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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022 (the “**Reporting Period**”):

- Revenue for the Reporting Period increased by approximately 25.0% year-to-year to approximately RM835.9 million, as compared with the revenue of approximately RM668.7 million for the year ended 31 December 2021 (the “**Preceding Year**”).
- Profit for the Reporting Period attributable to owners of the Company amounted to approximately RM26.8 million (2021: profit attributable to owners of the Company approximately RM23.6 million).
- Excluding listing expenses, the Group recorded a profit for the Reporting Period attributable to owners of the Company of approximately RM33.8 million and RM28.6 million for the Preceding Year.
- Basic earnings per share for the Reporting Period was 3.25 sen as compared with the basic earnings per share of 3.26 sen for the Preceding Year.
- The Directors of the Company do not recommend payment of any dividend to shareholders of the Company for the Reporting Period.

The board (the “**Board**”) of directors (the “**Directors**”) of Swang Chai Chuan Limited (the “**Company**”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the Reporting Period, together with the comparative figures for the Preceding Year as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

| | <i>Notes</i> | 2022 <i>RM'000</i> | 2021 <i>RM'000</i> |
|--|--------------|------------------------------|------------------------|
| Revenue | 4 | 835,906 | 668,738 |
| Cost of sales | | <u>(724,285)</u> | <u>(574,230)</u> |
| Gross profit | | 111,621 | 94,508 |
| Other income | 5 | 3,323 | 1,296 |
| Selling and distribution expenses | | (47,743) | (40,699) |
| Administrative and other operating expenses | 6 | (19,111) | (16,002) |
| Finance costs | 6 | (1,545) | (1,373) |
| Share of result of an associate | | 26 | – |
| Listing expenses | | <u>(7,026)</u> | <u>(4,974)</u> |
| Profit before tax | 6 | 39,545 | 32,756 |
| Income tax expenses | 7 | <u>(12,758)</u> | <u>(9,168)</u> |
| Profit for the year | | 26,787 | 23,588 |
| Other comprehensive income (loss): | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Exchange differences on translation of the Company's financial statements to presentation currency | | 738 | – |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on consolidation | | <u>(1,548)</u> | <u>25</u> |
| Total comprehensive income for the year | | <u>25,977</u> | <u>23,613</u> |
| Earnings per share attributable to owners of the Company: | | | |
| – Basic and diluted | 8 | <u>3.25 sen</u> | <u>3.26 sen</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

| | <i>Notes</i> | 2022 RM'000 | 2021 <i>RM'000</i> |
|--|--------------|------------------------------|-----------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 39,280 | 32,321 |
| Right-of-use assets | | 17,991 | 9,462 |
| Investment in an associate | | 226 | – |
| Deferred tax assets | | 2,352 | 1,774 |
| | | <hr/> 59,849 | <hr/> 43,557 |
| Current assets | | | |
| Financial assets at fair value through profit or loss (“FVPL”) | | – | 233 |
| Inventories | | 97,898 | 56,292 |
| Trade and other receivables | <i>10</i> | 129,061 | 95,032 |
| Fixed deposits with licensed banks | | 59,261 | 13,430 |
| Bank balances and cash | | 23,026 | 4,480 |
| | | <hr/> 309,246 | <hr/> 169,467 |
| Current liabilities | | | |
| Trade and other payables | <i>11</i> | 79,678 | 55,777 |
| Bank overdrafts | | – | 110 |
| Interest-bearing borrowings | | 48,721 | 26,065 |
| Lease liabilities | | 10,457 | 1,412 |
| Income tax payable | | 903 | 1,651 |
| | | <hr/> 139,759 | <hr/> 85,015 |
| Net current assets | | <hr/> 169,487 | <hr/> 84,452 |
| Total assets less current liabilities | | <hr/> 229,336 | <hr/> 128,009 |

| | <i>Note</i> | 2022 RM'000 | 2021 <i>RM'000</i> |
|--------------------------------|-------------|------------------------------|-----------------------|
| Non-current liabilities | | | |
| Interest-bearing borrowings | | 14,548 | 15,250 |
| Lease liabilities | | 771 | 1,980 |
| Deferred tax liabilities | | 1,090 | 592 |
| | | <u>16,409</u> | <u>17,822</u> |
| NET ASSETS | | <u>212,927</u> | <u>110,187</u> |
| Capital and reserves | | | |
| Share capital | <i>12</i> | 5,707 | —* |
| Reserves | | 207,220 | 110,187 |
| TOTAL EQUITY | | <u>212,927</u> | <u>110,187</u> |

* Represents amount less than RM1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Swang Chai Chuan Limited (the “**Company**” together with its subsidiaries are collectively referred to as the “**Group**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 14 February 2019. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 August 2022 (the “**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 in Hong Kong 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.

Pursuant to a group reorganisation (the “**Reorganisation**”) carried out by the Group in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group on 21 January 2021. Details of the Reorganisation are more fully explained in the section headed “History, Development and Reorganisation” of the prospectus of the Company dated 8 August 2022. As the Reorganisation did not result in any change in the ultimate control of and the resources employed by the Group’s business, the Group is regarded as a continuity entity and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control.

The consolidated financial statements of the Group for the years ended 31 December 2022 and 2021 have been prepared on a combined basis under merger accounting principles, as further explained in the paragraph headed “Merger accounting for business combination involving entities under common control” in Note 2, which presents the consolidated financial position, consolidated financial performance, consolidated changes in equity and consolidated cash flows of the entities now comprising the Group as if the current group structure had always been in existence throughout the reporting periods.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the IASB. The consolidated financial statements also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The consolidated financial statements are presented in Malaysian Ringgit (“RM”) and all amounts have been rounded to the nearest thousand (“RM’000”), unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the new/revised IFRSs that are relevant to the Group and effective from the current period.

Changes in accounting policies

The Group has applied, for the first time, the following new/revised IFRSs that are relevant to the Group:

| | |
|------------------------------|---------------------------------------|
| Amendments to IAS 16 | Proceeds before Intended Use |
| Amendments to IAS 37 | Cost of Fulfilling a Contract |
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Annual Improvements to IFRSs | 2018-2020 Cycle |

Amendments to IAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of IAS 2.

Amendments to IAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

Annual Improvements Project – 2018-2020 Cycle

IFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRSs later than its parent – i.e. if a subsidiary adopts IFRSs later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRSs.

IFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

IFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

The adoption of the new/revised IFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years.

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis, except for the unlisted investments of money market funds included in the “Financial assets at FVPL” which are measured at fair value.

Basis of consolidations

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRSs.

Allocation of total comprehensive income

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

Changes in ownership interest

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Ultimate Controlling Party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Ultimate Controlling Party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Ultimate Controlling Party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recognised directly in equity as part of the capital reserve. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

3. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the years ended 31 December 2022 and 2021, 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 years ended 31 December 2022 and 2021 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 years ended 31 December 2022 and 2021.

4. REVENUE

| | 2022 | 2021 |
|---|-----------------------|----------------|
| | <i>RM'000</i> | <i>RM'000</i> |
| Revenue from contracts with customers within IFRS 15 | | |
| <i>At a point in time</i> | | |
| Distribution and sales of F&B | 826,231 | 658,164 |
| <i>Over time</i> | | |
| Provision of logistics, warehousing services and others | 9,675 | 10,574 |
| | <u>835,906</u> | <u>668,738</u> |

The amount of revenue recognised for the year ended 31 December 2022 that were included in the contract liabilities at the beginning of the reporting period was approximately RM7,032,000 (2021: RM4,421,000).

5. OTHER INCOME

| | 2022 <i>RM'000</i> | 2021 <i>RM'000</i> |
|---|-----------------------|-----------------------|
| Interest income | 567 | 264 |
| Dividend income | 3 | 31 |
| Gain on disposal of property, plant and equipment | 77 | 80 |
| Rental income | 244 | 231 |
| Exchange gain, net | 688 | – |
| Bad debts recovery | 99 | 114 |
| Government grants (<i>Note</i>) | – | 46 |
| Reversal of loss allowance of trade receivables | 1,159 | 256 |
| Sundry income | 486 | 274 |
| | <u>3,323</u> | <u>1,296</u> |

Note: For the year ended 31 December 2021, government grants primarily consists of the fiscal support that the relevant government authorities offered to the Group's entities for subsidising on staff wages under COVID-19.

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

| | 2022 <i>RM'000</i> | 2021 <i>RM'000</i> |
|--|-----------------------|-----------------------|
| Finance costs | | |
| Interest on bank overdrafts | 2 | 1 |
| Interest on interest-bearing borrowings | 1,430 | 1,209 |
| Interest on lease liabilities | 113 | 163 |
| | <u>1,545</u> | <u>1,373</u> |
| Staff costs (including directors' emoluments) | | |
| Salaries, discretionary bonus, allowances and other benefits in kind | 35,600 | 30,871 |
| Contributions to defined contribution plans | 3,332 | 3,133 |
| | <u>38,932</u> | <u>34,004</u> |
| Other items | | |
| Cost of inventories sold | 710,796 | 562,397 |
| Auditor's remuneration | | |
| – Audit services | 842 | 130 |
| – Non-audit services | 112 | – |
| Depreciation of property, plant and equipment (charged to "cost of sales" and "administrative and other operating expenses", as appropriate) | 3,081 | 2,698 |
| Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses", as appropriate) | 1,411 | 1,696 |
| Exchange (gain) loss, net | (688) | 241 |
| Expenses recognised under short-term leases | 203 | 168 |
| Bad debts written off | 159 | 331 |
| Provision for write-down of inventories, net | 2,146 | 736 |
| Provision for loss allowance of trade receivables, net | 1,134 | 462 |
| | <u>710,796</u> | <u>562,397</u> |

7. TAXATION

| | 2022 <i>RM'000</i> | 2021 <i>RM'000</i> |
|---|-----------------------|-----------------------|
| Current tax | | |
| Malaysia corporate income tax (“ Malaysia CIT ”) | 12,838 | 9,828 |
| Deferred tax | | |
| Changes in temporary differences | (80) | (660) |
| Total income tax expenses for the year | 12,758 | 9,168 |

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 the reporting periods.

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax (“**CIT**”) therein.

Malaysia CIT is calculated at 24% of the estimated assessable profits for the year ended 31 December 2022 (2021: 24%). For the years ended 31 December 2022 and 2021, Malaysia incorporated entities with paid-up capital of RM2.5 million or less and having annual sales of not more than RM50 million enjoy tax rate of 17% on the first RM600,000 of the estimated assessable profits and remaining balance at tax rate of 24%.

Reconciliation of income tax expenses

| | 2022 <i>RM'000</i> | 2021 <i>RM'000</i> |
|---|-----------------------|-----------------------|
| Profit before tax | 39,545 | 32,756 |
| Income tax at statutory tax rate applicable in respective territories | 9,491 | 7,861 |
| Non-deductible expenses | 3,360 | 1,431 |
| Tax exempt revenue | (1) | (6) |
| Tax concessions | (77) | (90) |
| Others | (15) | (28) |
| Income tax expenses | 12,758 | 9,168 |

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:

| | 2022 <i>RM'000</i> | 2021 <i>RM'000</i> |
|--|-----------------------|-----------------------|
| Profit for the year attributable to owners of the Company, used in basic and diluted earnings per share calculation | 26,787 | 23,588 |
| | <i>'000</i> | <i>'000</i> |
| Weighted average number of ordinary shares for basic and diluted earnings per share calculation | 823,427 | 723,000 |

For the years ended 31 December 2022 and 2021, the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share were on the basis as if the Capitalisation Issue (as defined in Note 12) had been effective on 1 January 2021.

Diluted earnings per share are same as the basic earnings per share as there are no potential dilutive ordinary shares in existence for the years ended 31 December 2022 and 2021.

9. DIVIDEND

The Directors did not recommend a payment of any dividend for the year ended 31 December 2022 (2021: Nil).

10. TRADE AND OTHER RECEIVABLES

| | <i>Notes</i> | 2022 RM'000 | 2021 <i>RM'000</i> |
|--|--------------|------------------------------|-----------------------|
| Trade receivables | | | |
| From related companies | <i>(a)</i> | 982 | 979 |
| From third parties | | 120,100 | 89,796 |
| | | 121,082 | 90,775 |
| Less: Loss allowances | | (3,807) | (2,673) |
| | <i>(b)</i> | 117,275 | 88,102 |
| Other receivables | | | |
| Prepayments (<i>Note (i)</i>) | | –* | 472 |
| Deposits paid to suppliers | | 4,539 | 2,745 |
| Deposits paid for acquisition of computer software | | 1,428 | – |
| Other deposits and receivables (<i>Note (iii)</i>) | | 5,154 | 3,713 |
| Amount due from an associate (<i>Note (ii)</i>) | | 665 | – |
| | | 11,786 | 6,930 |
| | | 129,061 | 95,032 |

* Represents amount less than RM1,000

Notes:

- (i) The amount at 31 December 2021 represents prepaid listing expenses.
- (ii) The amount due from an associate is non-trade in nature, unsecured, interest-free and repayable on demand.
- (iii) Included in the other deposits and receivables, there were approximately RM4,545,000 and RM2,227,000, respectively, at 31 December 2022 and 2021, representing the marketing expenses receivables from the suppliers.

Notes:

- (i) At 31 December 2022 and 2021, 16.67% equity interests of Alfa Indah (Beserah) was held by SB Soon.
- (ii) At 31 December 2022 and 2021, 15% equity interests of Alfa Indah (Jaya Gading) was held by SB Soon.
- (iii) At 31 December 2022 and 2021, CA Soon, and his spouse, Ms. Ng Kar Wei (“**KW Ng**”) were the partners of Just Relax Restaurant, Owl café and JR Grill & Bistro.
- (iv) At 31 December 2022 and 2021, 80% and 20% equity interests of Pak Su Seafood was held by the Ultimate Controlling Party and Mr. Lim Tau Hong (“**TH Lim**”), respectively.
- (v) At 31 December 2022 and 2021, 50% equity interests of Mega Jaya Seafood was held by SL Soon.
- (vi) At 31 December 2022 and 2021, 25%, 26% and 49% equity interests of Megamart were held by SB Soon, TH Lim, who is the spouse of LS Soon, and Mack Food Pte Ltd., which equity interests are equally held by SB Soon and TH Lim, respectively.
- (vii) At 31 December 2022 and 2021, CA Soon and SL Soon were the partners of The Eight Th.
- (viii) At 31 December 2022 and 2021, CA Soon and KW Ng, who is the spouse of CA Soon, were the partners of The Nine Th, The 12 Th, and The 13 Th, respectively.
- (ix) At 31 December 2022 and 2021, 1% and 8% equity interests of Golden Empire was held by SL Soon and TH Lim, respectively.

10(b) Trade receivables

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

| | 2022 | 2021 |
|----------------|-----------------------|---------------|
| | <i>RM'000</i> | <i>RM'000</i> |
| Within 30 days | 68,690 | 52,101 |
| 31 to 60 days | 37,118 | 28,719 |
| 61 to 90 days | 9,670 | 6,116 |
| Over 90 days | 1,797 | 1,166 |
| | <u>117,275</u> | <u>88,102</u> |

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

| | 2022 <i>RM'000</i> | 2021 <i>RM'000</i> |
|----------------|------------------------------|-----------------------|
| Not yet due | <u>70,300</u> | <u>53,280</u> |
| Past due: | | |
| Within 30 days | 37,094 | 28,434 |
| 31 to 60 days | 8,683 | 5,511 |
| 61 to 90 days | <u>1,198</u> | <u>877</u> |
| | <u>46,975</u> | <u>34,822</u> |
| | <u>117,275</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> | 2022 <i>RM'000</i> | 2021 <i>RM'000</i> |
|---|--------------|------------------------------|-----------------------|
| Trade payables | | | |
| To third parties | <i>(a)</i> | <u>60,462</u> | <u>37,111</u> |
| Other payables | | | |
| Contract liabilities – Marketing Incentive | <i>(b)</i> | 5,978 | 7,032 |
| Salary payables | | 5,458 | 4,523 |
| Other accruals and other payables (<i>Notes (i) and (ii)</i>) | | 7,509 | 4,423 |
| Rental and other deposits | | 271 | 258 |
| Due to the Ultimate Controlling Party | <i>(c)</i> | <u>–</u> | <u>2,430</u> |
| | | <u>19,216</u> | <u>18,666</u> |
| | | <u>79,678</u> | <u>55,777</u> |

Notes: (i) The amount at 31 December 2021 included accrued listing expenses of approximately RM853,000.

(ii) The amount at 31 December 2022 included payables of approximately RM1,750,000 for addition of property, plant and equipment.

11(a) Trade payables

The trade payables are 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:

| | 2022 <i>RM'000</i> | 2021 <i>RM'000</i> |
|----------------|------------------------------|-----------------------|
| Within 30 days | 36,722 | 18,995 |
| 31 to 60 days | 22,730 | 17,100 |
| 61 to 90 days | 847 | 855 |
| Over 90 days | 163 | 161 |
| | 60,462 | 37,111 |

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:

| | 2022 <i>RM'000</i> | 2021 <i>RM'000</i> |
|---|------------------------------|-----------------------|
| At the beginning of the reporting period | 7,032 | 4,421 |
| Addition for the reporting period | 5,978 | 7,032 |
| Revenue recognised for the reporting period (<i>Note</i>) | (7,032) | (4,421) |
| At the end of the reporting period | 5,978 | 7,032 |

Note: The contract liabilities of approximately RM5,978,000 (2021: RM7,032,000) at 31 December 2022, 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 RM5,978,000 (2021: RM7,032,000) at 31 December 2022, 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 prior to the Listing.

| | 2022 RM'000 | 2021 RM'000 |
|---------|------------------------------|-----------------------|
| SB Soon | – | 1,862 |
| SL Soon | – | 339 |
| CA Soon | – | 40 |
| LS Soon | – | 189 |
| | <u>–</u> | <u>2,430</u> |
| | <u>–</u> | <u>2,430</u> |

12. SHARE CAPITAL

| | <i>Notes</i> | Number of shares '000 | HK\$'000 | Equivalent to RM'000 Approximately |
|---|--------------|--------------------------------------|----------------------|---|
| Ordinary shares of HK\$0.01 each | | | | |
| Authorised: | | | | |
| At 1 January 2021, 31 December 2021 and 1 January 2022 | | | | |
| | | 38,000 | 380 | 197 |
| Increase on 14 July 2022 | <i>(a)</i> | <u>1,462,000</u> | <u>14,620</u> | <u>8,277</u> |
| At 31 December 2022 | | <u>1,500,000</u> | <u>15,000</u> | <u>8,474</u> |
| Issued and fully paid: | | | | |
| At 1 January 2021, 31 December 2021 and 1 January 2022 | | | | |
| | | –* | –* | –* |
| Issue of shares pursuant to the Capitalisation Issue | <i>(b)</i> | 723,000 | 7,230 | 4,125 |
| Issue of shares pursuant to the Global Offering | <i>(c)</i> | 241,000 | 2,410 | 1,375 |
| Issue of shares pursuant to the Over-allotment option | <i>(d)</i> | <u>36,150</u> | <u>362</u> | <u>207</u> |
| At 31 December 2022 | | <u>1,000,150</u> | <u>10,002</u> | <u>5,707</u> |

* Represent amount less than RM1,000

- (a) On 14 July 2022, 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, such shares shall rank pari passu in all aspect.
- (b) Pursuant to the resolutions in writing of the Company’s shareholders passed on 14 July 2022, subject to the share premium account of the Company being credited as a result of the issue of the Company’s shares under the Listing, 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 (equivalent to approximately RM4,125,000) standing to the 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 rights to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 19 August 2022.
- (c) On 19 August 2022, the shares of the Company were listed on the Main Board of the Stock Exchange and 241,000,000 new ordinary shares with par value of HK\$0.01 per share were issued at HK\$0.56 per share by way of global offering (the “**Global Offering**”). The gross proceeds from the Global Offering amounted to HK\$134,960,000 (equivalent to approximately RM76,996,000).
- (d) On 9 September 2022, 36,150,000 new ordinary shares with par value of HK\$0.01 per share of the Company were issued at a price of HK\$0.56 per share upon full exercise of the over-allotment option (the “**Over-allotment**”). The gross proceeds from the Over-allotment amounted to HK\$20,244,000 (equivalent to approximately RM11,625,000).
- (e) The expenses attributable to issue of new shares under the Global Offering and the Over-allotment of approximately RM11,858,000 have been recognised in the share premium account within equity of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY BACKGROUND

Swang Chai Chuan Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) is a well-established food & beverage (the “**F&B**”) distributor located in Malaysia. The Company distributes a great selection of products comprising more than 200 renowned 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 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.

BUSINESS REVIEW AND PROSPECTS

As the world was undergoing COVID-19 pandemic since the end of 2019, which had 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 increased demand. By the end of 2022, the Company has a total of 9 self-owned and 3 leased warehouses strategically located all over Malaysia which contributed to an aggregate designated storage capacity of 30,900m³. In addition, the Company also owns a fleet with more than 150 self-operated logistics vehicles which allow 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 utilise our 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

Revenue

The Company's revenue is primarily generated from (i) the distribution and sales of FMCG products where majority are F&B products and (ii) the provision of logistics, warehousing services and others. For the year ended 31 December 2022 (the "**Reporting Period**"), the Group's revenue increased by approximately RM167.2 million or 25.0% from approximately RM668.7 million in 31 December 2021 (the "**Preceding Year**") to approximately RM835.9 million for the Reporting Period mainly due to the increase in distribution revenue from third party brands and white label products amounting to approximately RM143.0 million and RM16.2 million respectively. The increase in revenue from third party brands is mainly attributed to dairy products, sauce, oil and condiments and beverages with increase of approximately RM108.6 million mainly as a result of (a) securing distribution rights to north Peninsula Malaysia from an existing supplier of dairy products, and (b) securing distribution rights to distribute to retail channels in east Peninsula Malaysia from an existing supplier of sauce, oil and condiments and dairy products. The relaxation of Covid restrictions in early 2022 had resulted in an increase in consumption by consumers leading to an increase in the revenue from beverages and white label products.

Gross Profit/Other income

The gross profit margin decreased to approximately 13.4% in the Reporting Period as compared to approximately 14.1% in the Preceding Year. The decrease in the gross profit margin was due to the result of competitive price strategy to capture market share, inflationary price increase of products that we were not yet able to fully pass on to the customers in the 2nd half of the year and the lower margins from securing two new distribution rights described in the above section.

Other income mainly consists of interest income, sundry income, and others. Other income increased by approximately RM2.0 million or 153.8%, from approximately RM1.3 million in the Preceding Year to approximately RM3.3 million in the Reporting Period mainly on the reversal of loss allowance of trade receivables on recovery of overdue debts which has been fully provided in the previous years and the exchange gain on translation of foreign exchange balances.

Selling and distribution costs

Selling and distribution expenses primarily comprise of (i) staff cost, (ii) transportation expenses, (iii) vehicle maintenance expenses, (iv) travelling expenses and (v) marketing and advertising expenses and (vi) others. Selling and distribution expenses increased by approximately RM7.0 million or 17.2%, from approximately RM40.7 million in the Preceding Year to approximately RM47.7 million in the Reporting Period which was mainly due to the increase in a) salaries and wages, b) marketing and advertising expenses to support the growth in own brand products, and c) transportation and storage expenses as a result of the increase in revenue of approximately 25% mentioned above. During the Reporting Period, various third parties had increased their charges for storage and transportation due to the increase in minimum wages and the withdrawal of electricity rebate by the Malaysian Government.

Administrative and other operation expenses

Administrative and other operating expenses primarily comprise of i) staff costs which include Directors' remuneration, ii) utility expenses, iii) insurance expenses, iv) depreciation, v) foreign exchange gain/losses, vi) professional fees, and vii) others. Administrative and other operating expenses increased by approximately RM3.1 million or 19.4%, from approximately RM16.0 million in the Preceding Year to approximately RM19.1 million in the Reporting Period primarily due to professional fees necessarily incurred subsequent to the Initial Listing, utility charges and provision of doubtful debt.

Finance costs

Finance costs mainly represent interest on interest-bearing borrowings and interest on lease liabilities. The Company's finance costs increased by approximately RM0.1 million or 7.1% from approximately RM1.4 million in the Preceding Year to approximately RM1.5 million in the Reporting Period. The increase in finance costs was mainly due to the increase in interest rates during the Reporting Period by Bank Negara Malaysia in tandem with Federal Reserve Board to fight inflation and increase in short term borrowings to finance the increase in inventories and trade receivables resulting from the increase in revenue.

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 arose in or derived from Hong Kong. The group entities established in the Cayman Islands and the British Virgin Islands are exempted from Cayman Island/British Virgin Islands corporate income tax. Income tax expenses for the Reporting Period increased by approximately RM3.6 million or 39.1% to approximately RM12.8 million from approximately RM9.2 million in the Preceding Year. The increase in income tax expenses was mainly due to the increase in profit before tax generated in the Reporting Period and the non-deductibility of certain expenses, namely listing expenses.

Profit for the Reporting Period and net profit margin

As a result of the foregoing, the Group recorded a profit for the year of approximately RM26.8 million in the Reporting Period and RM23.6 million in the Preceding Year. The net profit margin of the Group declined to 3.2% in the Reporting Period from 3.5% in the Preceding Year mainly due to the decline in gross profit margin as explained above.

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 through an issuance of 241,000,000 shares at the offer price of HK\$0.56 per Share (the “**Share Offer**”) for a gross proceeds of approximately HK\$135.0 million in accordance with the proposed application 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.

On 9 September 2022, the over-allotment options was fully exercised and the Company issued 36,150,000 shares additional new shares at HK\$0.56 each to cover the over-allocations in the international offering and with a gross proceeds of approximately HK\$20.2 million.

After deducting share issuance expense and professional fee regarding to the Share Offer, the net proceeds amounted to approximately HK\$105.2 million. Utilisation of the proceeds (adjusted on pro rata basis based on the actual net proceeds) on as at 31 December 2022 are as per followings:

| | Planned use of net proceeds | Actual use of proceeds as at 31 December 2022 | Balance of unutilised proceeds as at 31 December 2022 | Expected timeline for unutilised proceeds |
|--|--|--|--|--|
| | <i>HK\$ million</i> | <i>HK\$ million</i> | <i>HK\$ million</i> | |
| Further enhancement to distribution and sales capabilities | 50.3 | 2.1 | 48.2 | December 2024 |
| Development in Own Products business | 19.0 | 1.7 | 17.3 | December 2024 |
| Development in e-commerce mobile platform | 7.3 | 0.1 | 7.2 | December 2024 |
| Strategic acquisitions and investments | 18.1 | 1.5 | 16.6 | December 2024 |
| General working capital | 10.5 | 10.5 | – | NA |
| | <u>105.2</u> | <u>15.9</u> | <u>89.3</u> | |

The utilisation of proceeds is slower than expected as the Group 1) have yet to find suitable a location and at the right price to build a warehouse in Klang, Selangor; 2) actively looking for strategic investments but many were not suitable; 3) at various stages in the selection of the right vendors for marketing and at the same time planning the right marketing activities based on current market conditions.

We will continuously evaluate, reassess, change or modify the existing plans and explore new business opportunities after taking into consideration the latest market condition with an aim to achieve sustainable business growth and to bring long-term benefits for the Shareholders.

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 31 December 2022, the Group's net current assets were approximately RM169.5 million (31 December 2021: approximately RM84.5 million). The Group's cash and cash equivalents as at 31 December 2022 were approximately RM23.0 million (31 December 2021: approximately RM4.5 million).

As at 31 December 2022, there were bank borrowings of approximately RM63.3 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 31 December 2022, the Group had a total available banking facilities of approximately RM99.6 million, of which approximately RM73.7 million was utilized and approximately RM25.9 million was unutilized and available for use.

GEARING RATIO

As at 31 December 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 35.0% (31 December 2021: approximately 40.7%). The decrease in gearing ratio is primarily attributable to the increase in equity base partially offset by the effect of increase in bank borrowing.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed 779 full-time employees in Malaysia. 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 Reporting 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. As at 31 December 2022, the Group had outstanding foreign currency forward contract to sell approximately RM1.1 million buy approximately Euro 0.25 million (31 December 2021: nil) and sell approximately RM7.0 million buy approximately Australian dollars ("AUD") 2.4 million (31 December 2021: sell approximately RM0.5 million buy approximately AUD0.2 million). The Group closely monitors the movement of the foreign currency rates and its foreign currency risks. The Group has not experienced any material difficulty or liquidity problems resulting from foreign exchange fluctuations during the Reporting Period.

PLEDGE OF ASSETS

As at 31 December 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 31 December 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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this announcement, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

AUDIT COMMITTEE

The Board has established our Audit Committee on 14 July 2022 in compliance with the code provision of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

The Audit Committee consists of 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 and he has professional qualifications and experience in accounting and financial management as stipulated in the Listing Rules.

The Audit Committee's terms of reference in writing was adopted by the Company pursuant to the Board Resolution passed on 14 July 2022. The terms of reference requires that the Audit Committee must hold meetings twice a year and the necessary quorum shall be at least two.

The main responsibilities of the Audit Committee include, but not limited to:

1. Make recommendations to the Board on the appointment, reappointment, resignation, dismissal and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process;
2. Review of financial information of the Group, including changes in accounting policies and practice, major judgemental areas, going concern consideration, compliance with accounting standards and listing rules in relation to financial reporting;
3. Oversight of the Company's financial reporting system, including review of the adequacy of resources, qualifications and experience of accounting staff, and their training programmes and budget of the Company's accounting and financial reporting function;
4. Review and monitor the effectiveness and adequacy of the Group's risk management and internal control measures; ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
5. Regularly report observations and make recommendations to the Board (if any).

The Audit Committee also acts as the Corporate Governance function of the Group, and is mainly responsible for:

- developing and reviewing the corporate governance policies and practices of the Company and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of directors and senior management;
- reviewing and monitoring the policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct applicable to employees and directors; and
- reviewing the Company's compliance with the Corporate Governance Code set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report.

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. As at 31 December 2022, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Commission (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests and/or short positions in our Company

| Director | Nature of Interest | Number of Shares Held | Percentage of Interest in the Company |
|--------------------|---|--------------------------------|---------------------------------------|
| Mr. Soon See Beng | Interest in controlled corporation ⁽²⁾ | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Mr. Soon Chiew Ang | Interest in controlled corporation ⁽²⁾ | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Mr. Soon See Long | Interest in controlled corporation ⁽²⁾ | 723,000,000 (L) ⁽¹⁾ | 72.29% |

Notes:

⁽¹⁾ The letter “L” denotes long position in the shares held.

⁽²⁾ These shares are held by Soon Holdings Limited. The issued share capital of Soon Holdings Limited is owned as to 70%, 10%, 10%, and 10% by Mr. Soon See Beng, Mr. Soon Chiew Ang, Mr. Soon See Long and Ms. Soon Lee Shiang respectively, and therefore, each of Mr. Soon Beng, Mr. Soon Chiew Ang and Mr. Soon See Long are deemed to be interested in all the Shares registered in the name of Soon Holdings Limited in the Company under Part XV of the SFO.

Save as disclosed above, as at the date of this announcement, none of our Directors nor the chief executive of our Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, so far as Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares as recorded in the register required to be kept under section 336 of the SFO or which were required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

| Name | Capacity/nature of interest | Number of Shares | Approximate percentage of shareholding |
|--------------------------------------|--------------------------------------|--------------------------------|--|
| Soon Holdings Limited ⁽²⁾ | Beneficial Owner | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Mr. Soon See Beng ⁽²⁾ | Interest in a controlled corporation | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Mr. Soon Chiew Ang ⁽²⁾ | Interest in a controlled corporation | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Mr. Soon See Long ⁽²⁾ | Interest in a controlled corporation | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Mr. Soon Lee Shiang ⁽²⁾ | Interest in a controlled corporation | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Ms. Ng Mee Lam ⁽³⁾ | Interest of spouse | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Ms. Ng Kar Wei ⁽⁴⁾ | Interest of spouse | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Ms. Yang Lixia ⁽⁵⁾ | Interest of spouse | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Mr. Lim Tau Hong ⁽⁶⁾ | Interest of spouse | 723,000,000 (L) ⁽¹⁾ | 72.29% |
| Mr. Tee Kian Heng | Beneficial Owner | 51,115,000 | 5.11% |

Notes:

- The letter "L" denotes a long position in the Shares.
- These shares are held by Soon Holdings Limited. The issued share capital of Soon Holdings Limited is owned as to 70%, 10%, 10% and 10% by Mr. Soon See Beng, Mr. Soon Chiew Ang, Mr. Soon See Long and Ms. Soon Lee Shiang respectively, and therefore, each of Mr. Soon See Beng, Mr. Soon Chiew Ang and Mr. Soon See Long are deemed to be interested in all the Shares registered in the name of Soon Holdings Limited in the Company under Part XV of the SFO.
- Ms. Ng Mee Lam is the spouse of Mr. Soon See Beng. Accordingly, Ms. Ng Mee Lam is deemed to be interested in all the Shares held by Mr. Soon See Beng under Part XV of the SFO.
- Ms. Ng Kar Wei is the spouse of Mr. Soon Chiew Ang. Accordingly, Ms. Ng Kar Wei is deemed to be interested in all the Shares held by Mr. Soon Chiew Ang under Part XV of the SFO.
- Ms. Yang Lixia is the spouse of Mr. Soon See Long. Accordingly, Ms. Yang Lixia is deemed to be interested in all the Shares held by Mr. Soon See Long under Part XV of the SFO.
- Mr. Lim Tau Hong is the spouse of Ms. Soon Lee Shiang. Accordingly, Mr. Lim Tau Hong is deemed to be interested in all the Shares held by Ms. Soon Lee Shiang under Part XV of the SFO.

Save as disclosed above, as at the date of this announcement, the Directors are not aware of any other person (other than Directors and chief executives of the Company) had a beneficial interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO or the underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 before the Listing Date. 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 chairperson and the chief executive officer should be separated 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 the 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.

DIVIDENDS

The Directors did not recommend a payment of any dividend for the year ended 31 December 2022 (2021: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code as the Company’s code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry with all the Company’s Directors, the Company has ascertained that all of its Directors have complied with the required standards set out in the Model Code throughout the Reporting Period.

POST BALANCE SHEET EVENT

There is no other material subsequent event after 31 December 2022 and up to the date of this annual results announcement.

REVIEW OF FINANCIAL INFORMATION

The Group's annual results for the year ended 31 December 2022, including the accounting principles and practices adopted, have been reviewed by the Audit Committee in conjunction with the Company's external joint auditors. The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary results announcement have been agreed by the Company's external joint auditors, Mazars CPA Limited, Certified Public Accountants, Hong Kong, and Mazars LLP, Public Accountants and Chartered Accountants, Singapore (together as "**Mazars**"), to the amounts set out in the Group's audited consolidated financial statements for the year end/at 31 December 2022. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars on this preliminary results announcement.

On behalf of the Board
Swang Chai Chuan Limited
Mr. Soon See Beng
Chairman and Chief Executive Director

Hong Kong, 30 March 2023

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.