



SCANWOLF CORPORATION BERHAD (740909-T)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 31 DECEMBER 2019**

21 FEBRUARY 2020



Scanwolf Corporation Berhad (Company no: 740909-T)
Condensed Consolidated Statement of Comprehensive Income
For the second quarter ended 31 December 2019
(The figures have not been audited)

	Individual Quarter 6 months ended 31 December		Cumulative Quarter 6 months ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	9,999	13,130	19,492	23,971
Other operating income	-	53	13,002	252
Operating expenses	(14,555)	(13,541)	(25,409)	(25,296)
Depreciation & amortisation	(827)	(397)	(1,666)	(809)
Results from operating activities	(5,383)	(755)	5,419	(1,882)
Finance costs	(803)	(561)	(1,251)	(1,001)
Share of result in an associate, net of tax	-	-	-	(129)
(Loss)/Profit before taxation	(6,186)	(1,316)	4,168	(3,012)
Taxation	11	22	26	22
(Loss)/Profit for the year & total comprehensive (loss)/income attributed to the Company	(6,175)	(1,294)	4,194	(2,990)
Earnings per share attributable to equity holder of the Company:				
(Loss)/Profit per share (sen)	(6.47)	(1.34)	4.39	(3.11)

Note:

The unaudited condensed statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the Interim Financial Report.



Scanwolf Corporation Berhad (Company no: 740909-T)
Condensed Consolidated Statement of Financial Position
As at 31 December 2019
(The figures have not been audited)

	As at 31 December 2019 RM'000	(Audited) As at 30 June 2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	45,473	28,565
Other receivable	-	7,809
Deferred tax assets	1,483	1,483
Inventories	8,731	10,176
Total non-current assets	55,687	48,033
Current assets		
Inventories	55,200	57,016
Contract assets	288	425
Trade and other receivables	5,892	7,989
Current tax assets	15	15
Fixed deposit, cash and bank balances	895	1,057
Total current assets	62,290	66,502
TOTAL ASSETS	117,977	114,535
EQUITY AND LIABILITIES		
Share capital	49,056	49,056
Treasury shares	(307)	(307)
Reserves	(8,530)	(12,724)
Total Equity	40,219	36,025
Non-current liabilities		
Other payables	11,388	1,063
Hire-purchase payables	910	1,169
Borrowings	5,479	5,891
Deferred tax liabilities	1,571	1,597
Total non-current liabilities	19,348	9,720
Current liabilities		
Trade and other payables	33,535	44,130
Hire-purchase payables	510	524
Current tax liabilities	534	582
Borrowings	23,831	23,554
Total current liabilities	58,410	68,790
Total Liabilities	77,758	78,510
TOTAL EQUITY AND LIABILITIES	117,977	114,535
Net Assets per share (RM)	0.42	0.38

Note:

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the Interim Financial Report.



Scanwolf Corporation Berhad (Company no: 740909-T)
 Condensed Consolidated Statement of Changes in Equity
 For the second quarter ended 31 December 2019
 (The figures have not been audited)

	Share Capital RM'000	Treasury Shares RM'000	Non-distributable		Distributable	Total RM'000
			Reverse Acquisition Reserve RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	
As at 30 June 2019	49,056	(307)	(19,524)	4,717	2,083	36,025
Profit/Total comprehensive income for the period	-	-	-	-	10,369	10,369
As at 30 September 2019	49,056	(307)	(19,524)	4,717	12,452	46,394
Loss/Total comprehensive loss for the period	-	-	-	-	(6,175)	(6,175)
As at 31 December 2019	49,056	(307)	(19,524)	4,717	6,277	40,219

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the Interim Financial Report.



Scanwolf Corporation Berhad (Company no: 740909-T)
Condensed Consolidated Statement of Cash Flows
For the second quarter ended 31 December 2019
(The figures have not been audited)

	Cumulative	
	6 months ended December	
Note	2019	2018
	RM'000	RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Profit/(Loss) before taxation	4,168	(3,012)
Adjustments for:		
Depreciation	1,666	809
Loss in disposal of plant and equipment	16	-
Share of loss in an associate	-	129
Allowance for expected credit losses	27	73
Interest income	(22)	(166)
Property inventories written off	1,590	-
Property held for development written off	2,196	-
Gain on bargain purchase	(12,992)	-
Finance costs	1,251	1,001
	<u>(2,100)</u>	<u>(1,166)</u>
Movements in working capital:		
(Increase)/Decrease in:		
Inventories	(3,261)	2,649
Trade & other receivables	4,347	15,751
Contract assets	137	(9,556)
Increase/(Decrease) in:		
Trade and other payables	(270)	(16,171)
Contract liabilities	-	6,427
	<u>-</u>	<u>6,427</u>
Cash used in operations	(1,147)	(2,066)
Income tax refunded	-	90
Interest income received	22	166
Income tax paid	(49)	(432)
Net Cash Used In Operating Activities	<u>(1,174)</u>	<u>(2,242)</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Advances granted to an associated company	-	(2,234)
Acquisition of subsidiary, net cash and cash equivalent acquired	3,072	-
Purchase of property, plant and equipment	(475)	(1,470)
Proceed from disposal of plant and equipment	50	-
Withdrawal of fixed deposit	-	220
Net Cash Generated From/(Used In) Investing Activities	<u>2,647</u>	<u>(3,484)</u>
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		
(Repayment)/Proceed of bankers' acceptances	(536)	2,196
Repayment of bridging and term loans	(289)	(1,102)
(Repayment)/Proceed of hire-purchase payables	(274)	624
Proceed from bank overdraft	-	4,364
Proceed from term loans	-	1,000
Finance costs paid	(1,251)	(1,001)
Net Cash (Used In)/Generated From Financing Activities	<u>(2,350)</u>	<u>6,081</u>
NET (DECREASE)/INCREASE IN CASH AND CASH	(877)	355
CASH AND CASH EQUIVALENTS AT BEGINNING	(5,182)	522
CASH AND CASH EQUIVALENTS AT END	A14 <u>(6,059)</u>	<u>877</u>

The unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the Interim Financial Report.

Scanwolf Corporation Berhad (Company no: 740909-T)
Notes To The Interim Report
For the second quarter ended 31 December 2019
(The figures have not been audited)

Part A - Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

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

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2019 which were prepared under Financial Reporting Standards ("FRS"). These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2019.

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

	Effective for financial periods beginning on or after.
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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

2. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the financial year ended 30 June 2019 was not subject to any qualification.

3. Comments about Seasonality or Cyclicity of Operations

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

4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter under review.

5. Changes in estimates

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

6. Debt and equity securities

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

As at 31 December 2019, the number of treasury shares held is 780,900 ordinary shares.

7. Dividend paid

No dividend was paid during this quarter.

Scanwolf Corporation Berhad (Company no: 740909-T)
Notes To The Interim Report
For the second quarter ended 31 December 2019
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8. Segmental information

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

6 Months ended 31 December 2019

	Manufacturing RM'000	Property Development RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	18,773	719	-	19,492
Results				
Segment results	10,432	(4,133)	(880)	5,419
Finance costs	(648)	(603)	-	(1,251)
Profit/(Loss) before tax	9,785	(4,736)	(880)	4,168
Tax expenses				26
Profit after tax				4,194

6 Months ended 31 December 2018

	Manufacturing RM'000	Property Development RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	19,811	4,160	-	23,971
Results				
Segment results	(1,398)	467	(951)	(1,882)
Finance costs	(746)	(255)	-	(1,001)
Share of result in an associate	(2,144)	212	(951)	(2,883)
(Loss)/Profit before tax	(129)	-	-	(129)
Tax expenses	(2,273)	212	(951)	(3,012)
Loss after tax				22
				(2,990)

Geographical Area	6 Months ended 31 Dec 2019	6 Months ended 31 Dec 2018
Revenue		
Asia	3,044	4,314
Oceania	3,743	2,274
Middle East	488	933
Africa	53	113
Others	160	190
Total export	7,488	7,824
Malaysia	12,004	16,147
Total revenue	19,492	23,971

9. Valuation of property, plant and equipment

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

Scanwolf Corporation Berhad (Company no: 740909-T)
Notes To The Interim Report
For the second quarter ended 31 December 2019
(The figures have not been audited)

10. Material events subsequent to the end of the quarter

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

There were no material events subsequent to the statement of financial position date up to 17 February 2020.

11. Changes in the composition of the Group

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

12. Contingent liabilities

The Group has no contingent liabilities which upon crystallisation would have a material impact on the financial position and business of the Group as at 17 February 2020.

13. Capital commitments

As of 17 February 2020, the Group has the following capital commitment in respect of property, plant and equipment:

	RM'000
Approved and contracted for	<u>870</u>

14. Cash and cash equivalents

	As at 31 Dec 2019 RM'000	As at 31 Dec 2018 RM'000
Cash & bank balances	586	877
Fixed deposits with licensed bank	309	787
Bank overdraft	(6,645)	-
	<u>(5,750)</u>	<u>1,664</u>
Fixed deposits pledged	(309)	(787)
	<u>(6,059)</u>	<u>877</u>

15. Related party transaction

The following is the related party transaction:

	3 months ended 31 Dec 2019 RM	Year to Date 31 Dec 2019 RM
Rental paid to a Director of Group	<u>7,950</u>	<u>15,900</u>

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

1. Review of performance

	Current quarter ended 31 Dec 2019	Corresponding quarter ended 31 Dec 2018	6 Months 31 Dec 2019 RM'000	6 Months 31 Dec 2018 RM'000	Variation %
Revenue	9,999	13,130	19,492	23,971	-19%
(Loss)/Profit before taxation	(6,186)	(1,316)	4,168	(3,012)	-238%

Group

For the second quarter ended 31 December 2019, the Group recorded a revenue of RM9.9 million, a decrease of RM3.1 million or 24% against preceding year's corresponding quarter which was mainly due to decrease of revenue in Property Division.

During this quarter under review, the Group recorded a loss before tax ("LBT") of RM6.2 million against LBT of RM1.3 million in preceding year's corresponding quarter. The increase in LBT is mainly due write-off on the cost on property held for development, other deposit and property inventories in Property Division.

Manufacturing Division

During current quarter ended 31 December 2019, Manufacturing Division recorded a revenue of RM9.9 million, a decrease of RM1.2 million from RM11.1 million in preceding year's corresponding quarter due to disruption of material supply. Current quarter recorded a LBT of RM1.4 million, an increase of RM0.3 million as compare to LBT of RM1.1 million in preceding year's corresponding quarter, is mainly due to lower revenue recorded in current quarter.

Property Division

During current quarter ended 31 December 2019, Property Division did not record any revenue as compare to RM2.0 million in preceding year's corresponding quarter. Current quarter recorded a LBT of RM4.5 million when compare to PBT of RM0.30 million in preceding year's corresponding quarter. The increase in LBT is mainly due write-off on the cost on property held for development, other deposit and property inventories.

2. Variation of results against preceding quarter

	Current quarter ended 31 Dec 2019 RM'000	Preceding quarter ended 30 Sept 2019 RM'000	Variation %
Revenue	9,999	9,493	5.3%
(Loss)/Profit before taxation	(6,186)	10,354	159.7%

For the second quarter ended 31 December 2019, the Group recorded the revenue of RM9.9 million, an increase of RM0.4 million as compared to the preceding quarter. The increase of revenue was mainly contributed by Manufacturing Division due to higher demand on our products.

The Group recorded a LBT of RM6.2 million for the current quarter as compare to PBT of RM10.4 million in the immediate preceding quarter is mainly due write-off on the cost on property held for development, other deposit and property inventories in Property Division.

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Notes To The Interim Report
For the second quarter ended 31 December 2019
(The figures have not been audited)

3. Current year prospects

Manufacturing is operating in global economic uncertainties as well as facing increases in their production costs and fluctuation in foreign exchange rates. The Division is continuing with concerted efforts to develop new products and new process for existing products so to derive better cost efficiencies and effective cost management across all department.

In Property, soft market conditions and weak consumer sentiment continue to prevail in 2019. The Company will instead continue to focus on driving sales for completed projects.

4. Profit forecast and profit guarantee

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

5. Taxation

There is no taxation provided due to non-taxable income.

6. Group's borrowings and debt securities

	31 Dec 2019	30 June 2019
	RM'000	RM'000
Secured:		
Bridging loans	8,195	8,093
Bankers' acceptances	8,164	8,700
Term loans	6,306	6,697
Bank overdrafts	6,645	5,955
	<u>29,310</u>	<u>29,445</u>
Less: Amount due within 12 months	(23,831)	(23,554)
	<u>5,479</u>	<u>5,891</u>

7. Material litigation

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

8. Dividends

No dividend is proposed in this quarter.

9. Earnings per share

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

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

	3 months ended	Year to Date
	31 Dec 2019	31 Dec 2019
(Loss)/Profit attributable to shareholders (RM'000)	(6,175)	4,194
Weighted average number of ordinary shares ('000)	95,428	95,428
(Loss)/Profit per share (sen)	<u>(6.47)</u>	<u>4.39</u>

Scanwolf Corporation Berhad (Company no: 740909-T)
Notes To The Interim Report
For the second quarter ended 31 December 2019
(The figures have not been audited)

10. Notes to the Condensed Consolidated Income Statement

	3 months ended 31 Dec 2019 RM'000	Year to Date 31 Dec 2019 RM'000
The profit /(loss) has been arrived at after accounting for the following items		
(a) Interest income	3	6
(b) Other income including investment income	-	-
(c) Interest expense	803	1,251
(d) Depreciation and amortization	827	1,666
(e) Provision for and write off of receivable	778	703
(f) Provision for and write off of inventories	3,114	2,956
(g) Loss on disposal of property, plant and equipment	(16)	(16)
(h) Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
(i) Impairment of asset	-	-
(j) Foreign exchange gain/(loss)	3	(1)
(k) Gain or (loss) on derivatives	-	-
(l) Exceptional item	-	-

11. Authorisation for issue

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

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

21 February 2020