SCANWOLF CORPORATION BERHAD ("SCANWOLF" OR "COMPANY")

(I) PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF SCANWOLF AND ITS SUBSIDIARIES TO INCLUDE THE SUPPLY OF BUILDING MATERIALS AND CONSTRUCTION RELATED MATERIALS AND PRODUCTS ("PROPOSED DIVERSIFICATION"); AND

(II) PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF RM45.00 MILLION IN SCANWOLF PURSUANT TO SECTION 117 OF THE COMPANIES ACT 2016 ("PROPOSED SHARE CAPITAL REDUCTION")

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of Scanwolf ("**Board**"), SCS Global Advisory (M) Sdn Bhd ("**SCS Global**") wishes to announce that the Company proposes to undertake the following:

(i) a diversification of the existing principal activities of Scanwolf and its subsidiaries ("**Scanwolf Group**" or "**Group**") to supply of building materials and construction related materials and products ("**Trading Business**"); and

(ii) a reduction of its issued share capital of RM45.00 million pursuant to Section 117 of the Companies Act 2016 ("**Act**").

Further details of the Proposals are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED DIVERSIFICATION

As at 12 September 2025, being the latest practicable date of this announcement ("**LPD**"), Scanwolf Group is principally involved in manufacturing plastics extrusion products and flooring products ("**Manufacturing Business**"), property development related activities ("**Property Business**") as well as construction and construction related activities ("**Construction Business**") (collectively, "**Existing Principal Businesses**").

(i) Manufacturing Business

Presently, the Group is involved in the manufacturing of plastic extrusion products such as plastic edging, which are widely used in the furniture industry, as well as flooring products, catering to property developers, building contractors and end consumers.

As detailed under Section 2.1 of this announcement, the Group's Manufacturing Business has been in a loss-making position in recent financial years. The Group has been implementing several measures as part of the Group's strategy to improve the Group's financial performance of the Manufacturing Business as follows:

(a) Plastic Extrusion Products

To diversify the Group's revenue sources and expand its customer base, the Group has been promoting its plastic extrusion products to penetrate new markets such as the property and construction industries, while at the same time continuing to strengthen its relationships with traders who procured the Group's products locally and internationally. In addition, the Group has also streamlined its product offering and sales to furniture manufacturers to cater to its requirements and align with market demand. These initiatives are intended to enable the Group to broaden its sales channels and mitigating the risk of revenue volatility.

Recognising that resin constitutes a significant proportion of production costs, the Group has practised bulk purchase arrangements with key resin suppliers of the Group. This measure has enabled it to negotiate more competitive pricing, ensure continuity of supply and reduce exposure to short-term price volatility. Additionally, the procurement monitoring process has been enhanced through periodic market price monitoring and the adoption of procurement strategies that consider both confirmed purchase orders and anticipated demand, where appropriate.

At the operational level, the Group has progressively introduced automation in selected production lines to reduce labour dependency, manage the Group's output consistency and minimise wastage. This measure is also complemented by continued process improvements such as tighter quality control.

The Group has also expanded its production range to include plastic pipes and other plastic building materials such as corner beads, groove lines and stair nosing, which are commonly used in the construction industry. These expanded product offerings are intended to broaden its customer base and tap into new demand segments.

(b) Flooring products

In respect of flooring products, the Group has continued to strengthen its marketing activities through a combination of online and offline platforms. The online platform primarily caters to the business-to-consumer segment, while offline initiatives such as product demonstrations and project presentations are directed towards property developers and building contractors in the property development and construction industries. To broaden the Group's market reach, we have engaged a distributor in East Malaysia to market its products.

In addition, the Group is evaluating potential initiatives which may include, amongst others, strategic collaborations with international industry players with the objective of enhancing its competitive advantages, developing new products and improving cost structures.

The Group has also invested in new production machinery to support the introduction of stone plastic composite ("**SPC**") flooring. SPC are aimed to offer improved durability and design flexibility as compared to traditional luxury vinyl tile (LVT) products. The shift in product mix towards SPC forms part of the Group's strategy to improve financial performance and strengthen the competitive positioning in the flooring market.

Collectively, these measures are expected to reposition the Manufacturing Business on a more competitive footing by expanding market reach, securing cost advantages and strengthening operational resilience. The Board and management believe that these measures, coupled with the normalisation in raw material prices, will support a gradual turnaround in the financial performance of the Manufacturing Business and improve its contribution to the Group's overall results going forward.

(ii) Property Business

On 28 June 2024, Scanwolf Properties Sdn Bhd ("**Scanwolf Properties**"), a wholly-owned subsidiary of the Group, entered into a joint venture agreement ("**JVA**") with Ratna Bina Sdn Bhd ("**RBSB**") for the development of a parcel of leasehold land located in Sungai Buloh, Selangor. Under the JVA, RBSB (as the landowner) contributes the land, while Scanwolf Properties bears all development costs and a consideration of RM14.00 million payable to RBSB in several tranches, including redemption of the existing encumbrance and staged instalments. Upon full settlement of the consideration, Scanwolf Properties is entitled to the beneficial ownership of the land, with RBSB holding the land on trust.

Subsequent to the execution of the JVA, Scanwolf Properties and RBSB entered into a letter of variation dated 4 February 2025 ("**Letter of Variation**") to vary certain terms of the JVA. The Board will continue to make timely disclosures of any further material developments of the JVA in accordance with the Main Market Listing Requirements ("**Listing Requirements**").

The development project is planned to comprise approximately 330 office units with an estimated gross development value ("**GDV**") of approximately RM130.44 million and gross development cost ("**GDC**") of approximately RM98.62 million. The project is expected to be completed within a period of 3 years from the approval of the relevant development order. Scanwolf Properties submitted its development order application in December 2024 and has since obtained the conditional approval on 17 March 2025. As at the LPD, the Group is in the midst of appealing against certain conditions of the development order.

In addition, the Group also holds 290 units of 3-storey shop/office and 2 parcels of vacant commercial/residential land located in Kampar, Perak as at the LPD. The Group has engaged several real estate agencies to advertise and sell the abovementioned 290 units of 3-storey shop/office. As at the LPD, no development order has been submitted for the abovementioned 2 parcels of vacant commercial/residential land and there are no immediate plans for development, after taking into consideration, amongst others, prevailing market conditions and the Group's capital allocation priorities.

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(iii) Construction Business

In July 2024, the Group had obtained shareholders' approval to diversify into the Construction Business, focusing on building construction projects such as residential developments, mixed-use developments, public buildings as well as infrastructure projects, including flood mitigation works, road construction and construction of water treatment plants. In addition, the Construction Business is also involved in construction related activities such as project management services, architecture, interior design and fit-out services, as well as maintenance contracts for buildings and infrastructure.

As at the LPD, the Group has recently completed several projects as follows:

No.	Description of the construction projects	Location	Contract value (RM'million)	Commencement date	Completion date
1.	Provision of supply, delivery, construction and completion of sales gallery work excluding interior design for a sales gallery	Jalan Dewan Sultan Sulaiman, Kuala Lumpur	6.00	16 December 2024	15 June 2025
2.	Supply, delivery, construction and completion of carpentry works, stone works, lamination works, partitions works, finishes, external façade, entrance statement and landscaping works for a sales gallery	Jalan Dewan Sultan Sulaiman, Kuala Lumpur	8.00	27 March 2025	31 July 2025
3.	Supply of materials, machinery (including fuel, oil, etc.), skilled labour, tools, and other associated work deemed necessary to complete the building-integrated photovoltaic steel structure work for a solar photovoltaic facility	Kota Kinabalu, Sabah	10.73	30 March 2025	30 September 2025

As at the LPD, the Group is currently involved in the following construction projects, which are yet to be completed:

No.	Description of the construction projects	Location	Contract value (RM'million)	Commencement date	Expected completion date
1.	Provision of structural work, post tensioning, waterproofing, tiling, flooring, painting, aluminium and mild steel work for a residential project	Bandar Sri Permaisuri Cheras, Kuala Lumpur	9.73	30 July 2024	8 November 2026
2.	Sub-structure works including all piling works, basement retaining structure and On-Site-Detention (OSD) and water tank under the lowest floor level for a commercial building development project	Jalan Ampang, Kuala Lumpur	42.00	20 March 2025	19 September 2026
3.	Relocation of water supply for an infrastructure project	Gombak, Selangor	16.63	22 April 2025	31 December 2025

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As part of the Group's broader Construction Business, the Group is also principally involved in activities in the Trading Business which the Group supply building materials, construction-related materials and products, which are presently carried out under the Manufacturing Business. These activities encompass both the manufacture and trading of products such as plastic extrusion materials (including plastic pipes, corner beads, groove lines and stair nosing) and flooring products, in particular SPC, which are supplied to property developers, building contractors and end-users.

The Group's Manufacturing Business has consistently registered breakdown between manufacturing and trading revenue for the past 3 FYEs up to the FYE 2024 and the latest unaudited FYE 2025, reflecting the contribution from the Trading Business to the Group's overall financial performance. The breakdown of the revenue of the Manufacturing Business as well as its contribution to the Group's total revenue for the past 3 FYEs up to the FYE 2024 and the latest unaudited FYE 2025, is set out below:

	Audited						**Unaudited**	
	FYE 2022		**FYE 2023**		**FYE 2024**		**FYE 2025**	
	RM'000	**[(1)]%**	**RM'000**	**[(1)]%**	**RM'000**	**[(1)]%**	**RM'000**	**[(1)]%**
Revenue								
Manufacturing Business	35,027	89.32	32,283	88.33	32,401	98.78	35,632	38.82
- Manufacturing	29,828	76.06	29,057	79.50	25,336	77.24	33,591	36.60
- Trading	5,199	13.26	3,226	8.83	7,065	21.54	2,041	2.22

Note:

(1) Revenue contribution to the Group's total revenue for the respective FYEs.

The consistent recognition of the Trading Business revenues underlines the role of the supply of building materials, construction-related materials and products as an integral and established component of the Group's Manufacturing Business, while providing a synergistic support base for the Construction Business and/or Property Business going forward.

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On 20 January 2025, Mighty Alliance Sdn Bhd ("**MASB**" or "**Offeror**") became a major shareholder of the Company following its acquisition of an aggregate 69,808,420 ordinary shares in Scanwolf ("**Scanwolf Shares**" or "**Shares**") from Armani Synergy Sdn Bhd, Seah Ley Hong, Esfinity Sdn Bhd, PEG Capital Sdn Bhd and Lim Nyuk Sang @ Freddy Lim, representing approximately 34.38% equity interest in Scanwolf. Upon completion of the acquisition of shares, the collective shareholding of the MASB (i.e. Offeror), Seah Ley Hong, Dato' Sri Wong Sze Chien, Dato' Sri Azlan bin Azmi, Dato' Sri Andrew Lim Eng Guan ("**Joint Ultimate Offerors**") and the persons acting with them ("**PACs**") have increased from 54,647,510 Scanwolf Shares, representing approximately 26.91% equity interest in Scanwolf, to 80,544,310 Scanwolf Shares, representing approximately 39.66% equity interest in Scanwolf. Pursuant thereto, MASB was obliged to extend a take-over offer to acquire all the remaining securities not already owned by MASB, Joint Ultimate Offerors and the PACs ("**Offer**"). The Offer was closed on 14 March 2025.

As set out in the Offer document, MASB and the Joint Ultimate Offerors intend to continue and focus on the existing businesses of the Scanwolf Group and do not have any plans and/or intention to liquidate any company within the Scanwolf Group. Seah Ley Hong (being one of the Joint Ultimate Offerors and Managing Director of Scanwolf) is overseeing the Group's initiatives to revive the performance of the Manufacturing Business and Property Business as well as to grow the Construction Business. As highlighted in Section 3 of the Offer document, the Group had initiated plans to enter into business relationships with certain privately held businesses of the Joint Ultimate Offerors such as Fixus Construction Sdn Bhd ("**Fixus**"), Mercu Majuniaga Sdn Bhd, Sg. Besi Construction Sdn Bhd and Armani Hallson KLCC Sdn Bhd (formerly known as Golden Rainbow View Sdn Bhd), which includes the supply of building materials and construction related materials and products.

The Group also proposed to enter into recurrent related party transactions ("**RRPT**"), including, amongst others, the supply of building materials and construction-related products to abovementioned related parties. Accordingly, the Board proposes to seek shareholders' mandate for the RRPT to be entered by the Group ("**Proposed Shareholders' Mandate**") in accordance with Paragraph 10.09 of the Listing Requirements. The circular in relation to the Proposed Shareholders' Mandate will be despatched to the Group's shareholders in the near future. For information purposes, the Directors who are interested in the Proposed Shareholders' Mandate have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in relation to the Proposed Shareholders' Mandate. The interested Directors and interested major shareholders will also abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming annual general meeting (AGM). Further, the interested Directors and interested major shareholders will ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any on the said resolution at the AGM.

On top of the trading of plastic extrusion materials and flooring products, the Trading Business is expected to leverage on opportunities within the Group's Property Business and Construction Business through the expansion into the supply of building materials and construction related materials and products, including, amongst others, wood-based materials, builder's supplies, timber, electrical appliances and fittings, glass, furnishings, furniture, decorative items and household utensils. Product sourcing is expected to be carried out locally and/or internationally, depending on pricing and profit margin considerations, supplier relationships as well as customers' requirements.

Given the size and nature of the Trading Business, the Board anticipates that, barring any unforeseen circumstances, the Trading Business may potentially contribute to 25% or more of the Group's net profits and/or result in a diversion of 25% or more of the Group's net assets ("**NA**") after taking into consideration the Existing Principal Businesses' historical financial performance and the expected profits contribution from the Trading Business following the Proposed Diversification. Pursuant thereto, the Board proposes to seek the approval from the shareholders of Scanwolf for the Proposed Diversification in accordance with Paragraph 10.13 of the Listing Requirements at the forthcoming EGM. If approved, the Group will become principally involved in the Existing Businesses as well as the Trading Business.

2.1 Financial Performance of the Group

The Group's segmental audited consolidated financial performance for the past 3 FYEs up to the FYE 2024 and the latest unaudited FYE 2025 are set out below:

	Audited			Unaudited
	FYE 2022	**FYE 2023**	**FYE 2024**	**FYE 2025**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue				
- Manufacturing Business	35,027	32,283	32,401	35,632
- Property Business	4,190	4,267	400	952
- Construction Business	-	-	-	55,199
- Investment holding[1]	-	-	-	-
Total	**39,217**	**36,550**	**32,801**	**91,783**
Profit after tax ("PAT")/ Loss after tax ("LAT")				
- Manufacturing Business	(6,777)	(7,882)	(4,653)	(14,058)
- Property Business	301	(667)	(256)	(994)
- Construction Business	-	-	-	5,162
- Investment holding[1]	(10,598)	(1,842)	(1,597)	(1,385)
Total	**(17,074)**	**(10,391)**	**(6,506)**	**(11,275)**

Note:

(1) Relates to the Company's activities of managing its subsidiaries' operations.

The financial commentary on the Group's past 3 FYEs up to the FYE 2024 and the latest unaudited FYE 2025 are as set out below:

(i) FYE 2022 vs FYE 2023

The Group's revenue decreased by RM2.67 million or 6.80% to RM36.55 million in FYE 2023 (FYE 2022: RM39.22 million) which was mainly due to a decrease in export sales of plastic extrusion products by approximately RM1.68 million, particularly to the Oceania region. The decrease in revenue was primarily due to the shift in customer preferences towards more environmentally friendly plastic products such as acrylonitrile butadiene styrene plastic products in comparison to plastic extrusion products. Additionally, the decrease in revenue was also due to the lower production of plastic extrusion products in FYE 2023 which is attributable to the shortage of raw materials, in particular resin, thereby leading to a bottleneck between the supply of and demand for plastic extrusion products.

The decrease in LAT by RM6.68 million to RM10.39 million in FYE 2023 as compared to a LAT of RM17.07 million in FYE 2022 was mainly due to the absence of one-off employee benefits expenses amounting to approximately RM7.82 million recognised in FYE 2022 in relation to the vesting of employees' share options granted to the Group's employees.

(ii) FYE 2023 vs FYE 2024

The Group's revenue decreased by RM3.75 million or 10.26% to RM32.80 million in FYE 2024 (FYE 2023: RM36.55 million), mainly due to lower sales recorded in the Property Business. The decrease in revenue of Property Business was mainly due to the slower sales of completed units from the project located in Kampar, Perak.

The Group's LAT decreased by RM3.88 million or 37.39% from RM10.39 million in FYE 2023 to RM6.51 million in FYE 2024 which was mainly due to reversal of staff cost amounting to RM7.61 million arising from termination of the shares issuance scheme as well as waiver of debt from a main contractor of RM1.93 million via a settlement arrangement. The aforementioned improvement was negated by the higher impairment loss on property, plant and equipment of RM5.86 million.

(iii) FYE 2024 vs FYE 2025

The Group's revenue increased by RM58.98 million or 179.82% to RM91.78 million in FYE 2025 (FYE 2024: RM32.80 million), mainly due to the following:

(a) higher revenue contributed by Construction Business following the proposed diversification in June 2024; and

(b) higher revenue contributed by Manufacturing Business mainly attributable to higher demand from existing customers.

The Group's LAT increased by RM4.77 million or 73.30% from RM6.51 million in FYE 2024 to RM11.28 million in FYE 2025 which was mainly due to the following:

(a) absence of the reversal of staff cost arising from termination of the share issuance scheme in the FYE 2025 (FYE 2024: RM7.61 million); and

(b) absence of waiver of debt from a main contractor in the FYE 2025 (FYE 2024: RM1.93 million).

Nonetheless, the increase in LAT abovementioned was partially offset by the PAT contributed by the Construction Business amounting to RM5.16 million in the FYE 2025.

2.2 Key Management Personnel

The Proposed Diversification will be spearheaded by Seah Ley Hong, who is the Managing Director and a major shareholder of Scanwolf, and Tan Yann Kang, who is the Director of Scanwolf Flooring Industries Sdn Bhd.

By leveraging on the expertise of the following key management personnel, the Board believes that the Group has the capability and resources to diversify into the Trading Business without impacting the Group's existing operation.

2.2.1 Seah Ley Hong

Seah Ley Hong, a Malaysian male, age 36, is the Managing Director and a major shareholder of Scanwolf. He is responsible for the overall implementation as well as overseeing the management and operation of the Group's construction projects. He holds a Bachelor of Engineering from the University of Leeds, United Kingdom and has over 10 years of relevant experience in the construction related industry.

In 2013, he began his career as a sales executive of Speed Concrete Industries Sdn Bhd ("**SCISB**"), a premier pre-cast concrete manufacturer in Malaysia, whereby his role involved generating leads, managing client accounts and negotiating contracts. He was subsequently appointed as an Executive Director of the company in 2013 whereby his responsibilities included strategic planning, overseeing operations, managing finances and guiding the overall direction of SCISB. Seah Ley Hong resigned as the Executive Director of SCISB in February 2022.

In 2015, Seah Ley Hong established Fixus, a company specialising in building and infrastructure construction, as well as the maintenance of buildings and infrastructure throughout Malaysia, including flood mitigation projects. As the Executive Director of Fixus, Seah Ley Hong is responsible for the strategic planning of the company and guiding the overall direction of Fixus. Seah Ley Hong, assisted by his team, also partakes in contract negotiations, contract monitoring, progress monitoring, budget and quality control monitoring as well as overseeing the construction and infrastructure works of the projects and overall operations of the construction business.

Seah Ley Hong is also currently the Managing Director of Magna Prima Berhad ("**MPB**"), a position he has held since November 2024 and a major shareholder of MPB. MPB is listed on the Main Market of Bursa Securities and is principally involved in property development, building construction, trading and management services. As the Managing Director of MPB, Seah Ley Hong is primarily responsible for formulating the business strategies and business direction of MPB and its subsidiaries.

Save for Scanwolf and MPB, Seah Ley Hong does not hold any directorship or have any substantial shareholding in any other public listed company in Malaysia as at the LPD.

2.2.2 Tan Yann Kang

Tan Yann Kang, a Malaysian male aged 34, currently serves as the Director of Scanwolf Flooring Industries Sdn Bhd which is a wholly-owned subsidiary of Scanwolf. He oversees the day-to-day operations, business strategy, and overall business development of the Group's manufacturing and trading arms. He is entrusted with the responsibility of establishing and executing the Group's business plans and directions, ensuring alignment with long-term growth strategies.

He holds a Bachelor of Business (Marketing) from Monash University, Australia and has accumulated over 12 years of relevant experience across the manufacturing, marketing, and industrial trading industries. His academic grounding in marketing, combined with extensive practical experience in operations, strategy and business development, has equipped him with a comprehensive skillset to drive both revenue growth and market expansion.

He began his career in 2013 with Serrano Limited, a company listed on the Singapore Exchange (SGX), where he served as an Administration Executive reporting directly to the general manager. In this role, he gained early exposure to corporate administration, compliance and management processes in a listed entity environment.

In 2014, he joined Scanwolf Plastic Industries Sdn Bhd as a Management Trainee and, through his demonstrated leadership and results, was promoted to Director of Scanwolf Flooring Sdn Bhd in 2016. He played an instrumental role in steering the Group's diversification into new product lines and market segments.

He is dedicated to advance the Group's downstream expansion, building a strong sales network for flooring products and industrial building materials, serving business-to-project (B2P), business-to-business (B2B) and business-to-consumer (B2C) segments. This initiative has enabled the Group to capture greater value along the supply chain, broaden its customer base and strengthen recurring revenue streams.

Through his progressive leadership roles within the Scanwolf Group, he has accumulated hands-on experience in manufacturing operations, joint venture management, product marketing, business development and industrial trading. His proven track record in leading market expansion initiatives, and driving trading activities demonstrates that he possesses the requisite expertise, commercial acumen, and leadership capabilities to spearhead the Group's proposed Trading Business under the Proposed Diversification.

3. DETAILS OF THE PROPOSED SHARE CAPITAL REDUCTION

The Proposed Share Capital Reduction entails the reduction of the Company's issued share capital pursuant to Section 117 of the Act, via the cancellation of the Company's issued share capital which is lost or unrepresented by available assets of RM45.00 million.

The Proposed Share Capital Reduction will result in a credit of RM45.00 million, which will be utilised to set off against the accumulated losses of the Company.

Based on the latest audited consolidated statements of financial position as at 30 June 2024, the Company's issued share capital was RM82,577,242, comprising 200,289,510 Shares. As at the LPD, the Company has the following convertible securities:

(i) 56,470,800 outstanding irredeemable convertible unsecured loan stocks ("**ICULS**"); and

(ii) 40,043,000 outstanding warrants.

In addition, the Company does not hold any treasury shares and there are no outstanding employees' share options ("**ESOS Options**") which have been granted but are yet to be exercised. The Company does not intend to grant any ESOS Options/shares under employees' share grant plan ("**ESGP**") prior to the completion of the Proposed Share Capital Reduction.

For illustrative purposes, the pro forma effects of the Proposed Share Capital Reduction on the accumulated losses of the Company and the Group based on the latest audited consolidated statements of financial position as at 30 June 2024 and the latest unaudited consolidated statements of financial position as at 30 June 2025 are as follows:

	Audited		**Unaudited**	
	As at 30 June 2024		**As at 30 June 2025**	
	Company level	**Group level**	**Company level**	**Group level**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Accumulated losses	(84,689)	(29,945)	(85,608)	(41,220)
Add: Credit arising from the Proposed Share Capital Reduction	45,000	45,000	45,000	45,000
Less: Estimated expenses incurred for the Proposals	(120)	(120)	(120)	(120)
Resultant (accumulated losses) /retained earnings	**(39,809)**	**14,935**	**(40,728)**	**3,660**

Subject and subsequent to the receipt of approvals of the Proposed Share Capital Reduction from the shareholders of the Company at the forthcoming EGM, the effective date of the Proposed Share Capital Reduction will be the date when the Registrar of Companies has recorded the information lodged in the appropriate register pursuant to Section 119 of the Act.

For avoidance of doubt, the Proposed Share Capital Reduction will not result in:

(i) any adjustment to the Share price;

(ii) any change in the total number of Shares in issue or the number of Shares held by the shareholders;

(iii) any payment to the shareholders; and

(iv) any cash outflows or change in the NA of the Group, save for the estimated expenses to be incurred in relation to the Proposals.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Diversification

As set out in Section 2 of this announcement, the Proposed Diversification is sought as the Group expects the Trading Business to contribute 25% or more of the net profits of the Group and/or result in a diversion of 25% or more of the Group's NA in the future.

As highlighted in Section 2.1 of this announcement, the Managing Director, Seah Ley Hong is currently overseeing the Group's initiatives to revive the performance of the Manufacturing Business and Property Business as well as to grow the Construction Business. The Group had also initiated plans to enter into business relationships with certain privately held businesses of the Joint Ultimate Offerors such as Fixus, Mercu Majuniaga Sdn Bhd, Sg. Besi Construction Sdn Bhd and Armani Hallson KLCC Sdn Bhd (formerly known as Golden Rainbow View Sdn Bhd), which includes the supply of building materials and construction related materials and products. As such, with the objective of further enhancing the Group's financial performance, the Group has implemented strategies to revive its Existing Principal Businesses and simultaneously pursue prospects available under the Trading Business via the Proposed Diversification.

Therefore, the Proposed Diversification is in line with the Group's business strategy of pursuing business opportunities to generate additional income streams and enhance the Group's profits in response to the lacklustre financial performance of its Existing Principal Businesses. The Group shall leverage the expertise, experience and business network of Seah Ley Hong in the property development and construction industry as well as experience of Tan Yann Kang in industrial trading as set out in Section 2.2 of this announcement, to undertake the Trading Business. At this juncture, notwithstanding the lacklustre performance of the Group's Property Business, the Group believes that the Trading Business remains correlated with the Group's existing Property Business and Construction Business wherein the Group can still leverage on the Property Business and Construction Business' network of property developers/owners as well as contractors to secure orders of supplying the building materials and construction related material and products.

Furthermore, in the event the Group is able to identify and undertake additional property development and construction projects in the future, the Manufacturing Business, Property Business, Construction Business and Trading Business would be able to complement each other, as opposed to the Group diversifying into another unrelated business activity.

Premised on the above and in view of the positive outlook of property, construction as well as property and construction materials sector as set out in Section 5 of this announcement, coupled with the experience and track record of Seah Ley Hong spearheading the Property Business and Construction Business and experience of Tan Yann Kang in industrial trading, the Company is optimistic that the Proposed Diversification is expected to contribute positively to the future earnings of the Group and strengthen its financial position in the longer term.

4.2 Proposed Share Capital Reduction

The Proposed Share Capital Reduction will enable the Group to rationalise their financial positions by reducing the accumulated losses to more appropriately reflect the value of the underlying assets and the financial position of the Group.

In addition, the reduction of accumulated losses is expected to enhance the credibility of the Group with the bankers, customers, suppliers, investors and other stakeholders.

5. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

5.1 Overview and Outlook of the Malaysian Economy

For 2025, the economy is projected to grow between 4.5% and 5.5%. On the supply side, the services sector continues to uphold its position as the main driver of growth contributed by tourism activities, sustained exports and acceleration of ICT related activities. Tourism-related industries, particularly food & beverages, accommodation and retail trade segments, are expected to increase further, while the wholesale trade as well as air and water transportations segments will benefit from sustained trade-related activities. Industries such as the utilities and professional services are anticipated to rise in tandem with the acceleration of ICT development, particularly in data centres. The manufacturing sector is projected to expand further attributed to better performance in export-oriented industries, primarily the E&E segment, as external demand for semiconductors continues to increase. Additionally, the domestic-oriented industries is anticipated to remain favourable in line with higher domestic consumption and investment. The construction sector is expected to rise attributed to growth in all subsectors. Prospects for the agriculture sector remain positive supported by higher production of crude palm oil (CPO) and demand from food related industries. On the contrary, the mining sector is forecast to decline marginally due to scheduled plants shutdown for maintenance purposes.

(*Source: Economic Outlook 2025, Ministry of Finance Malaysia)*

The Malaysian economy expanded by 4.4% in the second quarter of 2025 (1Q 2025: 4.4%), driven by robust domestic demand. Household spending was higher amid positive labour market conditions and income-related policy measures, including the upward revision of minimum wage and civil servant salaries. Of significance, both private and public investments recorded stronger expansion, supported by the realisation of new and existing projects. In the external sector, export growth was slower due mainly to lower commodities-related exports. This was partially offset by continued electrical and electronics (E&E) exports and robust tourism activity. At the same time, import growth was higher, driven by strong demand for capital goods, reflecting higher investment activities.

On the supply side, growth was driven by the services and manufacturing sectors. The services sector was supported by consumer-related and Government services. Steady growth in domestic-oriented clusters underpinned the performance in the manufacturing sector. Overall growth was weighed down by a contraction in the mining sector amid lower commodities production. On a quarter-on-quarter, seasonally-adjusted basis, growth expanded by 2.1% (1Q 2025: 0.7%).

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2025, Bank Negara Malaysia)

5.2 Overview and Outlook of the Construction Industry in Malaysia

The construction sector expanded by 12.1 per cent as compared to 14.2 per cent recorded in the previous quarter. In terms of seasonally adjusted, this sector increased by 5.2 per cent (Q1 2025: 1.1%). The growth in this sector was driven by the performance in non-residential buildings, specialised construction activities, civil engineering and residential buildings.

(Source: Gross Domestic Product Second Quarter 2025, Ministry of Economy Malaysia)

The construction sector is forecast to register a growth of 9.4% in 2025, largely driven by the acceleration of strategic infrastructure projects. The sector is expected to benefit particularly from civil engineering activities such as LRT3 Phase 2 and Sarawak-Sabah Link Road Phase 2. Similarly, the non-residential buildings subsector is projected to expand further, supported by strong demand for industrial facilities from the realisation of approved investments, coupled with the development of new industrial areas such as the Kerian Integrated Green Industrial Park (KIGIP) and Johor-Singapore Special Economic Zone (JS-SEZ). Furthermore, the residential buildings subsector is anticipated to expand, driven by sustained demand for affordable housing as underlined by the Ekonomi MADANI framework, alongside new development projects by the private sector.

(Source: Economic Outlook 2025, Ministry of Finance Malaysia)

5.3 Overview and Outlook of the Property Market in Malaysia

The property market performance continues to strengthen, supported by stable economic conditions and targeted government initiatives. A total of 420,545 transactions worth RM232.30 billion were recorded, expanded by 5.4% and 18.0% in volume and value of transactions, showing the highest market activities in Malaysia over the past decade. Of the total transactions, 77.7% (326,784 transactions) were transfers dated in 2024, 19.1% (80,487 transactions) were from 2023, and the remaining share consisted of transfers from previous years.

Sectoral market activity performance continued its upward momentum. All subsectors recorded year on-year growth in the volume of transactions. Higher increases were observed for the commercial subsector (13.6%) and development land and others (9.7%). Meanwhile, the industrial subsector also grew at a faster pace by 7.7%, driven by sustained demand for vacant industrial land nationwide. The residential and agricultural subsectors show modest growth of 4.0% and 4.1%, respectively. On the value front, all sub sectors recorded higher growth, led by the commercial sub-sector (51.6%), followed by development land and others (32.7%), industrial (16.4%), residential (5.9%), and agricultural (4.8%).

The residential sub-sector retained the largest share of the overall property transactions, with a 62.0% contribution in volume. This was followed by agriculture (18.7%), commercial (10.9%), development land and others (6.3%), and industrial (2.1%). Similarly, in value, residential took the lead with a 46.0% share, followed by commercial (25.0%), industrial (12.0%), development land and others (8.6%), and agriculture (8.4%).

(Source: Property Market Report 2024, Ministry of Finance Malaysia)

The Malaysian House Price Index (MHPI) preliminary data for Q2 2025^{P} was recorded at 227.3 points, representing a moderate year-on-year increase of 0.7%. This growth rate is notably lower than the 4.1% recorded in Q2 2024 and is the slowest since the post-pandemic period. The quarter-on-quarter index for Q2 2025P reflects a decline of -1.7%, reversing the 0.1% marginal increase seen in the previous quarter. As of Q2 2025^{P}, all states recorded modest annual growth compared to Q2 2024 ranging from 0.1% to 7.2%, except Kuala Lumpur and Pahang, which saw declines of -4.3% and -0.3% respectively, while Selangor remained stable. Kuala Lumpur continues to command the highest house prices in the country, with an average of RM771,057 per unit. Selangor followed as the second most expensive market at RM560,386. Notably, Melaka and Perlis, previously among the most affordable housing states, have crossed the average house price threshold of RM250,000 per unit for the first time, recording RM251,301 and RM252,956 respectively.

Overall, preliminary data for Q2 2025^{P} indicates a modest annual decline across most housing segments, with price indices falling between -0.2% and -2.4% compared to Q2 2024. The notable exception was the terraced house residential index, which showed the most resilience with an annual growth of 2.4%, albeit lower, compared to the same period last year.

(Source: Malaysia House Price Index Report Q2 2025, National Property Information Centre Malaysia)

5.4 Overview of the Property and Construction Materials Industry in Malaysia

In addition, output for construction-related materials such as metals and cement is anticipated to rise, following acceleration of ongoing infrastructure projects and upcoming development activities. On the other hand, increasing approved and realised investments signifies a positive outlook for construction activities, thereby propelling the growth in the manufacturing of construction related materials.

(Source: Economic Outlook 2025, Ministry of Finance Malaysia)

5.5 Prospects of the Proposed Diversification

The Board is of the view that the expertise, experience and network of the key management personnel of the Group, as set out in Section 2.2 of this announcement, augur well for the Group's Proposed Diversification, which is expected to complement the Property Business and Construction Business. Further, the Board expects the additional source of income from the Proposed Diversification would enhance the Group's future financial performance as well as reduce its dependency on the Existing Principal Businesses.

Given the positive outlook of the Malaysian economy and the construction sector coupled with the potential of the property development sector in Malaysia as set out in Sections 5.1, 5.2, 5.3 and 5.4 of this announcement, the Board is of the view that the prospects for the Proposed Diversification are favourable.

6. RISK FACTORS

The risk factors, which may not be exhaustive, pertaining to the Proposals are set out below:

6.1 Business Risk

Pursuant to the Proposed Diversification, the Group will be subject to risks inherent to the property and construction industries arising from the supply of building materials and construction related materials and products to these sectors. Such risks may include fluctuations in the prices and availability of building materials and construction related materials and products. Any increase in the prices of these materials may adversely affect the Group's profitability while shortages may hinder the Group's ability to meet customer demand.

The Group will adopt prudent management and efficient operating procedures to adapt to any negative changes in the property and construction industries. However, no assurance can be given that any changes to these factors will not have any material adverse effect on the Group.

6.2 Competition Risk

The Group will face direct competition from both new entrants and existing players in the supply of building materials and construction related materials business. The Group may also face competition in various areas such as pricing, market presence, reputation, and track record in product distribution and services.

The Group seeks to mitigate this risk by leveraging on the extensive experience and track record of the key management personnel, as set out in Section 2.2 of this announcement. The Group will also endeavour to be competitive by providing quality products and competitive pricing and actively seeking new opportunities through intense marketing efforts. However, there can be no assurance that these efforts will enable the Group to compete successfully and effectively with the current as well as new entrants in the Trading Business.

6.3 Dependency on Key Management Personnel

As in any other business, the Group's involvement in the Trading Business depends largely on the abilities, skills, experience, competency and continued efforts of the key management personnel. The loss of any of the relevant key management personnel without suitable and timely replacement, or the inability of the Group to attract and retain other qualified personnel, could adversely affect the Group's Trading Business and consequently, its revenue and profitability.

Recognising the importance of the key management personnel, the Group will continuously adopt appropriate approaches to retain the key management personnel. To avoid over dependence on any key management personnel, the Group will strive to attract qualified and experienced employees as well as groom its junior employees to support and complement the key management team. This will in turn help to ensure continuity and competency of the Group's management team.

6.4 Political, Economic and Social Factors

The changes in political, economic, and social conditions in Malaysia which include changes in geopolitical situations, economic performance, and governmental policies, such as the taxation and introduction of new regulations, could materially and unfavourably affect the financial prospects of the Trading Business directly or indirectly. These factors are generally beyond the management's control and affect all players in this business.

To mitigate these risks, the Group will take cognisance of this and take effective measures to minimise such risks by practising prudent financial management and proactively adapting to evolving demands and conditions.

7. EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any immediate effect on the issued share capital, NA, gearing, loss and LPS of the Group as well as the substantial shareholders' shareholding in Scanwolf.

The effects of the Proposed Diversification on the issued share capital, NA, gearing, loss and LPS of the Group as well as the substantial shareholders' shareholding in Scanwolf, where applicable, will depend on the mode of funding for the Trading Business moving forward.

Any profit contribution from the Trading Business is expected to contribute positively to the financial performance of the Group.

For illustration purposes, the pro forma effects of the Proposed Share Capital Reduction are presented based on the following scenarios:

Minimum Scenario	:	Assuming none of the outstanding ICULS and warrants are converted/exercised into new Shares, and none of the ESOS Options/shares under ESGP are granted prior to the completion of the Proposed Share Capital Reduction
Maximum Scenario	:	Assuming all of the outstanding ICULS are converted into new Shares at a conversion ratio of 1 new Scanwolf Share for 1 ICULS and payment of RM0.20, all of the outstanding warrants are exercised into new Shares, and none of the ESOS Options/shares under ESGP are granted prior to the completion of the Proposed Share Capital Reduction

7.1 Issued Share Capital

The pro forma effects of the Proposed Share Capital Reduction on the issued share capital of the Company, under both the Minimum Scenario and Maximum Scenario are as follows:

	Minimum Scenario		**Maximum Scenario**	
	No. of Shares ('000)	**RM'000**	**No. of Shares ('000)**	**RM'000**
Issued share capital as at the LPD	214,335	86,791	214,335	86,791
To be issued assuming full exercise of warrants	-	-	(1)40,043	(1)14,646
To be issued assuming full conversion of ICULS	-	-	(2)56,471	(2)13,629
After full exercise/conversion of convertible securities	**214,335**	**86,791**	**310,849**	**115,066**
Reduction of the issued share capital pursuant to the Proposed Share Capital Reduction	-	(45,000)	-	(45,000)
Enlarged issued share capital	**214,335**	**41,791**	**310,849**	**70,066**

Notes:

(1) Assuming full exercise of 40,043,000 outstanding warrants at the exercise price of RM0.30 each.

(2) Assuming full conversion of 56,470,800 outstanding ICULS based on the combination of 1 ICULS together with cash payment of RM0.20 for 1 Scanwolf Share.

7.2 NA and Gearing

The pro forma effects of the Proposed Share Capital Reduction on the Group's NA, NA per Share and gearing based on the latest audited consolidated statement of financial position as at 30 June 2024, under both the Minimum Scenario and Maximum Scenario are as follows:

(i) Minimum Scenario

	Audited as at 30 June 2024	**(1)After the subsequent events**	**After the Proposed Share Capital Reduction**
	RM'000	**RM'000**	**RM'000**
Share capital	82,577	86,791	(2)41,791
Other reserves			
- Revaluation reserve	5,257	5,257	5,257
- Reverse acquisition reserve	(19,524)	(19,524)	(19,524)
- Share options reserves	-	-	-
- ICULS – equity component	1,972	1,753	1,753
- Warrant reserves	3,398	2,633	2,633
(Accumulated losses)/retained earnings	(29,945)	(29,945)	(2)14,935
Total equity/NA	**43,735**	**46,965**	**46,845**
Number of Scanwolf Shares ('000)	200,290	214,335	214,335
NA per Share (RM)(3)	0.22	0.22	0.22
Total borrowings(4)	22,240	22,240	22,240
Gearing (times)(5)	0.51	0.47	0.47

Notes:

(1) After accounting for the issuance of 10,920,100 new Shares and 3,125,700 new Shares arising from the exercise/conversion of warrants and ICULS, respectively, from 1 July 2024 up to the LPD.

(2) After setting off RM45.00 million from the Group's accumulated losses due to the cancellation of the Group's issued share capital and deducting the estimated expenses of RM0.12 million in relation to the Proposals.

(3) Calculated as NA divided by the total number of Scanwolf Shares in issue.

(4) Calculated as the total borrowings and lease liabilities, excluding lease liabilities relating to rentals.

(5) Calculated as total borrowings divided by total equity.

(ii) Maximum Scenario

	Audited as at 30 June 2024	**(1)After the subsequent events**	**After full exercise/ conversion of all outstanding warrants and ICULS**	**After the Proposed Share Capital Reduction**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Share capital	82,577	86,791	(2)115,066	(3)70,066
Other reserves				
- Revaluation reserve	5,257	5,257	5,257	5,257
- Reverse acquisition reserve	(19,524)	(19,524)	(19,524)	(19,524)
- Share options reserves	-	-	-	-
- ICULS – equity component	1,972	1,753	(2)-	-
- Warrant reserves	3,398	2,633	(2)-	-
(Accumulated losses)/ retained earnings	(29,945)	(29,945)	(29,945)	(3)14,935
Total equity/NA	**43,735**	**46,965**	**70,854**	**70,734**
Number of Scanwolf Shares ('000)	200,290	214,335	310,849	310,849
NA per Share (RM)(4)	0.22	0.22	0.23	0.23
Total borrowings(5)	22,240	22,240	22,240	22,240
Gearing (times)(6)	0.51	0.47	0.31	0.31

Notes:

(1) After accounting for the issuance of 10,920,100 new Shares and 3,125,700 new Shares arising from the exercise/conversion of warrants and ICULS, respectively, from 1 July 2024 up to the LPD.

(2) Assuming full exercise/conversion of the following:

(a) 40,043,000 outstanding warrants at the exercise price of RM0.30 each;

(b) 56,470,800 outstanding ICULS based on the combination of 1 ICULS together with cash payment of RM0.20 for 1 Scanwolf Share.

(3) After setting off RM45.00 million from the Group's accumulated losses due to the cancellation of the Group's issued share capital and deducting the estimated expenses of RM0.12 million in relation to the Proposals.

(4) Calculated as NA divided by the total number of Scanwolf Shares in issue.

(5) Calculated as the total borrowings and lease liabilities, excluding lease liabilities relating to rentals.

(6) Calculated as total borrowings divided by total equity.

7.3 Substantial Shareholders' Shareholding

The Proposed Share Capital Reduction will not have any effect on the shareholdings of the Company's substantial shareholders.

7.4 Losses and LPS

The Proposed Share Capital Reduction will not have any material effect on the losses and LPS of the Group for the FYE 2024.

7.5 Convertible Securities

As at the LPD, save for the outstanding ICULS and warrants as disclosed in Section 3 of this announcement, the Company does not have any other outstanding convertible securities.

The Proposed Share Capital Reduction will not result in any adjustment to the exercise price and number of outstanding ICULS and warrants.

8. APPROVALS REQUIRED

The Proposals are subject to the following:

(i) approval from the shareholders at the forthcoming EGM; and

(ii) any other relevant authorities, if required.

For avoidance of doubt, the Proposed Share Capital Reduction is not subject to the confirmation of the court, pursuant to Section 117 of the Act.

The Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by the Company.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and/or persons connected with them has interest, direct or indirect, in the Proposals.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of Scanwolf.

11. ADVISER

SCS Global has been appointed as the Adviser to the Company for the Proposals.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals are expected to be completed by the first quarter of 2026.

This announcement is dated 2 October 2025.