12.5 Reporting Accountants' letter on the consolidated profit forecast

Shamsir Jasani Grant Thornton

Chartered Accountants

REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST
(Prepared for inclusion in this Prospectus)

Date: 1 June 2007

The Board of Directors
Scanwolf Corporation Berhad
41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak Darul Ridzuan

Dear Sirs,

CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008

SCANWOLF CORPORATION BERHAD ("SCANWOLF" OR "THE COMPANY") AND ITS SUBSIDIARY COMPANIES ("SCANWOLF GROUP")

We have reviewed the consolidated profit forecast of Scanwolf Corporation Berhad ("Scanwolf" or "the Company") and its subsidiary companies, Scanwolf Plastic Industries Sdn. Bhd. ("SPISB") and Scanwolf Building Materials Sdn. Bhd. ("SBMSB") (collectively known as the "Scanwolf Group") for the financial year ending 31 March 2008, as set out in the accompanying statement (stamped by us for identification purposes only), in accordance with the standard applicable to the review of forecasts. The consolidated profit forecast has been prepared for inclusion in this Prospectus for admission to the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") in connection with the Floatation Exercise of the enlarged issued and paid-up share capital of Scanwolf Corporation Berhad which includes the following and should not be relied on for any other purposes:-

(i) **Public Issue**

Public issue of 14,400,000 new ordinary shares ("Scanwolf Shares") at an issue price of RM0.75 per share as follows:-

(i) 6,000,000 new Scanwolf Shares, representing 7.50% of the enlarged issued and paid-up share capital of Scanwolf shall be made available for application of the Malaysian public;

(ii) 4,925,000 new Scanwolf Shares, representing 6.16% of the enlarged issued and paid-up share capital of Scanwolf shall be made by way of private placement to identified investors;

(iii) 975,000 new Scanwolf Shares, representing 1.22% of the enlarged issued and paid-up share capital of Scanwolf reserved for Bumiputra investors, as approved by the Ministry of International Trade and Industry; and

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(i) **Public Issue (cont'd)**

(iv) 2,500,000 new Scanwolf Shares, representing 3.13% of the enlarged issued and paid-up share capital of Scanwolf shall be made available for application by eligible employees of Scanwolf Group and persons who have contributed to the success of Scanwolf Group.

(ii) **Listing and Quotation on the Second Board of Bursa Securities**

Listing of and quotation for the entire enlarged issued and paid-up share capital of Scanwolf of RM40,000,000 comprising 80,000,000 Scanwolf Shares on the Official List of the Second Board of the Bursa Securities.

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast, in all material respects, is properly prepared on the basis of assumptions made by the Directors of Scanwolf Group as set out in the accompanying statement (which we have stamped for the purpose of identification) and are presented on a basis consistent with the accounting policies adopted and disclosed by the Scanwolf Group in the audited financial statements of the respective companies for the financial year ended 31 March 2007. The Directors of Scanwolf Group are solely responsible for the preparation and presentation of the consolidated profit forecast and the assumptions on which the consolidated profit forecast is based.

Forecasts, in this context, mean prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions that management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matters stated in the preceding paragraphs:

(i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors of Scanwolf Group, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and

(ii) in our opinion, the consolidated profit forecast, insofar as the calculations are concerned, are properly prepared on the basis of assumptions made by the Directors of Scanwolf Group and are presented on a basis consistent with the accounting policies adopted and disclosed by Scanwolf Group in the audited financial statements of the respective companies for the financial year ended 31 March 2007.

Shamsir Jasani Grant Thornton

The accompanying forecast and this letter have been prepared solely for inclusion in this Prospectus in connection with the abovementioned transactions. This letter should not be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully,

SHAMSIR JASANI GRANT THORNTON
Firm Number : AF 0737
Chartered Accountants

DATO' N. K. JASANI
Approval Number: 708/03/08(J/PH)
Partner of the Firm

SCANWOLF CORPORATION BERHAD
(Company No. 740909 T)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008

Barring unforeseen circumstances, on the bases and assumptions set out below, the Directors of Scanwolf Group forecast that the consolidated results of Scanwolf Group for the financial year ending 31 March 2008 will be as follows:

Financial Year Ending 31 March 2008	Forecast 2008 RM
Revenue	35,449,016
Gross Profit	12,668,007
Consolidated profit before taxation and before negative goodwill	7,681,680
Add: Negative goodwill	122,377
Consolidated profit before taxation but after negative goodwill	7,804,057
Tax expenses	(718,495)
Consolidated profit after taxation	7,085,562
Less : Pre-acquisition profit (Note)	-
Consolidated profit after taxation	7,085,562
Weighted Average Number of Ordinary Shares of RM0.50 each in issue (Note)	72,527,587
Earnings Per Share (sen)	9.77
Profit Before Tax Margin (%)	22.01
Profit After Tax (before pre-acquisition profit) Margin (%)	19.99
Effective tax rate (%)	9.21
Price earnings multiple based on issue price of RM0.75 per share (times)	7.68

Note: The Acquisition and Rights Issue were completed on 2 April 2007 and 28 May 2007 respectively and on the assumption that the public issue will be completed on 10 July 2007.

The consolidated profit forecast of the Group for the financial year ending 31 March 2008 are compiled based on the profit forecasts of:

(i) Scanwolf;
(ii) SPISB; and
(iii) SBMSB.

Stamped for the purpose of identification on:
01 JUN 2007
Shamsir Jasani Grant Thornton

SCANWOLF CORPORATION BERHAD
(Company No. 740909 T)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PRINCIPAL BASES AND ASSUMPTIONS USED IN THE CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008

The principal bases and assumptions upon which the consolidated profit forecast of the Scanwolf Group has been prepared are as follows:

(i) The consolidated results of Scanwolf was prepared using the acquisition method of accounting.

(ii) The consolidated results of Scanwolf was prepared on the assumption that the acquisitions of SPISB were effected on 2 April 2007.

(iii) There will be no significant changes in the principal activities and the management structure of the Scanwolf Group.

(iv) There will be no major changes in the existing key personnel and management of the Scanwolf Group which will affect the marketing capability and level of activities of the Scanwolf Group.

(v) There will be no material changes in the management, accounting and operating policies currently adopted by the Scanwolf Group.

(vi) The Scanwolf Group's forecast of revenue and related costs are based on forecast of the Directors of Scanwolf Group.

(vii) The existing terms and conditions of contracts and agreements entered into by the Scanwolf Group will remain in force.

(viii) There will be no major breakdown or disruption in the manufacturing facilities, major industrial disputes or any other abnormal factors or causes (including but not limited to power supply interruptions), that will adversely affect the operations of the Scanwolf Group at the forecasted level.

(ix) There will be no major disruption in the supply of raw materials and manpower or any abnormal factors which will adversely affect the production and sales of the Scanwolf Group.

(x) Apart from inflationary increases and the forecasted increase in raw material prices by 13%, there will be no material fluctuations in prices of raw materials, wages, cost of production and other related costs which will adversely affect the performance of the Scanwolf Group other than as forecasted. In the event that there is a material increase in prices of raw materials, Scanwolf Group will be able to pass substantial portion of the increase in costs effectively to the customers in the form of increase in selling prices of its products.

(xi) There will be no material changes in the present legislation or government regulations, including taxation and guidelines of regulatory authorities, which will adversely affect the Scanwolf Group's activities or the markets in which the Scanwolf Group operates.

SCANWOLF CORPORATION BERHAD
(Company No. 740909 T)
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PRINCIPAL BASES AND ASSUMPTIONS USED IN THE CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008 (CONT'D)

The principal bases and assumptions upon which the consolidated profit forecast of the Scanwolf Group has been prepared are as follows:

(xii) There will be no significant changes in the prevailing economic and political environment in Malaysia and in the markets in which the Scanwolf Group operates that will, either directly or indirectly, affect the activities or performance of the Scanwolf Group and the business of the Scanwolf Group's major customers and suppliers.

(xiii) Other than as forecasted, the rates and bases of taxation applicable to the Scanwolf Group, including the tax incentives and Government duties applicable to the Scanwolf Group, will not deviate substantially from their present levels. Tax incentives which the Scanwolf Group has been able to avail to continue.

(xiv) There will be no exceptional occurrences of bad debts or allowance for doubtful debts in excess of the allowance provided for in the consolidated profit forecast.

(xv) There will be no material acquisitions or disposals of property, plant and equipment and investments other than as forecasted. The forecasted capital expenditure will take place as planned.

(xvi) There will be no material write-offs or impairment of property, plant and equipment in the financial year ending 31 March 2008.

(xvii) Inflation rates, interest rates and exchange rates will not change or fluctuate significantly from their present levels.

(xviii) Existing credit facilities will remain available to the Scanwolf Group at prevailing interest rates. The credit facilities with banks are subject to renewal and it is assumed that there will be no change to existing terms and conditions.

(xix) Scanwolf Group will not engage in any material litigation and there will be no legal proceedings against Scanwolf Group which will adversely affect the activities and performance of Scanwolf Group or give rise to any contingent liabilities which will materially affect the financial position and business of Scanwolf Group.

(xx) There will be no significant changes to the existing and future arrangements and collaborations with the existing and identified partners of Scanwolf Group.

(xxi) All existing licenses and permits granted to Scanwolf Group will not be withdrawn and will be renewed by the relevant authorities. All licenses and permits required by Scanwolf Group in respect of future operations will be obtained.

SCANWOLF CORPORATION BERHAD
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PRINCIPAL BASES AND ASSUMPTIONS USED IN THE CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008 (CONT'D)

(xxii) Scanwolf Group's products will not be obsolete and will be enhanced to keep pace with amongst others, emerging client needs, preferences and advance technology. There will not be significant defects, errors, or incidents that would materially affect the business and/or profitability of Scanwolf Group.

(xxiii) The timing and quantum of forecasted income and costs will be generated and incurred as planned.

(xxiv) The clients of Scanwolf Group will fulfill the project requirement and contractual obligation by Scanwolf Group.

SCANWOLF CORPORATION BERHAD
(Company No. 740909 T)
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AND ITS SUBSIDIARY COMPANIES

1. SCANWOLF CORPORATION BERHAD

SPECIFIC BASES AND ASSUMPTIONS USED IN THE PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008

The specific bases and assumptions upon which the consolidated profit forecast has been prepared are as follows:-

(a) **Public Issue**

Public issue of 14,400,000 new Scanwolf Shares at an issue price of RM0.75 per share as follows:

(i) 6,000,000 new Scanwolf Shares, representing 7.50% of the enlarged issued and paid-up share capital of Scanwolf shall be made available for application of the Malaysian public;

(ii) 4,925,000 new Scanwolf Shares, representing 6.16% of the enlarged issued and paid-up share capital of Scanwolf shall be made by way of private placement to identified investors;

(iii) 975,000 new Scanwolf Shares, representing 1.22% of the enlarged issued and paid-up share capital of Scanwolf reserved for Bumiputra investors, as approved by the Ministry of International Trade and Industry; and

(iv) 2,500,000 new Scanwolf Shares, representing 3.13% of the enlarged issued and paid-up share capital of Scanwolf shall be made available for application by eligible employees of Scanwolf Group and persons who have contributed to the success of Scanwolf Group;

(b) **Listing and Quotation on the Second Board of Bursa Securities**

Listing of and quotation for the entire enlarged issued and paid-up share capital of Scanwolf of RM40,000,000 comprising 80,000,000 Scanwolf Shares on the Official List of the Second Board of the Bursa Securities.

SCANWOLF CORPORATION BERHAD
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1. SCANWOLF CORPORATION BERHAD

SPECIFIC BASES AND ASSUMPTIONS USED IN THE PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008 (CONT'D)

The specific bases and assumptions upon which the consolidated profit forecast has been prepared are as follows (cont'd):

(c) The estimated listing expenses of RM2,000,000 will be incurred in relation to the Flotation Scheme and to be paid out from the proceeds of the Rights Issue and Public Issue. The listing expenses will be set off against the Share Premium Account in financial year ending 31 March 2008.

(d) The Scanwolf Group adopts FRS3 Business Combinations which requires all business combinations to be accounted for by applying the purchase method. In accordance with FRS3, if the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree exceeds the cost of combination, the excess is recognised immediately to income statement after reassessing the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination.

(e) The proceeds from the Rights Issue and Public Issue will be utilised in the financial year ending 31 March 2008 are as follows:-

	RM'000
Capital expenditure	6,200
Repayment of bank borrowings	9,500
Working capital	4,076
Defray estimated listing expenses	2,000
	21,776

(f) There will be no dividend paid during the financial year ending 31 March 2008.

For and on behalf of
SCANWOLF CORPORATION BERHAD

LOO BIN KEONG
DIRECTOR

Stamped for the purpose of identification on:
01 JUN 2007
Shamsir Jasani Grant Thornton

SCANWOLF CORPORATION BERHAD
(Company No. 740909 T)
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AND ITS SUBSIDIARY COMPANIES

2. SCANWOLF PLASTIC INDUSTRIES SDN. BHD. ("SPISB")

SPECIFIC BASES AND ASSUMPTIONS USED IN THE PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008 (CONT'D)

(A) **Assumptions for Revenue**

Revenue of SPISB for the financial year ending 31 March 2008 relates to manufacturing and trading of plastic products.

	Forecast 2008 RM
Revenue:	
Export	22,377,648
Local	13,033,428
Total	35,411,076

The sales volume and average selling prices are assumed as follows:

	Forecast 2008 Unit
Sales volume:	
Manufacturing	
Edgeband (Rolls)	
385 x 2MM x 22MM x 100m	227,212
382 x 2MM x 22MM x 100m	152,643
385 x 0.3MM x 22MM x 100m	21,971
Wall Seal (Sets)	21,981
Profile (Pieces)	1,551,058
PVC Compound (Kgs)	352,412
Trading Goods (Pieces)	4,076,042

	Forecast 2008 (RM per unit)
Average selling prices:	
Manufacturing	
Edgeband (Rolls)	
385 x 2MM x 22MM x 100m	64.63
382 x 2MM x 22MM x 100m	49.84
385 x 0.3MM x 22MM x 100m	43.05
Wall Seal (Sets)	36.84
Profile (Pieces)	4.84
PVC Compound (Kgs)	3.31
Trading Goods (Pieces)	0.66

SCANWOLF CORPORATION BERHAD
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2. SCANWOLF PLASTIC INDUSTRIES SDN. BHD. ("SPISB") (CONT'D)

SPECIFIC BASES AND ASSUMPTIONS USED IN THE PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008 (CONT'D)

(B) **Assumptions for Expenditure**

(i) Gross margin is expected to maintain at approximately 36% during the forecast year.

(ii) Cost of PVC resins are expected to increase by 13% per annum during the forecast year.

(iii) Electricity charges for the financial year ending 31 March 2008 are expected to increase in accordance with the production activities during the forecast year.

(iv) Other manufacturing overheads and packing expenses are expected to increase proportionately with the increase in sales volume for the forecast year.

(v) Certain general and administrative are expected to increase at an average rate of 5% per annum during the forecast year.

(vi) Certain sales and marketing expenses are expected to increase in accordance with the increase of sales.

(vii) Inflation rates, interest rates and exchange rates will not change or fluctuate significantly from their present levels.

(viii) The applicable rates and bases of taxation will not deviate substantially from their present levels and chargeable income in the forecast year is subject to income tax at 20% for chargeable income up to RM500,000. For chargeable income in excess of RM500,000, the corporate tax rate of 26% will apply.

(ix) SPISB will be able to claim reinvestment allowance on all qualifying capital expenditure.

(x) There will be no material additional tax assessment or tax penalty imposed by tax authority in relation to prior years tax submission.

SCANWOLF CORPORATION BERHAD
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2. SCANWOLF PLASTIC INDUSTRIES SDN. BHD. ("SPISB") (CONT'D)

SPECIFIC BASES AND ASSUMPTIONS USED IN THE PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008 (CONT'D)

(C) **Assumption for acquisition of property, plant and equipment**

(i) SPISB is expected to acquire property, plant and equipment amounting to RM3,283,699 in the forecast year.

For and on behalf of
SCANWOLF PLASTIC INDUSTRIES SDN. BHD.

LOO BIN KEONG
DIRECTOR

SCANWOLF CORPORATION BERHAD
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AND ITS SUBSIDIARY COMPANIES

3. SCANWOLF BUILDING MATERIALS SDN. BHD. ("SBMSB")

SPECIFIC BASES AND ASSUMPTIONS USED IN THE PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008 (CONT'D)

(A) **Assumptions for Revenue**

Revenue of SBMSB for financial year ending 31 March 2008 relates to trading of building materials and is expected to increase at the rate of 20% in the forecast year as follows:

	Forecast 2008 RM
Revenue:	
Sale of building materials	129,931

(B) **Assumptions for Expenditure**

(i) Gross margin is expected to maintain at approximately 29% during the forecast year.

(ii) Staff costs are expected to increase at the rate of 10% with annual bonus of 1 month during the forecast year.

(iii) Other operating and administrative expenses are expected to increase at an average rate of 5% per annum during the forecast year.

(iv) Inflation rates and interest rates will not change or fluctuate significantly from their present levels.

(v) The rates and bases of taxation applicable to the Company will not deviate substantially from their present levels and chargeable income in forecast year is subject to income tax of 20%.

For and on behalf of
SCANWOLF BUILDING MATERIALS SDN. BHD.

LOO BIN KEONG
DIRECTOR

Stamped for the purpose of identification on:
01 JUN 2007
Shamsir Jasani Grant Thornton

Shamsir Jasani Grant Thornton

Chartered Accountants

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(Prepared for inclusion in this Prospectus)

1 June 2007

The Board of Directors
Scanwolf Corporation Berhad
41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak Darul Ridzuan

Dear Sirs,

PROFORMA CONSOLIDATED FINANCIAL INFORMATION
SCANWOLF CORPORATION BERHAD AND ITS SUBSIDIARY COMPANIES

We have reviewed the presentation of the Proforma Consolidated Financial Information of Scanwolf Corporation Berhad ("Scanwolf" or "the Company") and its subsidiary companies, Scanwolf Plastic Industries Sdn. Bhd. ("SPISB") and Scanwolf Building Materials Sdn. Bhd. ("SBMSB") (collectively known as the "Scanwolf Group") for the past three (3) financial years ended 31 March 2005 to 2007, together with the notes and assumptions thereto, as set out in this Prospectus, which we have stamped for the purpose of identification, in connection with the listing of and quotation for the entire enlarged issued and fully paid-up share capital of Scanwolf Corporation Berhad on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). The proforma consolidated financial information have been prepared for illustrative purposes only on the basis of assumptions as set out below and after making certain adjustments to show that:-

(i) the financial results of Scanwolf Group for the financial years ended 31 March 2005 to 2007 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the years being reported on;

(ii) the financial position of Scanwolf Group as at 31 March 2007 would have been if the group structure as of the date of the Prospectus had been in place on that date, adjusted for the rights issue and public issue; and

(iii) the cash flows of Scanwolf Group for the financial year ended 31 March 2007 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial year ended 31 March 2007.

The Proforma Consolidated Financial Information, because of its nature, may not give a true picture of Scanwolf Group's actual financial results, financial position and cash flows. Further, such information does not support to predict the Group's future financial position, results and cash flows.

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Member of Grant Thornton International

Shamsir Jasani Grant Thornton

It is the sole responsibility of the Directors of Scanwolf Group to prepare the Proforma Consolidated Financial Information in accordance with the requirements of the Prospectus Guidelines in respect of Public Offerings issued by the Securities Commission. Our responsibility is to form an opinion as required by the Prospectus Guidelines on the Proforma Consolidated Financial Information and our report is given to you solely for this, and no other purpose.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Proforma Consolidated Financial Information, nor do we accept responsibility for such reports or opinions beyond that is owned to those to whom those reports or opinions were addressed by us at the date of their issue.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the Proforma Consolidated Financial Information with the audited financial statements, considering the evidence supporting the adjustments and discussing the Proforma Consolidated Financial Information with the Directors of Scanwolf Group.

In our opinion, the Proforma Consolidated Financial Information together with the accompanying notes which are provided solely for illustrative purposes only,

(i) have been properly compiled on the basis of preparation as stated in the notes thereto; such basis is consistent with the accounting policies normally adopted by Scanwolf Group;

(ii) the adjustments are appropriate for the purpose of the Proforma Consolidated Financial Information; and

(iii) the financial statements used in the preparation of the Proforma Consolidated Financial Information were prepared in accordance with applicable Malaysian Accounting Standards Boards ("MASB") approved accounting standards in Malaysia.

This letter is not to be reproduced, referred to in any other document, or used or relied upon for any other purpose without our prior written consent.

Yours faithfully,

SHAMSIR JASANI GRANT THORNTON
NO. AF: 0737
CHARTERED ACCOUNTANTS

DATO' N K JASANI
NO: 708/03/08 (J/PH)
PARTNER OF THE FIRM

Stamped for the purpose of identification on:
01 JUN 2007
Shamsir Jasani Grant Thornton

SCANWOLF CORPORATION BERHAD
(Company No: 740909 T)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

Basis of preparation of Proforma Consolidated Financial Information

1. The Proforma Consolidated Financial Information have been prepared to illustrate that:-

   a) the financial results of Scanwolf Group for the financial years ended 31 March 2005 to 2007 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the years being reported on;

   b) the financial position of Scanwolf Group as at 31 March 2007 would have been if the Group structure as of the date of the Prospectus had been in place on that date; adjusted for the rights issue and public issue; and

   c) the cash flows of Scanwolf Group for the financial year ended 31 March 2007 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial year ended 31 March 2007.

2. The Proforma Consolidated Financial Information have been prepared based on the audited financial statements of Scanwolf and its subsidiary companies for the financial years ended 31 March 2005 to 2007 using the bases and the accounting principles consistent with those adopted in the audited consolidated financial information, after giving effect to the proforma adjustments which is considered appropriate.

3. For illustrative purposes, it was assumed that the acquisition of Scanwolf Plastic Industries Sdn. Bhd. ("SPISB") and its subsidiary company Scanwolf Building Materials Sdn. Bhd. ("SBMSB") (collectively referred to as "Scanwolf Group") which were completed subsequent to the financial year ended 31 March 2007 took place prior to 1 February 2004 in arriving at the proforma consolidated financial results for the financial years ended 31 March 2005 to 2007.

4. The Proforma Consolidated Financial Information have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial results, financial position and cash flows of Scanwolf Group.

5. The statutory audited financial statements of SCB and its subsidiary companies for the financial years ended 31 March 2005 to 2007 were prepared in accordance with applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

SCANWOLF CORPORATION BERHAD
(Company No: 740909 T)
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AND ITS SUBSIDIARY COMPANIES

(i) PROFORMA CONSOLIDATED INCOME STATEMENTS

The proforma consolidated financial results of Scanwolf Group for the past three (3) financial years ended ("FYE") 31 March 2005 to 2007 are provided for illustration purposes based on audited financial statements of SPISB and SBMSB assuming Scanwolf Group has been in existence throughout the financial years under review. Adjustments were made to the proforma consolidated financial results to account for retrospective effects of the acquisition of SPISB and SBMSB which were completed subsequent to 31 March 2007.

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Revenue	22,478	27,251	31,426
Gross profit	7,798	9,940	11,186
Profit before depreciation, amortisation, interest and taxation	5,890	7,990	8,915
Depreciation	(1,220)	(1,586)	(2,060)
Amortisation of goodwill	-	(9)	-
Interest expenses	(401)	(449)	(718)
Profit before taxation but after depreciation and interest	4,269	5,946	6,137
Taxation	(971)	(1,013)	(725)
Profit after taxation ("PAT")	3,298	4,933	5,412
Gross profit margin (%)	34.69	36.48	35.59
Profit before taxation margin (%)	18.99	21.82	19.53
PAT Margin (%)	14.67	18.10	17.22
Number of ordinary shares of RM0.50 each assumed to be issued #	43,648	43,648	43,648
Gross earnings per share ("EPS") (RM)	0.10	0.14	0.14
Net EPS (RM)	0.08	0.11	0.12

NOTES TO THE PROFORMA CONSOLIDATED INCOME STATEMENTS.

1. The Proforma Consolidated Income Statements have been prepared based on the audited financial statements of SPISB and SBMSB for the past three (3) financial years ended 31 March 2005 to 2007.

SCANWOLF CORPORATION BERHAD
(Company No: 740909 T)
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AND ITS SUBSIDIARY COMPANIES

(i) PROFORMA CONSOLIDATED INCOME STATEMENTS (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED INCOME STATEMENTS (CONT'D)

2. There were no exceptional or extraordinary items in all the financial years under review.

3. Scanwolf Group's result have been restated through appropriate consolidation adjustments to eliminate inter-company transactions.

4. The financial results and position of SBMSB for the financial period ended 31 March 2005 are assumed to be same as for the financial year ended 31 March 2005.

As Scanwolf was only incorporated on 13 July 2006, the number of ordinary shares assumed in issue throughout the financial years under review is the number of ordinary shares in issue after acquisition of SPISB i.e. 43,648,156 ordinary shares of RM0.50 each.

SCANWOLF CORPORATION BERHAD
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AND ITS SUBSIDIARY COMPANIES

(ii) PROFORMA CONSOLIDATED BALANCE SHEETS

The Proforma Consolidated Balance Sheets of Scanwolf Group as at 31 March 2007 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Proforma Consolidated Balance Sheets on the assumptions that these transactions were completed on 31 March 2007.

	Company	------------- Proforma Group -------------		
		(Proforma 1)	(Proforma 2)	(Proforma 3)
	As at 31.3.2007 RM	After Share Split and Acquisition of SPISB Group RM	After (Proforma 1) and Rights Issue RM	After (Proforma 2), Public Issue and Utilisation of Proceeds RM
SHARE CAPITAL	2	21,824,078	32,800,000	40,000,000
SHARE PREMIUM	-	-	-	1,600,000
RETAINED EARNINGS	(5,575)	116,802	116,802	116,802
Total shareholders' equity	(5,573)	21,940,880	32,916,802	41,716,802
NON-CURRENT LIABILITIES				
Hire purchase payables	-	1,996,382	1,996,382	-
Borrowings	-	2,351,973	2,351,973	-
Deferred tax liability	-	2,138,228	2,138,228	2,138,228
	(5,573)	28,427,463	39,403,385	43,855,030
Represented by:-				
NON-CURRENT ASSETS				
Goodwill on consolidation	-	34,452	34,452	34,452
Property, plant and equipment	-	27,810,605	27,810,605	28,010,605
Investment property	-	800,000	800,000	800,000
Total non-current assets	-	28,645,057	28,645,057	28,845,057
CURRENT ASSETS				
Inventories	-	8,301,723	8,301,723	8,301,723
Trade and other receivables	-	10,745,577	10,745,577	10,745,577
Current tax assets	-	349,092	349,092	349,092
Cash and bank balances	2	1,884,616	12,860,538	11,960,538
Total current assets	2	21,281,008	32,256,930	31,356,930

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SCANWOLF CORPORATION BERHAD
(Company No: 740909 T)
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(ii) PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

	Company	-------------- Proforma Group --------------		
		(Proforma 1)	(Proforma 2)	(Proforma 3)
	As at 31.3.2007 RM	After Share Split and Acquisition of SPISB Group RM	After (Proforma 1) and Rights Issue RM	After (Proforma 2), Public Issue and Utilisation of Proceeds RM
CURRENT LIABILITIES				
Trade and other payables	5,575	3,626,636	3,626,636	3,626,636
Amount owing to Directors	-	1,942,453	1,942,453	1,942,453
Hire purchase payables	-	1,102,440	1,102,440	-
Borrowings	-	9,413,783	14,827,073	10,777,868
Dividend payable	-	5,413,290	-	-
Total current liabilities	5,575	21,498,602	21,498,602	16,346,957
NET CURRENT (LIABILITIES)/ASSETS	(5,573)	(217,594)	10,758,328	15,009,973
	(5,573)	28,427,463	39,403,385	43,855,030
NO. OF ORDINARY SHARES ISSUED (UNITS)	4	43,648,156	65,600,000	80,000,000
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM0.50 EACH (RM)	(1,393.25)	0.50	0.50	0.52

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(ii) PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

NOTES TO PROFORMA CONSOLIDATED BALANCE SHEETS

1. BASIS OF PREPARATION

The Proforma Consolidated Balance Sheets have been prepared based on the balance sheet of Scanwolf, SPISB and SBMSB as at 31 March 2007 to show the effects as set out in Note 2 on the assumption that these transactions have been completed on 31 March 2007. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes based on accounting principles and bases consistent with those that have been adopted by Scanwolf and its subsidiary companies in the preparation of their respective audited financial statements.

2. PROFORMA CONSOLIDATED BALANCE SHEETS

The Proforma Consolidated Balance Sheets together with notes thereon, have been prepared by aggregating all the financial information in the abovementioned balance sheets after providing for such adjustments necessary to incorporate the following:

Proforma 1

Proforma 1 incorporates the effects of the Share Split to subdivide the existing par value of Scanwolf's share from RM1.00 to RM0.50 per share and the acquisition by Scanwolf of the entire issued and fully paid-up share capital of SPISB (including its wholly-owned subsidiary company, SBMSB) comprising 2,300,000 ordinary shares of RM1.00 each for a total purchase consideration of RM21,824,076. The aforesaid acquisitions have been consolidated using the acquisition method based on the audited balance sheets of SPISB and SBMSB as at 31 March 2007.

A pre-acquisition dividend distribution of RM5,413,290 by SPISB to its respective shareholders prior to the Acquisition has been declared out of the earnings generated from 1 April 2006 to 31 March 2007 as the acquisition of Scanwolf Plastic Industries Sdn. Bhd. and Scanwolf Building Materials Sdn. Bhd. have been completed on 2 April 2007.

Proforma 2

Proforma 2 incorporates the effects of Proforma 1 and the Proposed Rights Issue of 21,951,844 new Scanwolf Shares at the issue price of RM0.50 per share, on the basis of 2,749 new Scanwolf Shares for every 5,466 existing shares held subsequent to the Acquisition.

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(ii) PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

NOTES TO PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

2. PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

Proforma 3

Proforma 3 incorporates the effects of Proforma 2 and the effects of the Public Issue of 14,400,000 new Scanwolf Shares at the issue price of RM0.75 per share and the utilisation of the proceeds from the Rights Issue and Public Issues as follows:

	RM
Capital expenditure *	6,200,000
Repayment of borrowings	9,500,000
Working capital	4,075,922
Estimated listing expenses	2,000,000
	21,775,922

The estimated listing expenses of RM2,000,000 will be set off against share premium account.

* Approximately RM6.0 million of capital expenditure have been purchased through internal generated fund. The amount of internal generated funds used to purchase the above capital expenditure would be replenished using the proceeds from the Rights Issue and Public Issue. Thus, additional RM200,000 will be incurred to purchase above capital expenditure.

3. ISSUED CAPITAL AND RESERVES

The movements in the issued and paid-up share capital and reserves of Scanwolf are as follows:

	Share Capital RM	Share Premium RM	Total RM
At date of incorporation	2	-	2
Acquisition of SPISB and its wholly-owned subsidiary company, SBMSB	21,824,076	-	21,824,076
Proforma 1	**21,824,078**	-	**21,824,078**
Rights Issue	10,975,922	-	10,975,922
Proforma 2	**32,800,000**	-	**32,800,000**
Public Issue	7,200,000	3,600,000	10,800,000
Estimated listing expenses	-	(2,000,000)	(2,000,000)
Proforma 3	**40,000,000**	**1,600,000**	**41,600,000**

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(iii) STATEMENT OF ASSETS AND LIABILITIES

The following is a statement of assets and liabilities of Scanwolf Group prepared based on the audited financial statements of Scanwolf, SPISB and SBMSB as at 31 March 2007.

The statement of assets and liabilities is prepared for illustrative purpose only, to shown the effect of all the transactions stated in Note 3. The statement should be read in conjunction with the notes thereto.

	Note	Proforma Group RM
NON-CURRENT ASSETS		
Goodwill on consolidation	4	34,452
Property, plant and equipment	5	28,010,605
Investment property	6	800,000
Total non-current assets		28,845,057
CURRENT ASSETS		
Inventories	7	8,301,723
Trade and other receivables	8	10,745,577
Current tax assets		349,092
Cash and bank balances	9	11,960,538
Total current assets		31,356,930
CURRENT LIABILITIES		
Trade and other payables	10	3,626,636
Amount owing to Directors	11	1,942,453
Borrowings	12	10,777,868
Total current liabilities		16,346,957
NET CURRENT ASSETS		15,009,973
		43,855,030
SHARE CAPITAL	13	40,000,000
SHARE PREMIUM	14	1,600,000
RETAINED EARNINGS		116,802
SHAREHOLDERS' FUNDS		41,716,802
NON-CURRENT LIABILITIES		
Deferred tax liabilities	15	2,138,228
		43,855,030

SCANWOLF CORPORATION BERHAD
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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS")

The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act, 1965 and in compliance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

During the financial year, the Group adopted all of the new and revised Standards and Interpretations issued by MASB that are relevant to their operations and effective for accounting periods beginning on or after 1 January 2006. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the accounting policies of the Group except as follows:

(a) FRS 3 : Business Combination

The adoption of this FRS has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 5 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. Based on the transitional provisions of FRS 3, the Group is required to eliminate at 1 April 2006 the carrying amount of the accumulated amortisation of RM8,613 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 April 2006 of RM34,452 ceased to be amortised.

(b) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current year's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current year's presentation.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS") (CONT'D)

(c) FRS 140 : Investment Property

FRS 140 requires land and/or buildings (completed properties) held to earn rental and/or for capital appreciation to be accounted for as Investment Property. The Group has reclassified such properties which were previously presented as part of Property, Plant and Equipment to Investment Property during the financial year. The investment property is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

At the date of authorisation of these reports for issue, the following Standards and Interpretations were issued but were not yet adopted by the Group:

Standards/IC Interpretation (Int.)	Title	Effective for annual periods beginning on or after
FRS 6	Exploration for and Evaluation of Mineral Resources	January 1, 2007
FRS 117	Leases	October 1, 2006
FRS 124	Related Party Disclosures	October 1, 2006
Amendments to FRS 119_{2004}	Actuarial Gains and Losses, Group Plans and Disclosures	January 1, 2007
Amendments to FRS 121	Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	July 1, 2007
Int. 1	Changes in Existing Decommissioning, Restoration & Similar Liabilities	July 1, 2007
Int. 2	Members' Shares in Co-operative Entities & Similar Instruments	July 1, 2007
Int. 5	Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds	July 1, 2007
Int. 6	Liabilities arising from Participating in a Specific Market – Waste Electrical & Electronic Equipment	July 1, 2007
Int. 7	Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies	July 1, 2007
Int. 8	Scope of IFRS 2	July 1, 2007

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS") (CONT'D)

FRS 117 : Leases

The adoption of the revised FRS 117 will result in retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for entering into the leasehold represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Leasehold land is currently classified as property, plant and equipment and is stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117, the unamortised revalued amount of leasehold land will be retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of the revised FRS 117. The reclassification of leasehold land as prepaid lease payments will be accounted for retrospectively.

Other than as disclosed above, the directors anticipate that the adoption of FRS 117 in the financial year ending 31 March 2008 will have no material impact on the financial statements of the Group.

FRS 124 : Related Party Transactions

The directors anticipate that the adoption of FRS 124 in the financial year ending 31 March 2008 will have no material impact on the financial statements of the Group.

MASB has also issued FRS 139, Financial Instruments: Recognition and Measurement but has yet to announce the effective date of this standard. The Group has not early adopted FRS 139 and by virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on their financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to 31 March 2007.

A subsidiary company is a company where the Group has control over the financial and operating policies of the subsidiary so as to obtain benefits therefrom. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than one half of the voting rights of the subsidiary.

The results of subsidiary companies acquired or disposed off during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, and resulting unrealised gains are eliminated in full on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination stated at the minority's proportion of the net fair value of the assets, liabilities, and contingent liabilities recognised and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business Combinations

Acquisitions of subsidiaries and businesses 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.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (cont'd)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable net of sales 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.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (cont'd)

Rental income

Rental income is accrued on a time apportion basis, by reference to the agreement entered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Foreign Currencies

The financial statements of the Group are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Group operates (its functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency are initially recorded in Ringgit Malaysia at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are initially 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 period in which they arise.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is recognised directly in equity.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the year in which they are incurred.

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 the income statement 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 liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on 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, and are accounted for using the balance sheet liability approach. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 carrying amount of deferred tax assets is reviewed at each balance sheet date 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.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax (cont'd)

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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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 intends 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 credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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. 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 is required by law to make monthly contributions to the Employees' Provident Fund ("EPF"), a statutory defined contribution plan, for all its eligible employees based on certain prescribed rates of the employees' salaries. The Group'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.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment

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

Land and buildings stated at valuation are revalued at regular intervals of at least once in every five years by the directors based on the valuation reports of independent professional valuers using the "open market value on existing use" basis with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued assets differ materially from the market value.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in carrying amount is charged to income statement. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to income statement to the extent that it offsets the previously recorded decrease. On disposal of revalued assets, the amounts in revaluation reserve account relating to the assets disposed are transferred to retain earnings.

Depreciation is charged so as to write off the cost of assets, other than capital work-in-progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Capital work-in-progress are stated at cost and are not depreciated. Capital work-in-progress comprises contractors' payments and directly attributable costs incurred in preparing these assets for their intended use. Depreciation on assets under construction commences when the assets concerned are ready for their intended use.

Leasehold land is amortised over the remaining lease terms ranging from 45 to 87 years.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (cont'd)

Annual depreciation rates used to depreciate other property, plant and equipment over their estimated remaining useful lives are as follows:-

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

Upon the disposal or retirement of an item of property, plant and equipment, the difference between the sale proceeds and the carrying amount of the asset is recognised as the profit or loss.

Property, Plant and Equipment under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the profit or loss to give a constant periodic rate of interest on the hire-purchase liabilities.

Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its costs, subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

Investment in Subsidiary Company

Investment in subsidiary company, which is eliminated on consolidation, is stated in the Group's financial statements at cost less accumulated impairment losses, if any.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill

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

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 the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the 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. An impairment loss is recognised immediately in the consolidated profit or loss and any impairment loss recognised for goodwill is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of Assets Excluding Goodwill

At each balance sheet date, the Group review the carrying amounts of their assets 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 estimates 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 its 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Assets Excluding Goodwill (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

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, spare parts and goods-in-transit 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. Net realisable value represents the estimated selling price for inventories and all estimated costs to completion and costs necessary to make the sale.

Receivables

Receivables are reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Cash Flow Statements

The Group adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, 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.

Key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets in the next financial year include the recoverability of receivables and the recoverable amount of goodwill.

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3. FLOTATION EXERCISE

As an integral part of the listing and quotation for the entire enlarged issued and paid-up share capital of Scanwolf, the Scanwolf Group undertook the flotation exercise that was approved by the Securities Commission ("SC") on 30 January 2007. The flotation exercise involves the following:-

(i) **Revaluation of Landed Properties**

Revaluation of all the landed properties in SPISB and the incorporation of the revaluation surplus into SPISB's Books.

(ii) **Dividend Payment**

Declaration and dividend distribution by SPISB to its shareholders prior to the Acquisition (as defined herein) out of the earnings generated from 1 April 2006 to a date prior to the completion of the Acquisition.

The dividend was paid on 25 May 2007.

(iii) **Share Split**

Share split to subdivide the existing par value of the Company's ordinary shares from RM1.00 per share to RM0.50 per share.

The above share split was completed on 12 March 2007.

(iv) **Acquisition**

Acquisition by Scanwolf of the entire issued and fully paid-up share capital of SPISB comprising 2,300,000 ordinary shares of RM1.00 each for a total purchase consideration of RM21,824,076 satisfied wholly by the issuance of 43,648,152 new ordinary shares of RM0.50 each in Scanwolf ("Scanwolf Shares") at par.

The above acquisition was completed on 2 April 2007.

(v) **Transfer of Subscribers' Shares**

Transfer of all 4 ordinary subscribers' shares in Scanwolf to Mr. Loo Bin Keong for a cash consideration of RM2.00.

The above transfer of subscribers' share was completed on 2 April 2007.

(vi) **Rights Issue**

Rights issue of 21,951,844 new Scanwolf Shares at the issue price of RM0.50 per share, on the basis of approximately 2,749 new Scanwolf Shares for every 5,466 existing shares held subsequent to the Transfer of Subscribers' Shares.

The above Rights Issue was completed on 28 May 2007.

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3. FLOTATION EXERCISE (CONT'D)

(vii) **Public Issue**

Public issue of 14,400,000 new Scanwolf Shares at issue price of RM0.75 per share as follows:-

(i) 6,000,000 new Scanwolf Shares, representing 7.50% of the enlarged issued and paid-up share capital of Scanwolf shall be made available for application of the Malaysian public;

(ii) 4,925,000 new Scanwolf Shares, representing 6.16% of the enlarged issued and paid-up share capital of Scanwolf shall be made by way of private placement to identified investors;

(iii) 975,000 new Scanwolf Shares, representing 1.22% of the enlarged issued and paid-up share capital of Scanwolf reserved for Bumiputra investors, as approved by the Ministry of International Trade and Industry; and

(iv) 2,500,000 new Scanwolf Shares, representing 3.13% of the enlarged issued and paid-up share capital of Scanwolf shall be made available for application by eligible employees of Scanwolf Group and persons who have contributed to the success of Scanwolf Group.

(viii) **Listing and Quotation on the Second Board of Bursa Securities**

In conjunction with the Public Issue, Scanwolf seeks the admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of Scanwolf of RM40,000,000 comprising 80,000,000 Scanwolf Shares on the Official List of the Second Board of the Bursa Securities.

The gross proceeds arising from the Rights Issue and Public Issue amounting to RM21,775,922 are expected to be fully utilised for the core business of Scanwolf Group in the following manner:-

	RM
Capital expenditure *	6,200,000
Repayment of borrowings	9,500,000
Working capital	4,075,922
Estimated listing expenses	2,000,000
	21,775,922

The listing expenses of RM2,000,000 will be set offer against share premium account.

* Approximately RM6.0 million of capital expenditure have been purchased through internal generated fund. The amount of internal generated funds used to purchase the above capital expenditure would be replenished using the proceeds from the Rights Issue and Public Issue. Thus, additional RM200,000 will be incurred to purchase above capital expenditure. Refer to Note 5 for additions in Property, Plant and Equipment.

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4. GOODWILL ON CONSOLIDATION

	Proforma Group RM
Goodwill arising from acquisition of business acquisition	34,452

Impairment tests for cash-generating units ("CGU") containing goodwill

The Group considers the subsidiary company as a single CGU and the carrying amount of goodwill is allocated to the subsidiary company.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on a financial forecast, approved by management, covering a period 5 years from financial year 2008 to 2013. The following key assumptions are used to generate the financial forecast:-

Sales volume growth rate	10% per annum
Discount rate	7.55%

The above key assumptions were determined based on business past performance and management's expectations on market development.

5. PROPERTY, PLANT AND EQUIPMENT

	← Cost or valuation		→	Accumulated depreciation	Net carrying value
Proforma Group	**Additions through acquisition of subsidiary companies RM**	**Additions (Note 3*) RM**	**Carried forward RM**	**Additions through acquisition of subsidiary companies/ Carried forward RM**	**RM**
At valuation:					
Long-term leasehold land	300,000	-	300,000	4,085	295,915
Short-term leasehold land	2,280,000	-	2,280,000	46,381	2,233,619
Factory buildings	8,190,000	-	8,190,000	133,957	8,056,043
At cost:					
Factory buildings	173,336	-	173,336	1,930	171,406
Plant and machinery	13,105,083	200,000	13,305,183	5,746,729	7,558,354
Plant and machinery under hire-purchase	3,243,419	-	3,243,419	460,471	2,782,948
Moulds	2,586,082	-	2,586,082	1,567,836	1,018,246
Motor vehicles	1,574,158	-	1,574,158	1,408,728	165,430
Motor vehicles under hire-purchase	1,257,923	-	1,257,923	387,742	870,181
Office equipment	136,010	-	136,010	68,216	67,794
Computers	235,348	-	235,348	166,828	68,520
Furniture, fixtures and fittings	232,546	-	232,546	154,949	77,597

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5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	← *Cost or valuation (cont'd)*		→	*Accumulated depreciation (cont'd)*	*Net carrying value (cont'd)*
Proforma Group	**Additions through acquisition of subsidiary companies RM**	**Additions (Note 3*) RM**	**Carried forward RM**	**Additions through acquisition of subsidiary companies/ Carried forward RM**	**RM**
Tools and equipment	431,533	-	431,533	159,261	272,272
Electrical installation	365,218	-	365,218	157,822	207,396
Air-conditioners	160,775	-	160,775	116,612	44,163
Signboard	16,294	-	16,294	10,616	5,678
Renovation	30,537	-	30,537	10,661	19,876
Capital work-in-progress	4,095,167	-	4,095,167	-	4,095,167
Total	38,413,429	200,000	38,163,429	10,602,824	28,010,605

Leasehold land and buildings of the Scanwolf Group with total carrying value of RM10,756,983 are pledged to certain local licensed banks for facilities granted to the Scanwolf Group as mentioned in Note 12.

The leasehold land and buildings of the subsidiary companies were revalued by the Directors on 12 September 2006 based on valuations carried out by Mr. Thoo Sing Choon, a registered valuer of Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers, using the "Open Market Value on Existing Use" basis. The resulting net revaluation surplus amounting to RM1,482,638 (net of deferred tax of RM520,927) has been credited to revaluation reserve account.

Included in property, plant and equipment of the Scanwolf Group are fully depreciated assets which are still in used with costs as follows:

	Proforma Group RM
Plant and machinery	3,962,970
Moulds	1,051,172
Motor vehicles	1,141,973
Office equipment	44,574
Computers	121,581
Furniture, fixtures and fittings	3,463
Tools and equipment	65,268
Electrical installation	49,407
Air-conditioners	103,380
Signboard	9,270
Total	6,553,058

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6. INVESTMENT PROPERTY

	Proforma Group RM
At fair value:-	
Addition through acquisition of subsidiary companies/Carried forward	800,000

The fair value of the investment property as at 31 March 2007 has been arrived at on the basis of a valuation carried out on 13 September 2006 by Mr. Subramaniam A/L Arumugam, registered valuers of Colliers Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the "Open Market Value on Existing Use" basis.

The investment property has been pledged to a licensed bank for banking facilities granted to the Group as disclosed in Note 12.

7. INVENTORIES

	Profoma Group RM
At cost:-	
Finished goods	3,878,778
Raw materials	2,344,561
Work-in-progress	1,679,325
Goods-in-transit	333,262
Packing materials and spare parts	65,797
	8,301,723

The cost of inventories recognised as an expense during the financial year was RM20,240,159.

8. TRADE AND OTHER RECEIVABLES

	Proforma Group RM
Trade receivables	9,246,877
Less:- Allowance for doubtful debts	(73,000)
	9,173,877
Other receivables	1,111,218
Advance payment for acquisition of plant and machinery	188,694
Refundable deposits	142,598
Refundable deposits	129,190
	10,745,577

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8. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables comprise amounts receivable from the sale of goods. The credit terms granted on sale of goods ranged from 30 days to 120 days. An allowance has been made for estimated irrecoverable amounts of trade receivables of RM73,000 based on the default experience of the Group.

Other receivables comprise mainly advances granted to employees, advance payments to suppliers for purchase of raw materials and expenses paid on behalf, which are unsecured and interest-free.

The currency profile of trade receivables is as follows:-

	Proforma Group RM
Ringgit Malaysia	4,447,930
United States Dollar	4,368,270
Dirham	234,253
Singapore Dollar	196,424
	9,246,877

9. CASH AND BANK BALANCES

	Proforma Group RM
Cash and bank balances	11,960,538

10. TRADE AND OTHER PAYABLES

	Proforma Group RM
Trade payables	2,064,453
Other payables	1,158,401
Accrued expenses	390,232
Deposits received	13,550
	3,626,636

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The credit terms granted to the Group for trade purchases ranged from 30 days to 120 days.

The amounts owing to other payables are unsecured and interest free.

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11. AMOUNT OWING TO DIRECTORS

The amount owing to Directors represent unsecured and interest free advances. The amount owing is repayable on demand and has therefore be classified as current liabilities.

12. BORROWINGS

	Proforma Group RM
Secured:	
Bank overdrafts	5,413,290
Bankers' acceptances	5,364,578
	10,777,868
Amount due within 12 months (shown under current liabilities)	10,777,868

The Group's bank overdrafts and other banking facilities with licensed banks amounting to RM12,690,000 are secured by land and buildings of the Group. These facilities are also guaranteed by the Directors jointly and severally.

The average effective interest rates are as follows:

	Proforma Group %
Bank overdrafts (per annum)	7.55
Bankers' acceptances (per annum)	4.65

13. SHARE CAPITAL

	Proforma Group RM
Issued and fully paid:-	
At date of incorporation	2
Issued pursuant to the acquisition of SPISB	21,824,076
Issued pursuant to the Rights Issue	10,975,922
To be issued pursuant to Public Issue	7,200,000
	40,000,000

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14. SHARE PREMIUM

Share premium of the Scanwolf Group arose from the following:

	Proforma Group RM
14,400,000 shares of RM0.50 each issued pursuant to the Public Issue at an issue price of RM0.75 per share	3,600,000
Less: Estimated listing expenses	(2,000,000)
	1,600,000

15. DEFERRED TAX LIABILITIES

	Proforma Group RM
Addition through acquisition of subsidiary companies/Carried forward	2,138,228

The deferred tax liabilities are in respect of the following:

	Proforma Group RM
Tax effects of temporary differences arising from:	
Property, plant and equipment	1,348,000
Revaluation surplus on leasehold land and building	790,228
	2,138,228

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

16. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group's principal objective is to minimise their exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Foreign currency risk

The Group is exposed to currency risk as a result of its trade and non-trade activities where the currency base differs from the local currency, Ringgit Malaysia ("RM"). The management do not consider the Group's exposure to foreign exchange risk as of 31 March 2007.

Interest rate risk

The Group finances its operations by a mixture of internal funds and bank and other borrowings. The Group regularly reviews the interest rate profile of borrowings against prevailing and anticipated market rates. The repayment and maturity profiles of borrowings are structured after taking into consideration the cash inflows expected to be generated from the underlying assets or operations and the economic life of the assets or operations being financed.

The Group's policy is to borrow both on the fixed and floating rate basis. The objective for the mix between fixed and floating rate borrowings is set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Credit risk

The Group's exposure to credit risk is mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history. A credit committee is also formed by the Group to monitor credit controls of the Group through monthly meetings.

Liquidity and cash flow risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

16. FINANCIAL INSTRUMENTS (CONT'D)

Financial Assets

The Group's principal financial assets are fixed deposits, cash and bank balances, trade and other receivables and amount owing by directors.

The accounting policies applicable to the major financial assets are as disclosed in Note 2.

Financial Liabilities

The Group's principal financial liabilities are trade and other payables, bank borrowings and amount owing to Directors.

Bank borrowings are recorded at proceeds received net of direct issue costs. Finance charges are accounted for on accrual basis.

Fair Values

The Directors consider that the carrying amounts of short-term financial assets and financial liabilities as reported in the balance sheet approximate their fair values due to the short-term maturities of these instruments.

The fair values of term loans are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

17. CAPITAL COMMITMENT

As at 31 March 2007, the Group has the following capital expenditure in respect of property, plant and equipment:

	Proforma Group RM
Capital expenditure approved and contracted for	1,697,310

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18. PROFORMA NET TANGIBLE ASSETS PER ORDINARY SHARE (CONT'D)

Based on the proforma group statement of assets and liabilities of the Scanwolf Group as at 31 March 2007, the proforma net tangible assets ("NTA") per ordinary share is calculated as follows:

	Proforma Group
NTA as per proforma group statement of asset and liabilities (RM)	41,682,350
Total number of fully issued and paid-up ordinary shares of RM0.50 each	80,000,000
NTA per ordinary shares of RM0.50 each (RM)	0.52

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(iv) PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The following in the proforma consolidated cash flow statement of Scanwolf Group prepared for illustrative purposes based on the audited financial statements of Scanwolf, SPISB and SBMSB as at 31 March 2007 assuming that Scanwolf Group has been existence throughout the financial period under review.

Period ended	31.3.2007 RM
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	6,137,244
Adjustments for:	
Depreciation of property, plant and equipment	2,060,325
Finance costs	770,585
Revaluation deficit of property, plant and equipment	223,263
Tax penalty	117,742
Change in fair value of investment property	(115,435)
Gain on disposal of property, plant and equipment	(4,046)
Investment revenue	(68,885)
	9,120,793
Movements in working capital:-	
(Increase)/Decrease in:-	
Inventories	(2,095,561)
Trade and other receivables	(263,291)
Increase in:	
Trade and other payables	500,728
Cash generated from operations	7,262,669
Income tax paid	(2,170,365)
Tax penalty paid	(88,742)
Net cash generated from operating activities	5,003,562

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(iv) PROFORMA CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

Period ended	Note	31.3.2007 RM
CASH FLOW FROM INVESTING ACTIVITIES		
Rental received		54,500
Purchase of property, plant and equipment	A	(8,105,402)
Proceeds from disposal of property, plant and equipment		78,000
Withdrawal of fixed deposit		1,253,805
Interest received from fixed and short-term deposits		14,385
Net cash used in investing activities		(6,704,712)
CASH FLOW FROM FINANCING ACTIVITIES		
Advance from directors – Net		2,016,889
Proceeds from bankers' acceptance		2,157,000
Repayment of hire-purchase payables		(1,027,313)
Proceeds from term loans		2,000,000
Repayment of term loans		(334,123)
Finance costs paid		(759,705)
Net cash generated from financing activities		4,052,748
Net increase in cash and cash equivalents		2,351,598
Brought forward		(1,256,533)
Carried forward	B	1,095,065

NOTES TO THE PROFORMA CONSOLIDATED CASH FLOW STATEMENT

A. Purchase of property, plant and equipment

Property, plant and equipment were acquired by the following means:

Period ended	31.3.2007 RM
Cash purchase	8,105,402
Hire-purchase	1,392,923
	9,498,325

The principal amount of instalment repayments for property, plant and equipment acquired by hire-purchase are reflected as cash outflows from financing activities.

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(iv) PROFORMA CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the proforma consolidated cash flow statement comprise the following balance sheet amounts:-

Period ended	31.3.2007 RM
Cash and bank balances	1,884,616
Bank overdrafts	(789,551)
	1,095,065

C. The Proforma Consolidated Cash Flow Statement has been prepared based on accounting principles and basis consistent with those normally adopted in the preparation of audited financial statements of Scanwolf Group.