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Swang Chai Chuan Limited

雙財莊有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2321)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2022 (the “**Period**”):

- the Group (as defined hereinafter) recorded unaudited revenue of approximately RM399.9 million, representing an increase of approximately 24.7% as compared to approximately RM320.7 million for the six months ended 30 June 2021 (the “**Last Corresponding Period**”);
- the Group recorded a profit for the period of approximately RM16.0 million in the Period, representing an increase of approximately 15.1% as compared to approximately RM13.9 million in the Last Corresponding Period;
- Excluding the non-recurring listing expenses, the Group recorded a profit for the period of approximately RM19.5 million in the Period and RM16.1 million in the Last Corresponding Period;
- the Group recorded unaudited earnings per share attributable to owners of the Company of approximately 2.21 sen in the Period, representing an increase of approximately 15.1% as compared to approximately 1.92 sen in the Last Corresponding Period; and
- The Board (as defined hereinafter) does not recommend the payment of interim dividend.

The Board of Directors (the “**Board**”) of Swang Chai Chuan Limited (the “**Company**”) presents the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the Period together with the comparative figures for the Last Corresponding Period as follows. The interim results have not been audited by the external joint auditors but they have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
	<i>Notes</i>	2022 RM'000 (Unaudited)	2021 RM'000 (Unaudited)
Revenue	4	399,932	320,744
Cost of sales		<u>(342,989)</u>	<u>(273,179)</u>
Gross profit		56,943	47,565
Other income	5	498	610
Selling and distribution expenses		(22,061)	(18,223)
Administrative and other operating expenses		(8,548)	(7,950)
Finance costs	6	(726)	(758)
Listing expenses		<u>(3,476)</u>	<u>(2,268)</u>
Profit before tax	6	22,630	18,976
Income tax expenses	7	<u>(6,631)</u>	<u>(5,109)</u>
Profit for the period		15,999	13,867
Other comprehensive (loss) income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on consolidation		<u>(191)</u>	<u>57</u>
Total comprehensive income for the period		<u>15,808</u>	<u>13,924</u>
Earnings per share attributable to owners of the Company:			
– Basic and diluted	8	<u>2.21 sen</u>	<u>1.92 sen</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022 <i>RM'000</i> (Unaudited)	At 31 December 2021 <i>RM'000</i> (Audited)
Non-current assets			
Property, plant and equipment		32,589	32,321
Right-of-use assets		8,695	9,462
Deposits paid for acquisition of property, plant and equipment		1,050	–
Deferred tax assets		2,608	1,774
		<u>44,942</u>	<u>43,557</u>
Current assets			
Financial assets at fair value through profit or loss (“FVPL”)		234	233
Inventories		69,455	56,292
Trade and other receivables	10	119,261	95,032
Pledged bank deposits		13,572	13,430
Bank balances and cash		9,603	4,480
		<u>212,125</u>	<u>169,467</u>
Current liabilities			
Trade and other payables	11	75,672	55,777
Bank overdrafts		–	110
Interest-bearing borrowings		33,186	26,065
Lease liabilities		1,301	1,412
Income tax payable		4,833	1,651
		<u>114,992</u>	<u>85,015</u>
Net current assets		<u>97,133</u>	<u>84,452</u>
Total assets less current liabilities		<u>142,075</u>	<u>128,009</u>

		At 30 June 2022 <i>RM'000</i> (Unaudited)	At 31 December 2021 <i>RM'000</i> (Audited)
Non-current liabilities			
Interest-bearing borrowings		14,332	15,250
Lease liabilities		1,380	1,980
Deferred tax liabilities		368	592
		<u>16,080</u>	<u>17,822</u>
NET ASSETS		<u>125,995</u>	<u>110,187</u>
Capital and reserves			
Share capital	<i>12</i>	_*	_*
Reserves		<u>125,995</u>	<u>110,187</u>
TOTAL EQUITY		<u>125,995</u>	<u>110,187</u>

* Represents amount less than RM1,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Swang Chai Chuan Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 14 February 2019. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 August 2022 (the “**Initial Listing**”). The address of the Company’s registered office is 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands. The Company’s principal place of business is situated at Units 2201-2203, 22/F., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong and the Group’s headquarter is situated at Lot 147-A, Kawasan Perindustrian Semambu, 25350 Kuantan, Pahang, Malaysia.

The Company is an investment holding company and its subsidiaries are principally engaged in distribution and sales of food and beverages (“**F&B**”) and provision of logistics, warehousing services and others in Malaysia.

The immediate and ultimate holding company of the Company is Soon Holdings Limited (“**Soon Holdings**”), which is incorporated in the British Virgin Islands (the “**BVI**”). In the opinion of the directors of the Company, the ultimate controlling parties are Mr. Soon See Beng (“**SB Soon**”), Mr. Soon See Long (“**SL Soon**”), Mr. Soon Chiew Ang (“**CA Soon**”) and Ms. Soon Lee Shiang (“**LS Soon**”) (together the “**Ultimate Controlling Party**”), who have been acting in concert over the course of the Group’s business history.

In preparing for the Initial Listing, the Group underwent a group reorganisation (the “**Reorganisation**”) to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 21 January 2021. Details of the Reorganisation are more fully explained in the section headed “History, Development, Reorganisation” of the prospectus of the Company dated 8 August 2022 (the “**Prospectus**”). The Group resulting from the Reorganisation is regarded as a continuing entity under the common control of the Ultimate Controlling Party prior to and after the Reorganisation, and that control is not transitory. Accordingly, the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 (the “**Interim Financial Statements**”) have been prepared using the principles of merger accounting in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (The “**IASB**”).

The unaudited condensed consolidated statement of profit or loss and other comprehensive income, unaudited condensed consolidated statement of changes in equity and the unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2022 and 2021 have been prepared on the basis as if the current group structure has been in existence throughout the periods. The condensed consolidated statement of financial position of the Group at 31 December 2021 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the group structure has been in existence as at that date.

The Interim Financial Statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the IASB and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with IAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since 31 December 2021, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the IFRSs which collective term includes all applicable individual IFRSs, IAS and Interpretations issued by the IASB. They shall be read in conjunction with the audited financial information of the Group for the year ended 31 December 2021 as included in the Accountants' Report as set out in Appendix I of the Prospectus (the "2021 Financial Statements").

The Interim Financial Statements have been prepared on the historical costs basis, except for the unlisted investments of money market funds included in the financial assets at FVPL which are measured at fair value and it is presented in Malaysian Ringgit ("RM") and rounded to the nearest thousands unless otherwise indicated.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2021 Financial Information except for the adoption of the new/revised IFRSs further described in the "Adoption of new/revised IFRSs" section which are relevant to the Group and effective for the Group's financial period beginning on 1 January 2022.

Adoption of new/revised IFRSs

In the current interim period, the Group has applied, for the first time, certain new/revised IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Interim Financial Statements.

The adoption of the new/revised IFRSs has no significance impact on the Interim Financial Statements. Other than the above new/revised IFRSs, at the date of authorisation of the Interim Financial Statements, the Group has not early adopted other new/revised IFRSs that have been issued but are not yet effective. The directors of the Company do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the financial position, financial performance and cash flows of the Group.

3. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the periods, as the Group manages its business as a whole as the businesses of distribution and sales of F&B and provision of logistics, warehousing services and others are carried out in Malaysia and the executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

The Company is an investment holding company and the principal place of the Group's operation is in Malaysia. All of the Group's revenue from external customers during the reporting periods is derived from Malaysia and almost all of the Group's assets and liabilities are located in Malaysia.

Information about major customers

The Group's revenue from any single external customer did not contribute 10% or more of the total revenue of the Group for the six months ended 30 June 2022 and 2021.

4. REVENUE

	Six months ended 30 June	
	2022	2021
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within IFRS 15		
At a point in time		
– Distribution and sales of F&B	395,404	317,621
Over time		
– Provision of logistics, warehousing services and others	4,528	3,123
	399,932	320,744

The amounts of revenue recognised for the six months ended 30 June 2022 and 2021 that were included in the contract liabilities at the beginning of the period were approximately RM2,547,000 and RM1,612,000, respectively.

5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Interest income	140	166
Dividend income	2	28
Gain on disposal of property, plant and equipment	56	38
Rental income	61	191
Bad debts recovery	88	24
Sundry income	151	163
	498	610

6. PROFIT BEFORE TAX

This is stated after charging:

	Six months ended 30 June	
	2022	2021
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Finance costs		
Interest on interest-bearing borrowings	666	676
Interest on lease liabilities	60	82
	<u>726</u>	<u>758</u>
Staff costs (including directors' emoluments)		
Salaries, discretionary bonus, allowances and other benefits in kind	16,365	14,767
Contributions to defined contribution plans	1,520	1,349
	<u>17,885</u>	<u>16,116</u>
Other items		
Cost of inventories	336,360	267,859
Auditor's remuneration	65	54
Depreciation of property, plant and equipment (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	1,415	1,212
Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	767	816
Exchange loss, net	4	158
Expenses recognised under short-term leases	133	77
Bad debts written off	181	274
Provision for write-down of inventories, net	195	193
Provision for loss allowance of trade receivables, net	868	196

7. TAXATION

	Six months ended 30 June	
	2022 RM'000 (Unaudited)	2021 RM'000 (Unaudited)
Current tax		
Malaysia corporate income tax (“Malaysia CIT”)	7,689	5,127
Deferred taxation		
Changes in temporary differences	(1,058)	(18)
Total income tax expenses for the period	6,631	5,109

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for six months ended 30 June 2022 and 2021.

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

Malaysia CIT is calculated at 24% of the estimated assessable profits for the six months ended 30 June 2022 and 2021. For the six months ended 30 June 2022 and 2021, Malaysia incorporated entities with paid-up capital of RM2.5 million or less and annual sales of not more than RM50.0 million enjoy tax rate of 17% on the first RM600,000 of the estimated assessable profits. The remaining balance is calculated at the tax rate of 24%.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following information:

	Six months ended 30 June	
	2022 RM'000 (Unaudited)	2021 RM'000 (Unaudited)
Profit for the period attributable to owners of the Company, used in basic and diluted earnings per share calculation	15,999	13,867
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	723,000	723,000

The calculation of the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been determined based on the assumption that the issue of shares at incorporation of the Company, the Reorganisation and the Capitalisation Issue (as defined in the Prospectus) to the shareholders had occurred on 1 January 2021.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence for the six months ended 30 June 2022 and 2021.

9. DIVIDEND

The directors of the Company did not recommend a payment of an interim dividend for the six months ended 30 June 2022 (*six months ended 30 June 2021: Nil*).

10. TRADE AND OTHER RECEIVABLES

		At 30 June 2022 <i>RM'000</i> (Unaudited)	At 31 December 2021 <i>RM'000</i> (Audited)
	<i>Notes</i>		
Trade receivables			
From related parties	<i>10(a)</i>	1,031	979
From third parties		<u>113,509</u>	<u>89,796</u>
		114,540	90,775
Less: Loss allowances		<u>(3,568)</u>	<u>(2,673)</u>
	<i>10(b)</i>	<u>110,972</u>	<u>88,102</u>
Other receivables			
Prepayments (<i>Note</i>)		417	472
Deposits paid to suppliers		2,441	2,745
Other deposits and receivables		<u>5,431</u>	<u>3,713</u>
		<u>8,289</u>	<u>6,930</u>
		<u>119,261</u>	<u>95,032</u>

Note: The amounts represent prepaid listing expenses.

10(a) Trade receivables from related companies

The trade receivables from related companies are unsecured, interest-free and have credit terms up to 60 days from the date of issuance of invoices. No provision has been made for non repayment of the amount due during the reporting periods. The Group does not hold any collateral over these balances.

	Six months ended 30 June 2022		
	Maximum amount outstanding during the period RM'000	Balance at 30 June 2022 RM'000	Balance at 1 January 2022 RM'000
Alfa Indah (Beserah) Sdn. Bhd. ("Alfa Indah (Beserah)") (Note 10(a)(i))	324	324	263
Alfa Indah (Jaya Gading) Sdn. Bhd. ("Alfa Indah (Jaya Gading)") (Note 10(a)(ii))	161	137	118
Just Relax Restaurant (Note 10(a)(iii))	68	54	56
Megamart Sdn. Bhd. ("Megamart") (Note 10(a)(iv))	1,405	479	495
Owl Café (Note 10(a)(iii))	38	18	29
Pak Su Seafood Sdn. Bhd. ("Pak Su Seafood") (Note 10(a)(v))	27	13	18
The Eight Th (Note 10(a)(vi))	16	6	–
		<u>1,031</u>	<u>979</u>

	Year ended 31 December 2021		
	Maximum amount outstanding during the year RM'000	Balance at 31 December 2021 RM'000	Balance at 1 January 2021 RM'000
Alfa Indah (Beserah)	366	263	86
Alfa Indah (Jaya Gading)	187	118	118
JR Grill & Bistro (Note 10(a) (iii))	16	–	14
Just Relax Restaurant	52	56	46
Mega Jaya Seafood Sdn. Bhd. ("Mega Jaya Seafood") (Note 10(a)(vii))	56	–	6
Megamart	813	495	438
Owl Cafe	30	29	13
Pak Su Seafood Restaurant	31	18	17
		<u>979</u>	<u>738</u>

Notes:

- (i) At 30 June 2022 and 31 December 2021, 16.67% equity interests of Alfa Indah (Beserah) was held by Mr. SB Soon.
- (ii) At 30 June 2022 and 31 December 2021, 15% equity interests of Alfa Indah (Jaya Gading) was held by Mr. SB Soon.
- (iii) At 30 June 2022 and 31 December 2021, Mr. CA Soon, and his spouse, Ms. Ng Kar Wei were the partners of Just Relax Restaurant, Owl Cafe and JR Grill & Bistro.
- (iv) At 30 June 2022 and 31 December 2021, 25%, 26% and 49% equity interests of Megamart were held by Mr. SB Soon, Mr. Lim Tau Hong, who is the spouse of Ms. LS Soon, and Mack Food Pte Ltd., which equity interests are equally held by Mr. SB Soon and Mr. Lim Tau Hong, respectively.
- (v) At 30 June 2022 and 31 December 2021, 80% and 20% equity interests of Pak Su Seafood was held by the Ultimate Controlling Party and Mr. Lim Tau Hong, respectively.
- (vi) At 30 June 2022 and 31 December 2021, Mr. SL Soon and Mr. CA Soon were the partners of The Eight Th.
- (vii) At 30 June 2022 and 31 December 2021, 50% equity interests of Mega Jaya Seafood was held by Mr. CA Soon.

10(b) Trade receivables

The ageing of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	At 30 June 2022 RM'000 (Unaudited)	At 31 December 2021 RM'000 (Audited)
Within 30 days	67,276	52,101
31 to 60 days	33,591	28,719
61 to 90 days	8,603	6,116
Over 90 days	1,502	1,166
	110,972	88,102

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	At 30 June 2022 <i>RM'000</i> (Unaudited)	At 31 December 2021 <i>RM'000</i> (Audited)
Not yet due	<u>68,097</u>	<u>53,280</u>
Past due:		
Within 30 days	34,054	28,434
31 to 60 days	7,710	5,511
61 to 90 days	<u>1,111</u>	<u>877</u>
	<u>42,875</u>	<u>34,822</u>
	<u>110,972</u>	<u>88,102</u>

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

11. TRADE AND OTHER PAYABLES

	<i>Notes</i>	At 30 June 2022 <i>RM'000</i> (Unaudited)	At 31 December 2021 <i>RM'000</i> (Audited)
Trade payables			
To third parties	<i>11(a)</i>	<u>55,594</u>	<u>37,111</u>
Other payables			
Contract liabilities – Marketing Incentive	<i>11(b)</i>	8,627	7,032
Salary payables		4,878	4,523
Other accruals and other payables (<i>Note</i>)		5,964	4,423
Rental and other deposits		262	258
Due to the Ultimate Controlling Party	<i>11(c)</i>	<u>347</u>	<u>2,430</u>
		<u>20,078</u>	<u>18,666</u>
		<u>75,672</u>	<u>55,777</u>

Note: The amounts at 30 June 2022 and 31 December 2021 included accrued listing expenses of approximately RM2,368,000 and RM853,000, respectively.

11(a) Trade Payables

The trade payables are unsecured, interest-free and with normal credit terms up to 60 days.

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	At 30 June 2022 <i>RM'000</i> (Unaudited)	At 31 December 2021 <i>RM'000</i> (Audited)
Within 30 days	41,887	18,995
31 to 60 days	12,802	17,100
61 to 90 days	717	855
Over 90 days	188	161
	<u>55,594</u>	<u>37,111</u>

11(b) Contract liabilities – Marketing Incentive

The balance represented accumulated unused obligations at the end of each reporting period which will be recognised as revenue in the next reporting period. The movements (excluding those arising from increase and decrease both occurred within the same reporting period) of contract liabilities within IFRS 15 are as follows:

	At 30 June 2022 <i>RM'000</i> (Unaudited)	At 31 December 2021 <i>RM'000</i> (Audited)
At the beginning of the reporting period	7,032	4,421
Addition for the reporting period	4,142	7,032
Revenue recognised for the reporting period (<i>Note 4</i>)	<u>(2,547)</u>	<u>(4,421)</u>
At the end of the reporting period	<u>8,627</u>	<u>7,032</u>

Note: The contract liabilities of approximately RM8,627,000 at 30 June 2022 (*31 December 2021: approximately RM7,032,000*), represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of each reporting period. The Group expects the transaction price of approximately RM8,627,000 at 30 June 2022 (*31 December 2021: approximately RM7,032,000*), allocated to the unsatisfied performance obligations will be recognised as revenue in one year or less when the obligations are performed.

11(c) Due to the Ultimate Controlling Party

The amounts due are non-trade in nature, unsecured, interest-free, repayable on demand and were fully settled in July 2022.

	At 30 June 2022 <i>RM'000</i> (Unaudited)	At 31 December 2021 <i>RM'000</i> (Audited)
Mr. SB Soon	79	1,862
Mr. SL Soon	79	339
Mr. CA Soon	–	40
Ms. LS Soon	189	189
	<hr/> 347 <hr/>	<hr/> 2,430 <hr/>

12. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 February 2019. Upon its incorporation, the authorised share capital of HK\$380,000 was divided into 38,000,000 ordinary shares at HK\$0.01 each and 200 ordinary shares were issued.

Pursuant to the resolution of the Company's sole shareholder passed on 14 July 2022, inter-alia, the authorised share capital of the Company was increased from HK\$380,000 to HK\$15,000,000 by the creation of an additional 1,462,000,000 shares of HK\$0.01 each and the Capitalisation Issue (as defined below) was conditionally approved.

Pursuant to the resolution in writing of the Company's sole shareholder passed on 14 July 2022, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 722,999,800 shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$7,229,998 standing to be credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 19 August 2022.

13. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements, during the six months ended 30 June 2022 and 2021, further information of the related party transactions is set out below.

(a) Related party transactions of the Group:

		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		RM'000	RM'000
		(Unaudited)	(Unaudited)
Revenue arising from distribution and sales of F&B			
Just Relax Restaurant	<i>10(a)(iii)</i>	155	122
The Eight Th	<i>10(a)(vi)</i>	34	20
Alfa Indah (Beserah)	<i>10(a)(i)</i>	731	477
Alfa Indah (Jaya Gading)	<i>10(a)(ii)</i>	417	376
Megamart	<i>10(a)(iv)</i>	3,765	3,312
JR Grill & Bistro	<i>10(a)(iii)</i>	–	16
Pak Su Seafood	<i>10(a)(v)</i>	57	16
Owl Cafe	<i>10(a)(iii)</i>	78	31
Mega Jaya Seafood	<i>10(a)(vii)</i>	–	51
		=====	=====
Sales and marketing expenses			
Alfa Indah (Beserah)	<i>10(a)(i)</i>	3	2
Alfa Indah (Jaya Gading)	<i>10(a)(ii)</i>	4	3
Megamart	<i>10(a)(iv)</i>	12	22
		=====	=====

(b) Remuneration for key management personnel (including directors) of the Group:

	Six months ended 30 June	
	2022	2021
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Salaries, bonus, allowances and other benefits in kind	1,195	1,078
Contributions to defined contribution plans	183	216
	=====	=====
	1,378	1,294
	=====	=====

14. EVENTS AFTER THE REPORTING PERIOD

On 19 August 2022, the Company's shares were listed on the Stock Exchange and 241,000,000 new ordinary shares of HK\$0.01 each were issued at HK\$0.56 per share assuming that the Over-allotment Option (as defined in the Prospectus) is not exercised, by way of global offering. At the date of this announcement, the Over-allotment Option has not been exercised.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY BACKGROUND

Swang Chai Chuan Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) is an established distributor of food & beverage (the “**F&B**”) and other products located in Malaysia. The Company distributes a great selection of products consisting of more than 200 international, domestic third-party and own brands. Apart from F&B products such as dairy products, frozen food, packaged food and commodities, sauce, oil and condiments, beverages and speciality products, the Company also provides non-F&B options, which include personal and baby care products, pet care products and cleaning and kitchen supplies. Furthermore, the Company has a broad sales network which allows a high level of customer reach via hypermarket/supermarket chains, provision shops, convenience stores/kiosks, F&B dealers and merchandisers, hotels/restaurants/cafes and school canteens. On top of supplying products to customers, the Company also offers other services such as warehousing logistics, sales and marketing support and other services which can enhance consumers’ experience.

BUSINESS REVIEW AND PROSPECTS

As the world has been affected by COVID-19 pandemic since the end of 2019, which led to an increase of demand of F&B products, the Company had to accelerate its business in 2020 by leasing 2 more warehouses located in Kuantan and Perai of Malaysia to satisfy the demand. By the end of 2021, the Company has a total of 8 self-owned and 4 leased warehouses strategically distributed all over Malaysia which contributed to an aggregate designated storage capacity of approximately 25,600m³. In addition, the Company also owns a fleet with more than 140 self-operated logistics vehicles, of which approximately 100 are refrigerated vehicles, allows the Group to leverage the service quality to a more superior level.

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 August 2022 (the “**Initial Listing**”). The Initial Listing represents an important milestone to the Group and will greatly benefit the Group’s development in the future.

Looking forward, we will continue to utilize our existing industry knowledge to expand our core strengths and target to explore more business opportunities, and also exercise a careful cost control measures under high inflation business environment to enhance profit margin and maintain its competitiveness.

FINANCIAL OVERVIEW

Save as disclosed below, there are no material changes in the Group's performance from the information disclosed in the Prospectus.

Revenue

The Company's revenue is primarily generated from (i) the distribution and sales of F&B and other products and (ii) the provision of logistics, warehousing services and others. For the six months ended 30 June 2022 (the "**Period**"), the Group's revenue increased by approximately RM79.2 million or 24.7% from approximately RM320.7 million in the six months ended 30 June 2021 (the "**Last Corresponding Period**") to approximately RM399.9 million in the Period, which is mainly due to (i) the increase in revenue from third party brands products by approximately RM63.5 million or 25.1% mainly contributed by sauce, oil, and condiments, beverage products and packaged food and commodities, and (ii) increase in revenue from own brand and white label products by approximately RM16.0 million or 25.3% mainly contributed by frozen food and pet care products products.

Gross profit and gross profit margin

The gross profit margin decreased to approximately 14.2% in the Period as compared to approximately 14.8% in the Last Corresponding Period. The lower in the gross profit margin was due to the result of competitive price strategy adjustment to capture market share. The gross profit increased from approximately RM47.6 million in the Last Corresponding Period to approximately RM56.9 million in the Period, representing an increase of approximately 19.5%. The increase in gross profit in the Period was generally in line with the increase in distribution revenue.

Other income

Other income mainly consists of interest income, sundry income, and others. Other income decreased by approximately RM112,000 or 18.4%, from approximately RM610,000 in Last Corresponding Period to approximately RM498,000 in the Period which was primarily due to the decrease in interest income and rental income.

Selling and distribution expenses

Selling and distribution expenses primarily comprise of staff cost, marketing and advertising expenses, transportation expenses and vehicle maintenance expenses. Selling and distribution expenses increased by approximately RM3.9 million or 21.4%, from approximately RM18.2 million in the Last Corresponding Period to approximately RM22.1 million in the Period which was mainly due to the increase in (i) marketing and advertising expenses as more marketing activities were conducted to promote sales; and (ii) travelling, transportation and storage expenses to support the increasing activities of sales.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprise of staff costs including directors' remuneration, utility expenses, insurance expenses and depreciation. Administrative and other operating expenses increased by approximately RM0.5 million or 6.3%, from approximately RM8.0 million in the Last Corresponding Period to approximately RM8.5 million in the Period which was primarily due to the increase in the utility expense and staff cost for more employees to enhance the administration to meet the enlarged scale of operation.

Finance costs

Finance costs mainly represent interest on interest-bearing borrowings and lease liabilities. The finance costs decreased by approximately RM32,000 or 4.2% from approximately RM758,000 in Last Corresponding Period to approximately RM726,000 in the Period, which was mainly due to the decrease in interest on lease liabilities for the Period.

Income tax expenses

Income tax expenses primarily consist of current and deferred income tax at the applicable tax rate in accordance with the relevant laws and regulations in Malaysia. No provision for Hong Kong profit tax has been made as the Group has no assessable profits arising in or derived from Hong Kong and the group entities established in the Cayman Islands and the British Virgin Islands are exempted from corporate income tax therein. Income tax expenses for the Period increased by approximately RM1.5 million or 29.4% to approximately RM6.6 million from approximately RM5.1 million in the Last Corresponding Period. The increase in income tax expenses was mainly due to the increase in profit before tax generated in the Period.

Profit for the period and net profit margin

As a result of the foregoing, the Group recorded a profit for the period of approximately RM16.0 million in the Period and approximately RM13.9 million in the Last Corresponding Period. The net profit margin of the Group remained relatively stable at approximately 4.0% and 4.3% in the Period and the last Corresponding Period, respectively.

Excluding the non-recurring listing expenses, the Group recorded a profit for the period of approximately RM19.5 million and RM16.1 million in the Period and the Last Corresponding Period, respectively.

OTHER INFORMATION

USE OF PROCEEDS FROM THE INITIAL LISTING

On 19 August 2022 (the "**Listing Date**"), the shares of the Company (the "**Share**") were listed on the Main Board of the Stock Exchange. The Group intends to apply the proceeds from the issuance of 241,000,000 Shares at the offer price of HK\$0.56 per Share (the "**Share Offer**") in accordance with the proposed applications set out in the section headed "Net Proceeds From The Global Offering" in the announcement of offer price and allotment result dated 18 August 2022.

After deducting share issuance expense and professional fee regarding to the Share Offer, assuming the Over-allotment Option is not exercised, the net proceeds amounted to approximately HK\$87.0 million. If the Over-allotment Option is exercised in full, the Company will receive additional net proceeds of approximately HK\$18.2 million for the issue of 36,150,000 additional new shares. In such event, the Company will increase the intended use of net proceeds on a pro rata basis. Given the Share Offer was completed after the Period, there was no utilisation of the proceeds as at 30 June 2022.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations primarily through bank borrowings and internal resources. Following the completion of the Share Offer in August 2022, the net proceeds from the Share Offer are expected to provide additional funds for future cash requirements. It is anticipated that the Group has sufficient working capital to fund its future working capital, capital expenditure and other cash requirements.

As at 30 June 2022, the Group's net current assets were approximately RM97.1 million (31 December 2021: approximately RM84.5 million). The Group's cash and cash equivalents as at 30 June 2022 were approximately RM9.6 million (31 December 2021: approximately RM4.5 million).

As at 30 June 2022, there were bank borrowings of approximately RM47.5 million bearing interest rate of base lending rate plus a percentage ranging from 0.75% per annum to 3.50% per annum (31 December 2021: approximately RM41.4 million bearing interest rate of base lending rate plus a percentage ranging from 0.75% per annum to 3.50% per annum).

As at 30 June 2022, the Group had a total available banking facilities of approximately RM97.3 million, of which approximately RM58.1 million was utilized and approximately RM 39.2 million was unutilized and available for use.

GEARING RATIO

As at 30 June 2022, the gearing ratio of the Group, based on total interest-bearing borrowings and lease liabilities to total equity (including all capital and reserves) of the Company was approximately 39.8% (31 December 2021: approximately 40.7%). The decrease in gearing ratio is primarily attributable to the increase in the equity.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed 764 full-time employees in Malaysia, of whom 26 were foreign labour. The Group recognises the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. The remuneration packages offered to the Group's employees are based on each employee's qualifications, relevant experience, position and seniority. The Group conducts review on salary increments, bonuses and promotions based on the performance, qualifications, competence displayed and market comparable of each employee. The Group provides ample career development opportunities and training supports to new employees. During the Period, the Group has not experienced any significant problems with its employees save as those arising from ordinary course of business or disruption to the operations due to labour disputes, nor has the Group experienced any difficulties in the recruitment and retention of staff.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk which refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group's transactions are mainly denominated in RM. Certain financial assets and liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The Group has not experienced any material difficult or liquidity problems resulting from foreign exchange fluctuations.

PLEDGE OF ASSETS

As at 30 June 2022, the (i) bank overdrafts and interest-bearing borrowings and (ii) lease liabilities of the Group are secured by certain assets of the Group.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

As the Shares have not been listed on the Stock Exchange as at 30 June 2022, the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") was not applicable to the Company for the Period. The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company on the Listing Date. Based on the specific enquiry with the Directors, all the Directors has complied with the required standards as set out in the Model Code since the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE

As the Shares were not listed on the Stock Exchange until the Listing Date, the Code on Corporate Governance (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules was not applicable to the Company for the Period. Save for the deviation from code provision C.2.1 of the CG Code, the Company has complied with required standards as set out in the CG Code since the Listing Date and up to the date of this announcement.

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Soon See Beng currently holds both positions. Mr. Soon See Beng has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. Taking into account the continuation of the implementation of our business plans, the Directors (including the independent non-executive Directors) consider Mr. Soon See Beng as the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the shareholders as a whole. The balance of power and authority is ensured by the operation of the senior management and the board of the Directors, which comprises experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Mr. Soon See Beng) and five independent non-executive Directors and therefore has a fairly strong independence element in its composition.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the CG Code for the purpose of reviewing and supervising the Group’s financial reporting process. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ooi Guan Hoe, Datuk Tan Teow Choon and Mr. Khoo Chee Siang. Mr. Ooi Guan Hoe is the chairman of the Audit Committee.

REVIEW OF THE INTERIM RESULTS

The Audit Committee had reviewed the unaudited consolidated results of the Group for the Period and discussed with the management of the Company on the accounting principles and practices adopted by the Group as well as internal controls and other financial reporting matters.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme upon the passing the written resolutions of the shareholders on 14 July 2022 (the “**Share Option Scheme**”). Pursuant to the Share Option Scheme, the Directors may grant options to eligible participants to subscribe for the Shares subject to the terms and conditions stipulated therein. Upon the listing of the Shares on the Stock Exchange on the Listing Date, all conditions set forth have been satisfied. No share option has been granted under the Share Option Scheme since its adoption.

INTERIM DIVIDEND

The Directors of the Company do not recommend payment of an interim dividend to shareholders of the Company for the Period.

IMPORTANT EVENTS AFTER THE REVIEW PERIOD

On 19 August 2022, the Company's shares were listed on the Stock Exchange and 241,000,000 new ordinary shares of HK\$0.01 each were issued at HK\$0.56 per share assuming that the Over-allotment Option (as defined in the Prospectus) is not exercised, by way of global offering. At the date of this announcement, the Over-allotment Option has not been exercised.

Save as disclosed above, there are no material subsequent events undertaken by the Company or by the Group after 30 June 2022 and up to the date of this announcement.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The interim result announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.sccgroup.com.my>). The interim report for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

By order of the Board
Swang Chai Chuan Limited
Mr. Soon See Beng
Chairman and Chief Executive Officer

Hong Kong, 31 August 2022

As at the date of this announcement, the executive Directors are Mr. Soon See Beng, Mr. Soon Chiew Ang and Mr. Soon See Long; and the independent non-executive Directors are Mr. Khoo Chee Siang, Mr. Ooi Guan Hoe, Datuk Tan Teow Choon, Mr. Ngai Wah Sang and Ms. Tiong Hui Ling.