………
(Full Name in Block Letters)

……………… NRIC No./Company No.…………………………………………………………………………………………… of

……
(Full Address)

or failing him/her, ……………………………………………………… NRIC No./Company No.……………………………………… of
(Full Name in Block Letters)

……… or failing him, the Chairman
(Full Address)

of the meeting as *my/our proxy/proxies to attend and vote for *me/us and on *my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Conference 1, Level 2, WEIL Hotel Ipoh, 292, Jalan Sultan Idris Shah, 30000 Ipoh, Perak on Tuesday, 27 November 2018 at 10:30 am, and at any adjournment thereof to vote as indicated below:

AGENDA

	Receive the Audited Financial Statements for the financial year ended 30 June 2018 and the Reports of the Directors and Auditors thereon		
Resolutions		**For**	**Against**
1	Re-election of Mr Teoh Teik Kean as Director		
2	Re-election of Mr Ong Sing Guan as Director		
3	Re-appointment of Deloitte PLT as Auditors and to authorise the Directors to fix the Auditors' remuneration		
4	Approval of payment of Directors' fees and Directors' benefits for the financial year ended 30 June 2018		
5	Authority under Section 75 and Section 76 of the Companies Act 2016 for the Directors to issue shares		

(Please indicate with an "X" in the spaces provided above to how you wish your vote to be cast. If you do not do so, the proxy may vote or abstain from voting at his/her discretion)

The proportion of *my/our holdings to be represented by *my/our proxies are as follows:

First named Proxy	%
Second named Proxy	%
	100%

In case of a vote taken by a show of hands, the *First named Proxy/Second named Proxy shall vote on *my/our behalf.

As witness my hand this …….. day of ………………… 2018

…………………………………………
Signature of Member(s)/Common Seal

* Strike out whichever is not desired

Contact No. : ____________________

Notes :

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 19 November 2018. Only a depositor whose name appears on the Record of Depositors as at 19 November 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. A member shall not be entitled to appoint more than two proxies to attend at the same meeting. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

3. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A (1) of SICDA.

5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Company's registered office at 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be.

6. All resolutions as set out in this notice of Twelfth Annual General Meeting are to be voted by poll.

FOLD THIS FLAP FOR SEALING

THEN FOLD HERE

AFFIX STAMP

The Company Secretary
SCANWOLF CORPORATION BERHAD (740909-T)
51-13-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Georgetown,
Penang

1st FOLD HERE

Scanwolf Corporation Berhad (740909-T)
(Incorporated in Malaysia under the Companies Act, 1965)

No. 19, 19A, 19B & 19C,
Jalan Pusat Perniagaan Falim 5,
Pusat Perniagaan Falim,
30200, Ipoh, Perak.
Tel: 605 285 0063
Fax: 605 285 0272

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