# SWANG CHAI CHUAN LIMITED
# 雙 財 莊 有 限 公 司

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code : 2321**


ANNUAL REPORT
2022

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# VISION, PURPOSE & CORE VALUES

## VISION

To be the leading and trusted regional distributor for valued business partners through progressive and agile route to market services, professional customer management and operational excellence.

## PURPOSE

Achieve purposeful sustainability that meet our stakeholders' expectation by embracing technology and innovation, talent capability and our core values.

## CORE VALUES

1. Act with integrity

   We uphold integrity in all aspect of our business activities.

2. Be inclusive

   We respect everyone and their opinion, to create and maintain a safe and conducive workplace.

3. Relentless on innovation

   We pursue innovation relentlessly for creative solutions.

4. Winning together

   We synergise our efforts to aligned goals, celebrate togetherness and victories in unity.

## BOARD OF DIRECTORS

### Executive Directors

Mr. Soon See Beng *(Chairman)*
Mr. Soon Chiew Ang
Mr. Soon See Long

### Independent Non-executive Directors

Mr. Khoo Chee Siang
Mr. Ooi Guan Hoe
Datuk Tan Teow Choon
Mr. Ngai Wah Sang
Ms. Tiong Hui Ling

## AUDIT COMMITTEE

Mr. Ooi Guan Hoe *(Chairman of the Committee)*
Mr. Khoo Chee Siang
Datuk Tan Teow Choon

## REMUNERATION COMMITTEE

Mr. Khoo Chee Siang *(Chairman of the Committee)*
Mr. Ooi Guan Hoe
Datuk Tan Teow Choon

## NOMINATION COMMITTEE

Datuk Tan Teow Choon *(Chairman of the Committee)*
Mr. Khoo Chee Siang
Mr. Ooi Guan Hoe

## AUTHORISED REPRESENTATIVES

Mr. Soon See Beng
Mr. Lam Kwun Leung

## COMPANY SECRETARY

Mr. Lam Kwun Leung *(HKICPA)*

## REGISTERED OFFICE

71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

Lot 147-A
Kawasan Perindustrian Semambu
25350 Kuantan
Pahang
Malaysia

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2201-2203, 22/F
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

## JOINT AUDITORS

**Mazars CPA Limited**
*Certified public Accountants, Hong Kong*
42nd Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

**Mazars LLP**
*Public Accountants and Chartered Accountants, Singapore*
135 Cecil Street
#10-01 MYP Plaza
Singapore 069536

# CORPORATE INFORMATION

## PRINCIPAL BANKERS

**CIMB Bank Berhad**
13th Floor, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50740 Kuala Lumpur
Malaysia

**CIMB Islamic Bank Berhad**
Level 19, Menara Bumiputra-Commerce
11 Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

## COMPLIANCE ADVISOR

**Sunny Fortune Capital Limited**
2101 Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

## COMPANY WEBSITE

www.sccgroup.com.my

## STOCK CODE

2321

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

**Appleby Global Services (Cayman) Limited**
71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

**Tricor Investor Services Limited**
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

## CONSOLIDATED RESULTS OF SWANG CHAI CHUAN LIMITED *(RM'000)*

| | 2019 | 2020 | 2021 | **2022** |
|---|---|---|---|---|
| Revenue | 497,435 | 564,632 | 668,738 | **835,906** |
| Gross Profit | 66,187 | 79,733 | 94,508 | **111,621** |
| Profit for the year | 17,658 | 18,797 | 23,588 | **26,787** |
| Listing expenses | (28) | (3,188) | (4,974) | **(7,026)** |
| Profit for the year excluding listing expenses | 17,686 | 21,985 | 28,562 | **33,813** |
| Total assets | 190,181 | 201,055 | 213,024 | **369,095** |
| Total liabilities | 100,187 | 114,481 | 102,837 | **156,168** |
| Total equity | 89,994 | 86,574 | 110,187 | **212,927** |

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Swang Chai Chuan Limited (the "**Company**"), I am pleased to present the first annual report of the Company and its subsidiaries (collectively referred to as the "**Group**").

This year marked an important milestone in the history of the Group as our shares are successfully listed on the Main Board of The Stock Exchange of Hong Kong (the "**Stock Exchange**") on 19 August 2022. The listing marked the culmination of the years of effort and I would like to thank all those involved. This opened a whole new chapter for the Company as we have planted our footprint on an international financial platform.

We are pleased to report that the Group's revenue grew by approximately RM167.2 million or 25.0% from approximately RM668.7 million in 31 December 2021 to approximately RM835.9 million in 31 December 2022. This growth was achieved despite the challenges of the global supply chain, inflationary price impact and other disruptions. The increase in revenue was mainly due to the Group's persistent effort to seek growth through expansion of distribution. In 2022 we secured new distribution rights from an existing dairy supplier in north Peninsula Malaysia, distributed to retail channels in east Peninsula Malaysia from an existing supplier of sauce, oil and condiments and dairy products. The relaxation of the COVID-19 pandemic had resulted in organic growth, in particular, increase in consumption of beverages and white label products.

The Group recorded a profit for the year of approximately RM26.8 million for the year ended 31 December 2022 compared to RM23.6 million in 31 December 2021. The adjusted profit for the year, excluding listing expenses, have increased by approximately RM5.2 million or 18.2%, from RM28.6 million to RM33.8 million for the year ended 31 December 2021 and 2022 respectively. When compared to the profit for year ended 31 December 2019 which amounted to approximately RM17.7 million, it is evident that the Group has achieved significantly encouraging results over the years.

Going forward, the Group will continue to proactively expand our business by seeking new suppliers, investing in product development and enhancing warehouses capacity and seek out strategic acquisitions and investments. We will continue to expand our own brand into Indonesia and China.

Last but not least, I would like to express our sincere gratitude to our shareholders, customers, suppliers, business partners, bankers and employees for their trust and commitment to the Group that had resulted in the success as reflected in the strong growth in revenue and profit for the year. With such solid performance we are confident that the Group will continue to move forward and progress.

## COMPANY BACKGROUND

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, we also provides non-F&B options, which include personal and baby care products, pet care and cleaning and kitchen supplies. Furthermore, we have 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 the COVID-19 pandemic since the end of 2019, which had led to an increase in the 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 30,900m$^3$. 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 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 industry knowledge to expand our core strengths and target to explore more business opportunities, and also exercise careful cost control measures under high inflation business environment to enhance profit margin and maintain our competitiveness.

## FINANCIAL OVERVIEW

### Revenue

The Company's revenue is primarily generated from (i) the distribution and sales of fast-moving consumer goods ("**FMCG**") 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 have 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, (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 operating 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 debts.

## 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 the 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 Islands/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:

| Business Objectives | Planned use of net proceeds HK$ million | Actual use of proceeds as at 31 December 2022 HK$ million | Balance of unutilised proceeds as at 31 December 2022 HK$ million | Expected timeline for unutilised proceeds |
|---|---|---|---|---|
| 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 |
| | 105.2 | 15.9 | 89.3 | |

The utilisation of proceeds is slower than expected as the Group 1) have yet to find a suitable location and at the right price to build a warehouse in Klang, Selangor; 2) is actively looking for strategic investments but many were unsuitable; and 3) is 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 0.3 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 which are set out in Note 22 and 23 to the consolidated financial statements.

## 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 annual report.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group had no specific plan for material commitments or capital assets as at 31 December 2022.

## 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 31 December 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 Reporting 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 compiled with the required standards as set out in the Model Code since the Listing Date and up to the date of this annual report.

## EXECUTIVE DIRECTORS

**Mr. Soon See Beng ("SB Soon"), aged 53**, was appointed as a Director on 14 February 2019 and was redesignated as an Executive Director, Chief Executive Officer and Chairman of the Board on 25 January 2021. He is responsible for the overall business strategic direction, planning, management and operation of the Group.

He has accumulated over 30 years of experience in the F&B distribution industry. After completing his secondary education in 1988, he began working in Swang Chai Chuan, a sole proprietorship established by his father, Mr. Soon Tian Ong in Malaysia, which principally engaged in the F&B distribution of groceries. In March 1995, he co-founded Swang Chai Chuan Sdn. Bhd. with Ms. Soon Lee Shiang and his father to take up the business of Swang Chai Chuan, and has been the managing director of SCCSB since February 2002. He led the Group in the expansion of its businesses which includes amongst others the distribution of seafood and frozen food products.

*Note:* SB Soon is the brother of Mr. Soon Chiew Ang and Mr. Soon See Long who are both the Executive Directors of the Company.

**Mr. Soon Chiew Ang ("CA Soon"), aged 46**, was appointed as an Executive Director of the Group on 25 January 2021. He is responsible for overseeing the operation and sales management of the Group. He has accumulated over 20 years of experience in the F&B distribution industry.

Mr. Soon Chiew Ang obtained his Bachelor of Arts Degree with major in Marketing in June 1999 and his Master's Degree in Business Administration in July 2001, both from the University of Hertfordshire.

Prior to joining the Group in 2000, he worked as a management trainee in Kawaguchi Manufacturing Sdn. Bhd., a manufacturer of plastic parts and components, from July 1999 to August 1999. He has been responsible for strategic growth, key account management and co-founded SCCM and SCC Logistics together his siblings.

*Note:* CA Soon is the brother of Mr. Soon See Beng and Mr. Soon See Long who are both the Executive Directors of the Company.

**Mr. Soon See Long ("SL Soon"), aged 49**, was appointed as an Executive Director of the Group on 25 January 2021. He is responsible for overseeing the operation and sales management of the Group. He has accumulated over 30 years of experience in the F&B distribution industry.

After completing his secondary education, he began working in Swang Chai Chuan. Mr. Soon See Long is mainly responsible for the growth of frozen food and food service business.

*Note:* SL Soon is the brother of Mr. Soon Chiew Ang and Mr. Soon See Beng who are both the Executive Directors of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Khoo Chee Siang ("Mr. Khoo"), aged 46**, was appointed as an Independent Non-executive Director of the Group on 14 July 2022. He is the Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee.

Mr. Khoo obtained a Certificate and Diploma in Accounting issued by the London Chamber of Commerce and Industry Examination Board in 1996 and 1997, respectively and has been a Chartered Accountant of the Malaysian Institute of Accountants since 2003. He became a member of the Association of Chartered Certified Accountants in May 2003 and has been a fellow member of the Association since May 2008.

Mr. Khoo has more than 20 years of experience in corporate finance and business advisory. He started his career as an auditor with an audit firm, Morison Anuarul Azizan Chew & Co., and his last held position was as a senior audit officer. He then joined Anuarul Azizan Chew Consulting Sdn. Bhd., a corporate advisory company, as a senior consultant. Subsequently, he joined Finmart Alliance Sdn, Bhd, a corporate advisory company, as an associate director and was in charge of corporate finance and business advisory services.

From December 2008 to December 2016, Mr Khoo served as the executive director of UHY Advisory (KL) Sdn Bhd, a financial and corporate advisory company. He was subsequently appointed in March 2017 as an executive director of SCH Group Berhad (now known as Hextar Industries Berhad), a listed company in Malaysia and later was re-designated as a non-executive non-independent director in December 2018 until he resigned from directorship in December 2019. Since December 2018, he joined Eco Asia Capital Advisory Sdn. Bhd., a corporate finance advisory firm licensed by the Securities Commission Malaysia, as the managing director, to develop and execute business strategies and oversee the financial performance of the company.

**Mr. Ooi Guan Hoe ("Mr. Ooi"), aged 47**, was appointed as an Independent Non-executive Director of the Group on 14 July 2022. He is also the Chairman of the Audit Committee, and a member of both the Nomination Committee and the Remuneration Committee.

Mr. Ooi graduated from Universiti Putra Malaysia in August 1999 with a Bachelor's Degree in Accountancy. In June 2011, Mr. Ooi completed an Executive Education Programme co-organised by the Harvard Business School and the Tsinghua University and obtained a Certificate in Private Equity and Venture Capital – China. He is also a member of the Malaysian Institute of Accountants since July 2002.

He began his career in May 1999 when he joined Arthur Andersen & Co (merged with Ernst & Young in 2002) as a staff assistant and his last held position was a senior associate before he left in October 2002. In November 2002, he joined CIMB Investment Bank Berhad as an executive in the corporate finance department and his last held position was as a senior manager before he left in October 2009.

He has since then been involved in providing financial advisory work to listed companies and companies preparing for listing in the Asian region in his own personal capacity and has been appointed as an Independent/Non-independent Non-executive Director for listed companies in Malaysia including K-Star Sports Limited and Xingquan International Sports Holdings Limited, respectively.

Subsequently, he became the Chief Financial Officer and a member of the management board of Decheng Technology AG, a company listed on the Frankfurt Stock Exchange as well as the Chief Financial Officer of Metro Eyewear Holdings Sdn. Bhd., an indirect wholly-owned subsidiary of MOG Holdings Limited (stock code: 1942), which is currently listed on the Stock Exchange.

Currently, Mr. Ooi serves as an Independent Non-executive Director for two (2) companies listed on Bursa Malaysia, namely Techbond Group Berhad (stock code: 5289) since January 2018 and TCS Group Holdings Berhad (stock code: 0221) since May 2019.

**Datuk Tan Teow Choon ("Datuk Tan"), aged 65**, was appointed as an Independent Non-executive Director of the Group on 14 July 2022. He is also the Chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee.

Datuk Tan obtained his Diploma in Marketing from the Chartered Institute of Marketing in the United Kingdom in 1981. He then obtained his Master of Science Degree in Business Administration from the Boston University in May 1984.

He started his career in 1987, where he joined New Zealand Milk (Malaysia) Sdn. Bhd. (currently known as Fonterra Brands (Malaysia) Sdn. Bhd.), a company engaging in the merchandising and supply of dairy products, and his last held position was as a General Manager in 2000.. Subsequently, he then joined Yeo Hiap Seng (Malaysia) Berhad as the Managing Director, from March 2000 to October 2003, where he was mainly responsible for overseeing the strategic planning and business operations of the company. Since August 2007, Datuk Tan has been the Director of Viva Global Sdn. Bhd., an investment company in F&B, education, healthcare and biotechnology. Later on, he was appointed as the Chief Executive Officer of RB Biotech Sdn. Bhd., from 2009 to 2015.

Datuk Tan had been the honorary advisor of the Malaysia-China Chamber of Commerce (MCCC) from 2013 to 2019 and The Associated Chinese Chamber of Commerce and Industry of Malaysia (ACCCIM) from September 2014 to July 2018. In addition, he has been the treasurer of the United Nations Association of Malaysia since 2018.

**Mr. Ngai Wah Sang ("Mr. Ngai"), aged 64**, was appointed as an Independent Non-executive Director of the Group on 14 July 2022.

Mr. Ngai obtained his Bachelor's Degree in Science from the University of London in the United Kingdom. He is a fellow of Chartered Accountants Australia and New Zealand and the Hong Kong Institute of Certified Public Accountants.

Mr. Ngai has broad experience in auditing, accounting, financial management and dealing with business development and investments. Currently, Mr. Ngai serves as an Independent Non-executive Director for Tian An China Investment Company Limited (stock code: 28) since September 2004 and Real Nutriceutical Limited (a company previously listed in Hong Kong) since January 2019.

Mr. Ngai resigned as an Independent Non-executive Director of Alpha Professional Holdings Limited in March 2023.

**Ms. Tiong Hui Ling ("Ms. Tiong"), aged 49**, was appointed as an Independent Non-executive Director of the Group on 14 July 2022.

Ms. Tiong obtained her Bachelor of Laws Degree from the Staffordshire University in the United Kingdom in July 1996. She later obtained her Practising Certificate from the Legal Professional Qualifying Board, Malaysia in October 1998. She was then admitted as an Advocate and Solicitor in the High Court of Malaya in November 1999 but ceased to practice as a lawyer in July 2008.

Ms. Tiong has more than 20 years of legal-related experience. She practiced as a lawyer with SK Yeoh & Partners from November 1999 to August 2007. In September 2007, she joined TH Group Sdn. Bhd. and subsequently transferred to its wholly owned subsidiary THG Corporation Sdn. Bhd. in March 2016, and her last position held was Assistant General Manager of Group Legal & Company Secretary before she left in December 2019. She then joined JIS Malaysia Sdn. Bhd., as a consultant providing corporate and business advisory services on an ad hoc basis. Since September 2020, she has been a consultant at Pasadena California Burger Sdn. Bhd., providing corporate and business process advisory services on an ad hoc basis.

## SENIOR MANAGEMENT

**Mr. Ong Wui Chuan, aged 42**, is our sales director. He joined the Group in 2021 as the national sales manager and was re-designated as the sales director in February 2022; He is now primarily responsible for the management of sales and trade marketing, sales strategic planning and customers and suppliers' relations.

He obtained a Bachelor's Degree of Arts in Translation and Interpretation from the Universiti Sains Malaysia in April 2003, and later obtained a Master's Degree in Business Administration from the Universiti Malaya in August 2010.

Mr. Ong has over 14 years of experience in business development and sales, and has served managerial positions in a number of companies prior to joining the Group. He started his career with Kao (Malaysia) Sdn. Bhd., in March 2006 until July 2008 as a key account executive. He then worked as a key account manager for F&N Coca-Cola (Malaysia) Sdn. Bhd., and L'Oréal Malaysia Sdn. Bhd., with his last position being the head of channel. He subsequently joined Hawley & Hazel Marketing (Malaysia) Sdn. Bhd. as their national sales manager from September 2015 to August 2021.

**Mr. Tham Sai Cheong, aged 53**, is our chief financial officer. He joined the Group in 2019 in his current position and is primarily responsible for financial reporting, management reporting, budget and forecast and human resource.

He obtained a Bachelor's Degree of Arts from the University of Leeds in July 1992, majoring in Accounting and Finance. He was admitted as a member of the Malaysian Institute of Certified Public Accountants in December 1999.

Mr. Tham has over 30 years of experience in the accounting and finance field. He joined KPMG, an accounting firm, in November 1992 and left as an Audit Senior Manager in February 2004. From January 2005 to April 2005, he worked in Citibank Berhad as a Senior Financial Analyst. He then joined Fonterra Brands (Malaysia) Sdn. Bhd. (formerly known as New Zealand Milk (Malaysia) Sdn. Bhd.) in April 2005 and left as the Finance Director in November 2015. Subsequently, from January 2016 to July 2019, he was appointed as the Finance Director of Fuji Xerox Asia Pacific Pte Ltd.

**Ms. Chan Yim Cheng, aged 46**, is our Administration and Operation Manager. She joined the Group in September 2007 and is primarily responsible for overseeing administration, logistics and inventory management of the Group.

Ms. Chan obtained a Diploma in Business Administration and an Advanced Diploma in Business Administration in December 1996 and June 1997, respectively from The Association of Business Executives, United Kingdom. She became an associate member of The Association of Business Executives in the United Kingdom in April 1997. Later on, she obtained her Bachelor of Arts Degree in Business Administration from the University of Northumbria in the United Kingdom in March 2000.

Ms. Chan has over 20 years of experience in managing business operations and administrations in Malaysian companies. She started her career as an accounts and administrative assistant at Success Resources Slipguard Sdn. Bhd. from July 1997 to September 1998. She then worked in SCCSB as an account executive from May 2000 to February 2005. From March 2005 to September 2007, she worked as sales and marketing officer at Nippon Precision Technology (Malaysia) Sdn. Bhd. (now known as Vega Precision Technology (Malaysia) Sdn. Bhd.), where she was responsible for management of sales orders, generating sales forecasts and handling quality assurance audit matters.

## CORPORATE GOVERNANCE PRACTICE

The Board of Directors (the "**Board**") of the Company is committed to designing and maintaining robust corporate governance and effective internal controls system for the Group, which are essential to enhancing corporate value and accountability, formulating business strategies, developing sustainable operations, enhancing transparency and safeguarding shareholders' interests.

The Company has adopted the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. In the opinion of the Directors except for the deviation from code provisions C.2.1 and C.6.1 of the Corporate Governance Code as explained below, we have complied with all applicable code provisions set out in the Corporate Governance Code since the Listing Date to 31 December 2022.

Details of the corporate governance practices adopted by the Company are set out below.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

In 2022, in order to implement the requirements of the Environmental, Social and Governance ("**ESG**") Reporting Guide in Appendix 27 of the Listing Rules, the Company has given priority to organizing and arranging relevant preparation and disclosure, and the Company's ESG Report for the FY2022 are set out in the "sustainability report" on page 55 of this annual report.

## DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding directors' securities transactions on terms and at required standard as set out in the Model Code in Appendix 10 of the Listing Rules.

The Group has made specific enquiries of all the Directors and they have confirmed that they complied with the required standard and the related code of conduct regarding Director's securities transactions.

As far as the Group is aware, the Directors and Senior Management of the Group have not breached the required standard and the code of conduct regarding Director's securities transactions.

## BOARD OF DIRECTORS

### Responsibilities of and Delegation by the Board

The Board, acting in the interest of the Group and its shareholders, is primarily responsible for strategy formulation, business development, corporate governance, risk management, compliance, internal control systems, Dividend Policy, Board Diversity Policy, shareholders' relationship, accounting policies and financial statements, and other functions and matters assigned to the Board as set out in the Listing Rules and Articles of Association of the Company.

The Board delegates the daily operational management of the Group's business, execution of business development plan, administrative and operational duties and the implementation of risk management and internal controls to the Chief Executive Officer and other senior management of the Group. The Board also conducts regular reviews of the functions and performance of the management. The management of the Group will obtain the approval of the Board before entering into and arranging any significant transaction/contract.

## Independent Non-executive Directors

As at the date of this annual report, the Group has complied with the relevant Listing Rules regarding (i) appointment of at least three non-executive directors, among whom at least one independent non-executive director has appropriate professional qualifications or accounting or related financial management expertise; (ii) independent non-executive directors account for at least one-third of the board of directors; and (iii) independent non-executive directors is majority in the Audit Committee of the Group and the chairman of the committee is an independent non-executive director.

As at the date of this annual report, each Independent Non-executive Director has made an annual independence confirmation, and the Board is satisfied that all Independent Non-executive Directors are independent and comply with the independence guidelines of the Listing Rules.

There are mechanism established to ensure independent views and input are available to the Board, which has covered the following aspects:

- Independent Non-executive Director's recruitment process;
- number of Independent Non-executive Director and their time contribution;
- assessment or evaluation of Independent Non-executive Director's contribution;
- other channels where independent views are available.

The Board will review the implementation and effectiveness of the mechanism on an annual basis.

The Company has arranged appropriate liability insurance in respect of relevant legal actions against the Directors.

## Board Composition

The Board is comprised of eight members, with three Executive Directors, five Independent Non-executive Directors, as set out below:

**Executive Directors:**

1. Mr. Soon See Beng *(Chairman)*
2. Mr. Soon Chiew Ang
3. Mr. Soon See Long

**Independent Non-executive Directors:**

4. Mr. Khoo Chee Siang
5. Mr. Ooi Guan Hoe
6. Datuk Tan Teow Choon
7. Mr. Ngai Wah Sang
8. Ms. Tiong Hui Ling

Detailed biographical information of all Directors is contained in the Directors and Senior Management section on pages 13.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Directors and the Chief Executive Officer of the Company.

## Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of Part 2 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 (3) Executive Directors (including Mr. Soon See Beng) and five (5) Independent Non-executive Directors and therefore has a fairly strong independence element in its composition.

## Number of Meetings and Directors' Attendance

Regular Board Meetings are held at least four times a year at approximately quarterly intervals for reviewing the Group's financial and operating performance, discussing and approving annual and interim results and considering and approving the overall strategies of the Company. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles.

Since its Listing Date, the Company had held two Board meetings and one Audit Committee meeting. Details of the attendance of Directors are as follows:

| | Number of meetings attended/held during the Year | | | |
|---|---|---|---|---|
| | | Board Committees | | |
| **Name of Directors** | **Board** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** |
| Numbers of meetings held during the Year | 2 | 1 | 0 | 0 |
| **Executive Directors** | | | | |
| Mr. Soon See Beng *(Chairman)* | 2/2 | N/A | N/A | N/A |
| Mr. Soon Chiew Ang | 2/2 | N/A | N/A | N/A |
| Mr. Soon See Long | 1/2 | N/A | N/A | N/A |
| **Independent Non-executive Directors** | | | | |
| Mr. Khoo Chee Siang | 2/2 | 1/1 | N/A | N/A |
| Mr. Ooi Guan Hoe | 2/2 | 1/1 | N/A | N/A |
| Datuk Tan Teow Choon | 2/2 | 1/1 | N/A | N/A |
| Mr. Ngai Wah Sang | 2/2 | N/A | N/A | N/A |
| Ms. Tiong Hui Ling | 2/2 | N/A | N/A | N/A |

The Company Secretary is also the company secretary of Board Committees and is responsible for maintaining full minutes of the above meetings which are open for inspection at any reasonable time on reasonable notice by any of our directors.

## Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days' notice will be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Board committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

## Appointment and Re-election of Directors

Each of the Executive Directors has entered into a service contract with the Company for a term of three years, which is subject to retirement by rotation and re-election in accordance with the Articles, and may be terminated by either party upon a three-month prior written notice.

The Articles provide that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement at an annual general meeting at least once every three years.

In accordance with Article 112, any Director appointed by the Board as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election. Each of the Independent Non-executive Directors has entered into an appointment letter with the Company. The appointment letter of each of the Independent Non-executive Directors is for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The aforesaid appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles. Details of the appointment letters are summarised in the Report of the Board of Directors on page 48 of this annual report.

## BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. All three Board Committees are established, empowered and accountable for duties under relevant terms of references which are available on the Company's and the Stock Exchange's website.

All Directors (including Independent Non-executive directors) bring valuable business experience, knowledge and expertise from different areas to the Board facilitating it to operate efficiently and effectively. All Directors have full and timely access to all information of the Group and to the services and advice of the Company Secretary and senior management. The Directors may, where appropriate, seek independent professional advice for performing their duties of the Group, at the expense of the Group. Directors shall disclose the details of their other duties to the Group and the Board of Directors regularly reviews the contributions of the Directors in the discharge of their duties with the Group.

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Required Standard of Dealings by Directors of securities transactions, as well as the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

### 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 the 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 CG Code set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report.

Since the Listing Date and up to the end of the Reporting Period, the Audit Committee has held one meeting: (i) to assess the independence of the Company's auditor; (ii) to review the risk management and internal control systems, (iii) to review the Group's interim financial results and report for the six months ended 30 June 2022 before submission to the Board for approval, and (iv) to determine the policy for the corporate governance and performed the duties for corporate governance functions. The Audit Committee also met with the external auditors once during the Reporting Period. The attendance of the members is detailed on page 21.

## Remuneration Committee

The Board has established our Remuneration 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 Remuneration Committee consists of three members, namely Mr. Khoo Chee Siang, Mr. Ooi Guan Hoe and Datuk Tan Teow Choon. The Remuneration Committee is chaired by an Independent Non-executive Director, Mr. Khoo Chee Siang and consisted of a majority of Independent Non-executive Directors as stipulated in the listing rules.

The Remuneration Committee's terms of reference in writing was adopted by the Company pursuant to the Board Resolution passed on 14 July 2022; and amended on 30 December 2022. The terms of reference requires that the Remuneration Committee must hold meeting at least once a year and the necessary quorum shall be at least two.

The Company adopts the remuneration committee model set out in code provision E.1.2 (c)(i) of Appendix 14 of the Listing rules. Accordingly, the Remuneration Committee is responsible for making recommendations to the Board regarding the Company's remuneration policy. It has the delegated responsibility for the formulation, determination and review of the remuneration packages of Directors and Senior Management. In evaluating the remuneration packages for Directors and Senior Management, the Remuneration Committee takes into consideration of various factors such as salaries paid by comparable companies, time commitment, responsibilities and employment terms elsewhere in the Group. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and Senior Management.

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

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- determining the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payment;
- reviewing and approving performance-based remuneration and discretionary bonus;
- considering and approving the grant of share options and share appreciation rights to eligible participants;
- ensuring that no Director can solely determine his/her own remuneration;
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

As the Company became listed on 19 August 2022, the Remuneration Committee did not convene any meeting during year ended 31 December 2022.

## Remuneration of Directors and Senior Management

Particulars of the remuneration of the Directors for the Reporting Period are set out in Note 7 to the consolidated financial statements. Pursuant to code provision E.1.5 of the CG Code, the remuneration of the three senior management and the Company Secretary, whose particulars are contained in the section headed "Directors and Senior Management" in this annual report, by band is set out below:

| Remuneration band (in HK$) | Number of Individuals |
|---|---|
| Nil to HK$1,000,000 | 4 |

## Nomination Committee

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

The Nomination Committee consists of three members, namely Datuk Tan Teow Choon, Mr. Ooi Guan Hoe and Mr. Khoo Chee Siang. It is chaired by Datuk Tan Teow Choon and consisted of a majority of independent non-executive Directors as stipulated in the Listing Rules.

The Nomination 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 Nomination Committee must hold meeting at least once a year and the necessary quorum shall be at least two.

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

- reviewing the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually or when necessary;
- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the Independent Non-executive Directors and any proposed independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors;
- reviewing the Board Diversity Policy, as appropriate and making recommendations on any required changes to the board for consideration;
- reviewing the measurable objectives under the Board Diversity Policy and the progress of the attainment of the objectives, so as to ensure effective implementation and make disclosure of its review results.

## Nomination Policy

The Board has adopted a Nomination Policy setting out the selection criteria and procedures to select and recommend suitable candidates for directorship. Following this Nomination Policy, the Nomination Committee is required to consider a variety of factors in assessing the suitability of a proposed candidate, including but not limited to the following criteria:

- Board Diversity Policy;
- Reputation for integrity;
- Sufficient commitment in time and interest to the Group;
- Qualification, experience and achievements that are relevant and appropriate to the Group's business;
- Independence for the appointment of Independent Non-executive Director; and
- Any other relevant and significant factors as may be considered by the Nomination Committee and/or the Board.

## Board Diversity Policy

The Board has approved and adopted a board diversity policy (the "**Policy**") effective since 14 July 2022 and has delegated to the Nomination Committee the responsibilities of implementation, monitoring and review of the policy.

The Board believes that diversity of the Board can be achieved through consideration of a number of factors when deciding on appointments of Directors, including but not limited to skills, regional and industrial experience, cultural and educational background, professional qualifications, race, gender, age and length of service and any other factors that the Board deems appropriate from time to time. The Board is currently comprised of diversified members, including eight directors, one of whom is female (2021: 1). For all detail composition of the Board and Senior Management, please refer to section headed "Directors and Senior Management" in this annual report. The Board will take every opportunities to increase the proportion of female members of the Board and our senior management over time as and when suitable candidates are identified. For the detailed gender ratio in the workforce (including senior management), please refer to the sustainability report in this annual report.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will conduct regular review on the Director Nomination and Diversity Policy, as appropriate, to ensure its effectiveness.

## Measurable Objective

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

## Implementation and Review

Annually, the Nomination Committee reviews the Board's composition under diversified perspectives, including but not limited to progress on achieving any measurable objectives that have been set for Policy implementation.

The Nomination Committee also has the responsibility for identifying suitably qualified candidates to become members of the Board and, in carrying out such responsibility, will give adequate consideration to the Board Diversity Policy.

The Nomination Committee will review the Policy on a regularly basis, as appropriate, to ensure the effectiveness of the Policy and recommend any such revisions to the Board for consideration and approval.

As the Company was only listed on 19 August 2022, the Nomination Committee did not convene any meeting during the year ended 31 December 2022.

# DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Our policy requires that each new Director is given formal, comprehensive and customized induction training at the time of first appointment to ensure their proper understanding of the Group's business and operations, and sufficient awareness of the Directors 'duties and responsibilities under the listing Rules and related regulations.

The Group provides professional training to Directors to keep them up to date on the Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

During the year, the Directors participated in the following continuous professional development:

| | Types of training |
|---|---|
| **Executive Directors** | |
| Mr. Soon See Beng | C |
| Mr. Soon Chiew Ang | C |
| Mr. Soon See Long | C |
| **Independent Non-executive Directors** | |
| Mr. Khoo Chee Siang | C |
| Mr. Ooi Guan Hoe | C |
| Datuk Tan Teow Choon | C |
| Mr. Ngai Wah Sang | C |
| Ms. Tiong Hui Ling | C |

A: attending seminars, conferences and/or briefings on directors' duties and corporate governance, regulatory updates, and financial and economic development

B: giving speech at seminars and/or conferences

C: reading regulatory updates, newspapers, journals, and other business, financial and economic publications

The Board requires Directors to devote sufficient time and attention to their duties and the Company's affairs. The Directors are also required to disclose to the Company annually the number and nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved, as well as the identity of the public companies or organisations and the time involved to the Company. The Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Independent Non-executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and Board committees meetings bring independent judgment and advice on issues relating to the Group's strategies, performance and management process, to ensure that the interests of all shareholders are taken into account and safeguarded. Pursuant to code provision C.1.2, the functions of non-executive directors should include:

(a) taking the lead where potential conflicts of interests arises;

(b) serving on the audit, remuneration, nomination and other governance committees, if invited; and

(c) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

Independent Non-executive directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

The Board periodically reviews the Company's practices on corporate governance, compliance with the CG Code, training and continuous professional development of Directors, and the disclosures in this annual report.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are aware of their obligations to prepare consolidated financial statements for the Year, to reflect a true and fair financial position, results and cash flows of the Group for the year then ended, and the proper preparation of financial statements on a going concern basis in accordance with applicable statutory requirements and accounting standards. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with quarterly updates on the Group's performance, positions and prospects. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern, and therefore the Directors continue to adopt the going concern approach in preparing financial statements.

The responsibility statement by the joint auditors regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the independent joint auditors' report on page 75 of this annual report.

## COMPANY SECRETARY

Pursuant to code provision C.6.1 of Part 2 of the CG Code, an issuer can engage an external service provider as its company secretary, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact. Mr. Lam Kwun Leung does not act as an individual employee of the Company, but as an external service provider in respect of the appointment of Mr. Lam Kwun Leung as the Company Secretary of the Company. In this respect, the Company has nominated Mr. Soon See Beng as its contact point with Mr. Lam Kwun Leung. While the Company is well aware of the importance of the company secretary in supporting the Board on governance matters, after having considered Mr. Lam Kwun Leung's prior experience in acting as the company secretary of a company listed on the Stock Exchange, both the Company and Mr. Lam Kwun Leung are of the view that there will be sufficient experience as well as time, resources and support for fulfilment of the company secretary requirements of the Company. In view of Mr. Lam Kwun Leung's experience in company secretarial functions, the Directors believe that Mr. Lam Kwun Leung has the appropriate company secretarial expertise for the purposes of Rule 8.17 of the Listing Rules.

Mr. Lam Kwun Leung was appointed as the company secretary of the Company (the "**Company Secretary**") on 25 January 2021. Mr. Lam is a member of the Hong Kong Institute of Certified Public Accountants and has taken not less than 15 hours of relevant professional training during the Year to comply with Rule 3.29 of the Listing Rules. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable rules and regulations are followed.

## SHAREHOLDERS' RIGHT

The Board and senior management are committed to meeting and communicating with shareholders through the annual general meeting of the Group, listening to shareholder opinions and answering questions from shareholders about the Group and its business. Notice of the annual general meeting is sent to the shareholders at least 21 days before the holding of the annual general meeting.

### Right to Convening an Extraordinary General Meeting

The procedure to convene an extraordinary general meeting is set out in the Articles of the Company. The Board may whenever it thinks fit call for an extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Right to make Enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at the Company's principal place of business in Hong Kong: Units 2201-2203, 22/F, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong. Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, shareholders can contact Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

### Procedures for putting forward Proposals at Shareholders' Meetings

To put forward proposals at a shareholders' meeting of the Company, a shareholder should lodge a written notice of his/her proposal with his/her detailed contact information at the Company's principal place of business in Hong Kong. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

## DIVIDEND POLICY

The Board considers sustainable returns to shareholders whilst retaining adequate reserves for the Group's future development to be an objective. Dividends may be recommended, declared and paid to shareholders from time to time.

In summary, the declaration of dividend is subject to the discretion of the Board and the approval of the Shareholders, taking into consideration of, among others, the following factors:

- the group's actual and expected financial results;
- the general economic conditions and other internal or external factors that may have adverse impact on the business or financial performance and position of the Group;
- the Group's business operation strategy, including expected working capital requirements, capital expenditure requirements and future development plans;
- the Group's cash flow and liquidity position;
- retained earnings and distributable profit reserves of the Group;
- contractual restrictions on the payment of dividends imposed by the Group's lenders and other institutions;
- effects on the Group's creditworthiness;
- interest of shareholders;
- applicable statutory and regulatory restrictions; and
- any other factors that the Board considers to be applicable from time to time.

Depending on the financial conditions of the Company and the Group and the factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of profits that the Board may deem appropriate.

The payment of dividend is subject to any restrictions under the Laws of Hong Kong and Cayman Islands and the Company's Articles of Association.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion and there is no assurance that dividends will be declared and/or paid in any particular amount for any given period.

Any dividend for a financial year will be subject to shareholders' approval.

## JOINT AUDITORS' STATEMENT AND REMUNERATION

A statement by the Group's joint auditors on their reporting obligations in respect of the Group's consolidated financial statements for the Year is set out in the "Independent Joint Auditors' Report" section of this annual report.

An analysis of the remuneration of the external joint auditors, Messrs. Mazars CPA Limited, Certified Public Accountants, Hong Kong, and Messrs. Mazars LLP, Public Accountants and Chartered Accountants, Singapore, of the Company for the Year is set out below:

| | **Amount of Fee** **RM'000** |
|---|---|
| Annual audit services for the Year | 842 |
| Professional services in connection to the Initial Listing as joint reporting accountants *(Note)* | 3,201 |
| Agreed-upon procedures on interim financial information for the six months ended 30 June 2022 | 112 |
| Total | 4,155 |

*Note:* The amounts represent the total fee for the entire professional services as the joint reporting accountants for the Initial Listing. Such professional fees have been recognised in various accounting periods.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility in establishing and maintaining an effective and adequate risk management and internal control systems.

The Board aims to minimize the risks rather than eliminate them entirely. Accordingly, the Board has a risk management framework, including performance of a risk assessment for reviewing the key risk areas and determining appropriate risk mitigation strategies. The Group has also taken sufficient steps to identify, assess, update and monitor certain particular risks associated with its financial, operational and compliance activities.

The Board shall be responsible for monitoring compliance with the laws and regulations that are applicable to the operation of the Group, as well as assessing the adequacy and effectiveness of the Group's regulatory compliance procedures and system. Other than reviewing and monitoring our financial reporting process and the risk management procedures, our Audit Committee shall, on an annual basis: (a) review the reports and findings submitted by the internal control consultant to ensure the effectiveness of our regulatory compliance procedures and system; (b) advise the Board on the adoption of the recommendation (if any) proposed by the internal control consultant; (c) assess and review the adequacy of resources and training provided to our management and staff in relation to our regulatory compliance functions; and (d) receive the recommendations and reports of the Group's internal audit function, review and approve the organisation, responsibilities, plans, results, budget and resources of the internal audit team to ensure the quality of the Group's internal control measures are maintained. The Audit Committee will also supervise the Group's internal audit team in handling actual or potential non-compliance matters (if any).

### Risk Management

The Group has established a risk management policy and risk management framework. The Group's risk management framework premises on five elements namely: internal environmental control, risk management, control activities, information and communication and monitoring and improvement.

The Group's risk management framework comprises the following key steps:

1. Identify risks;

2. Analyse risks;

3. Evaluate risks; and

4. Treat risks.

Senior management identifies the key risks that potentially impact the key business processes of their operations on an annual basis. The identified risks are analysed and evaluated using established risk assessment criteria which include appropriate qualitative and quantitative techniques. These identified risks are scored based on their likelihood of occurring and the impact on business should they occur. Such a risk evaluation system helps to rank the risks and to prioritise risk management efforts to determine the appropriate risk mitigation plans (i.e. accept, reduce, transfer and avoid). Results of the annual risk assessment are reported to the Audit Committee, including the significant risks of the Group and the associated control activities to mitigate or transfer the identified risks. The risk assessment results indicated limited changes in the nature and extent of significant risks identified by the Group since the Listing Date. To provide assurance over the effectiveness of the risk mitigating controls, the Group has formulated an internal audit plan which covers the identified risk mitigating controls and key business processes of the Group.

## Internal Controls

The Group has established policies and procedures which include defined levels of responsibilities and reporting lines. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may adversely impact on the Group's performance are identified and assessed. To assist the Audit Committee in discharging its duties, the Company has engaged an internal control consultant ("**Internal Control Consultant**") to conduct an annual review on the adequacy and effectiveness of the Group's internal control system in respect of its compliance each financial year and submit a report. In particular, the internal control consultant will set out in its report regarding the Group's effectiveness of the Group's internal control system in ensuring the Group's compliance. The management will then provided an action plan so as to mitigate those identified deficiencies in a timely manner.

The Internal Control Consultant has independently reported the findings and recommendations to the Audit Committee.

The Group has established an independent internal audit function, which is headed by the financial controller and supported by the head of the Group's accounting department. The internal audit function shall be responsible for implementing and supervising the Group's internal control system, reporting to the Directors at least annually on the effectiveness of the Group's internal control system, and devising any improvements needed to the Group's internal control system. In carrying out its duties, the Group's internal audit team shall receive reports from the Group's management team and its employees regarding any actual or potential material non-compliance, report material non-compliance matters to the Group's Audit Committee, where appropriate, and make recommendation to the Audit Committee and/or the Board for rectifying such non-compliances. The Group has also engaged an external consultant to assist in its internal audit efforts in the coming financial year.

In respect of the year ended 31 December 2022, the Board has conducted a review of the effectiveness of the risk management and internal control systems and considers the systems to be effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. A review on the risk management and internal control systems will be conducted on an annual basis. During the review, the Board will take into consideration the resources, qualification/experience of staff of the Group's internal control, accounting and financial reporting function, and their training and budget to be adequate.

The Group is aware of its obligation of handling and dissemination of inside information under the Listing Rules and the Securities and Futures Ordinance. The Group has established an Inside Information Management Policy for identifying, monitoring and reporting inside information to our shareholders, investors, analysts and media. This Policy is updated whenever required and adopted accordingly to guide its stakeholder communications and the determination of inside information in order to ensure consistent and timely disclosure. The Group conducts its affairs in accordance with the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012.

During the year end 31 December 2022, the Board and the Audit Committee have reviewed the need for an internal audit function and considers it more cost-effective to appoint external independent professionals to independently review and continuously evaluate the Group's internal monitoring systems and risk management systems, taking into account the size and nature of the Group. The Board will review the need for an internal audit function at least once a year.

Overall, the Board and the Audit Committee consider that the risk management and internal control system of the Group are effective and adequate. The Board will continue to assess the effectiveness and adequacy of risk management and internal controls through consideration of the reviews and recommendations made by the Audit Committee, Senior Management and Internal Control consultant.

The Company has established and maintained the procedures and internal controls for the handling and dissemination of inside information. The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to the same dealing restrictions. The Group also strictly prohibits the Directors from the unauthorized use of confidential or inside information to the advantage of himself or others. The Company promptly identifies, assesses and escalates any inside information and any information which may potentially constitute inside information to the Board, which decides the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company in due course.

## WHISTLE-BLOWING MECHANISM

A Whistle-blowing Policy has been set up to encourage and allow employees to raise concerns about possible improprieties in matters of financial reporting, compliance, and other malpractices at the earliest opportunity. The Audit Committee has the overall responsibility for this Policy and has delegated day-to-day responsibility of overseeing and implementing such Policy to the Finance Manager of the Group. If any employee believes reasonably and in good faith that malpractice exists in the workplace, he/she should report immediately to his/her immediate supervisor within the department or to the Audit Committee if desirable. The supervisor should then forward the concerns by email to the Finance Manager upon receiving reports from employees. All reports are treated confidentially and the Group makes every effort to keep the employee's identity confidential.

## ANTI-CORRUPTION TRAINING

To strengthen understanding of the relevant applicable laws and regulations, training regarding ethical business conduct covering topics such as integrity and discipline, confidentiality and conflict of interest is provided to all managers and above. The Board has also received internal training on related topics.

## INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The Group has a number of channels of communication with shareholders and public investors to ensure that they are kept up to date with the latest news and developments of the Group. The Group provides shareholders with up-to-date information on the Group's development, financial results and major events through annual, half-yearly reports. All published information is uploaded to the Group's website at www.sccgroup.com.my.

The general meetings of the Company provide opportunities for the Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees will attend the AGMs to answer Shareholders' questions. The Auditors will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence. Separate resolutions are proposed at shareholders' meetings on each substantial issue. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. Shareholders may also submit enquiries to management and make recommendations to the Board or senior management at the Shareholders' Meeting.

To promote effective communication, the Company adopts a Shareholders' Communication Policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders. The Company has established several channels to communicate with the shareholders as follows:

- corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange and on the website of the Company at www.sccgroup.com.my;
- announcements are published on the websites of the Stock Exchange and the Company;
- corporate information is made available on the Company's website; and
- annual and extraordinary general meetings, if any, provide a forum for the shareholders to make comments and exchange views with the Directors and senior management.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

The Company reviewed the implementation and effectiveness of the Shareholders' Communication Policy and considered it to be effective since the Listing Date to 31 December 2022.

## CONSTITUTIONAL DOCUMENTS

The Articles of the Company remains unchanged since the Listing Date.

The Board of Directors (the "**Board**") of Swang Chai Chuan Limited (the "**Company**") presents its report together with the audited consolidated financial statements of the Company and its subsidiaries (together, the "**Group**") for the Reporting Period.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are principally engaged in distribution and sales of food and beverages and provision of logistics, warehousing services and others in Malaysia.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 82 of this annual report.

No interim dividend was paid for the Reporting Period.

## BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 7 to 12 of this annual report.

## MAJOR RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong):

### 1. Economic climate and individual market performance

The impact of economic conditions on consumer confidence and buying habits would affect sales and results of the Group. The economic growth or decline in the geographical markets that affect consumer spending on F&B would also affect the business. The Group continues to implement its strategies to develop and strengthen penetration of different geographical markets thereby reducing its dependency on specific markets.

### 2. Customers' credit risk

The exposure to credit risk by the Group, which will cause a financial loss due to failure to discharge an obligation by the counterparties, arises from the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position. The Group only extends credit to customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of debts at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Details of the customers' credit risk are set out in Note 30 to the consolidated financial statements.

### 3. Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures adequacy of financial resources for operations' need and compliance with the relevant loan covenants.

Details of liquidity risk are set out in Note 30 to the consolidated financial statements.

### 4. Currency risk

The Group has foreign currency transactions and foreign currency borrowings, which expose the Group to foreign currency risk. The Group manages and monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

Details of the currency risk are set out in Note 30 to the consolidated financial statements.

### 5. Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Details of interest rate risk are set out in Note 30 to the consolidated financial statements.

## ENVIRONMENTAL POLICIES, COMPLIANCE WITH LAWS AND REGULATIONS

The Group is dedicated to maintaining sustainable work practices and pay close attention to ensure all resources are efficiently utilised with minimal adverse impact on our environments. Details on the Group's environmental policies and performance can be found in the Sustainability Report included in this annual report.

The Group has established various management systems and measures such as internal control and staff training to ensure its compliance with laws and regulations in relation to the Group's business and operation. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has no material breach relevant of laws and regulations that has a material impact on the Group's business and operation during the Reporting Period.

## RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the Reporting Period, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in Note 13 to the consolidated financial statements.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out in Note 12 to the consolidated financial statements.

## SHARE CAPITAL

Details of the share capital of the Company are set out in Note 25 to the consolidated financial statements.

## RESERVES

Movements in reserves of the Group and of the Company during the Reporting Period are set out on page 85 in the consolidated statement of changes in equity and Note 26 to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company are set out in Note 34 to the consolidated financial statements. As at 31 December 2022, the Company's reserves available for distribution to equity holders amounted to approximately RM57.8 million.

## SHARE SCHEME

The share option scheme (the "**Share Option Scheme**") was approved and conditionally adopted by the Board and shareholders of the Company by way of written resolutions on 14 July 2022. As of 31 December 2022, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

### (1) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options under the Share Option Scheme ("**Options**") to Eligible Persons as incentives or rewards for their contributions to the Group.

### (2) Who may join

The Board may, at its discretion, invite the following classes of participants to take up Options at a price calculated in accordance as stipulated below:

(i) any full-time or part-time employee of the Group;

(ii) any member of the Group, including any executive, non-executive directors and independent non-executive directors;

(iii) any advisers or consultants of the Group

## (3) Total number of shares to be issued

The total number of Shares issued and to be issued upon exercise of the Options granted to a participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, the Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time.

In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

As at the date of this annual report, there is no share option granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

## (4) Maximum entitlement of each eligible person

(i) The maximum number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 1,000,150,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 100,015,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

(ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), the Company shall send a circular to our Shareholders containing the information required by the Listing Rules.

(iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), the Company shall send a circular to the Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.

(iv) Notwithstanding the foregoing, the Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

(v) The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorized share capital of the Company. Subject thereto, the Board shall make available sufficient authorized but unissued share capital of the Company for purpose of allotment of shares upon exercise of Options.

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, the proposed grant must be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial shareholder of the Company or an Independent Non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK$5 million, then the proposed grant of Options must be approved by the Shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under the Listing Rules.

In addition, shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a substantial shareholder of the Company, an Independent Non-executive Director or their respective associates.

The circular must contain the following:

(i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;

(ii) a recommendation from our Independent Non-executive Directors (excluding any Independent Non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and

(iii) all other information as required by the Listing Rules from time to time.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) of the Company set out in this paragraph do not apply where the Eligible Person is only a proposed Director or proposed chief executive of the Company.

## (5) Option period

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options will be issued but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

## (6) Minimum vesting period

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by the Board to each Participant, which the Board may in its absolute discretion determine.

## (7) Payment on acceptance of the option

Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than five trading days from the date on which the Option is granted.

### (8) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "**Offer Date**"), which must be a trading day, on which the Board passes a resolution approving the making of an offer of grant of an option to an Eligible Person;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Offer Date; and

(iii) the nominal value of a Share on the Offer Date.

For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed for less than five trading days, the offer price shall be used as the closing price for any trading day falling within the period before the Listing Date.

### (9) Remaining life

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

Save for this Share Option Scheme, the Company has not adopted any other share scheme.

## BANK BORROWINGS

Details of the bank borrowings of the Group are set out in Note 22 to the consolidated financial statements.

## DIRECTORS

The directors of the Company (the "**Directors**") who held office since the Listing Date and up to the date of this annual report are:

### Executive Directors:

Mr. Soon See Beng *(Chairman)*
Mr. Soon Chiew Ang
Mr. Soon See Long

### Independent Non-executive Directors:

Mr. Khoo Chee Siang
Mr. Ooi Guan Hoe
Datuk Tan Teow Choon
Mr. Ngai Wah Sang
Ms. Tiong Hui Ling

For compliance with Code Provision B.2.2 set out in the Corporate Governance Code of the Listing Rules and in accordance with Articles 108(a) and (b) of the Company's Articles of Association, all Directors will retire by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence and considers that each of the Independent Non-executive Directors is independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

## DIRECTORS OF SUBSIDIARIES

During the Year and up to the date of this annual report, each of Mr. Soon See Beng, Mr. Soon Chiew Ang, Mr. Soon See Long, Ms. Soon Lee Shiang holds directorship in certain of the Company's subsidiaries.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors of the Group as at the date of this annual report are set out on pages 13 to 17.

## 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 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.

Save as disclosed above, as at the date of this annual report, 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.

## ARRANGEMENT TO ACQUIRE SHARES

At no time during the Year or at the end of the Year was the Company, its subsidiaries, its holding company or the subsidiaries of its holding company, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

## DONATIONS

During the year ended 31 December 2022, the Group made charitable donations of approximately RM215,000 (2021: Nil).

## EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Options", at no time during the Reporting Period or at the end of the Reporting Period was the Company a party to any equity-linked agreements.

## DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years, which is subject to retirement by rotation and re-election in accordance with the Articles of Association, and may be terminated by either party upon one month's prior notice.

Each of Independent Non-executive Directors has entered into an appointment letter with the Company for a term of three years, which is subject to retirement by rotation and re-election in accordance with the Articles of Association.

The service contracts and appointment letters are automatically renewed upon expiration.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" in this annual report and Note 28 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which any of the Company's Director or an entity connected with the Director or controlling shareholder or its subsidiaries had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors had any interest in business apart from the Group's businesses which competed, or was likely to compete, either directly or indirectly, with the Group's businesses under Rule 8.10 of the Listing Rules.

## NON-COMPETITION UNDERTAKING

In order to avoid any future competition among our Group and Soon Holdings Limited, Mr. Soon See Beng, Mr. Soon Chiew Ang, Mr. Soon See Long and Ms. Soon Lee Shiang (collectively, the "**Controlling Shareholders**"), on 14 July 2022, the Controlling Shareholders as covenantors (each of them, a "**Covenantor**" and collectively, as the "**Covenantors**") executed a Deed of Non-competition dated 14 July 2022 in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries) (the "**Deed of Non-Competition**").

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earlier of (i) the date on which the Shares cease to be listed on the Stock Exchange; or (ii) the date on which that Covenantor and his/her/its close associates (individually or taken as a whole) cease to be a Controlling Shareholder, it will not either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, among other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on by our Group, including but not limited to (i) distribution of the products that overlap with the products of our Group; and (ii) logistics and warehousing services, or contemplated to be carried on by any member of our Group in Malaysia or any place where our Group has conducted business as at the date of the Deed of Non-competition or may conduct business from time to time in the future (the "**Restricted Business**"); and such further undertakings including but not limited to referring any and all new business business opportunities in connection with the Restricted Business, non-disclosure of any confidential or trade-sensitive information of the Group; non-solicitation of customers; and conduct of conflict checks with its customers etc. Details of the Non-competition Deed are set out in the paragraph headed "Non Competition Undertaking" in the section headed "Relationship with Controlling Shareholders" of the prospectus of the Company dated 8 August 2022.

The Company has received the annual written declaration signed by each of the Controlling Shareholders declaring, inter alia, that he/she/it had complied with the terms of the Deed of Non-competition during the year ended 31 December 2022 for disclosure in this annual report (the "**Declaration**"). The Independent Non-executive Directors have reviewed the Declaration and the implementation of the Deed of Non-Competition during the year ended 31 December 2022 and confirmed that they are not aware of any non-compliance of the Deed of Non-competition by the Controlling Shareholders during the financial year ended 31 December 2022. The Independent Non-executive Directors had not been called to make any decisions in relation to any Restricted Business during the year ended 31 December 2022 and up to the date of the Declaration.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, so far as our 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 Divisions 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% |
| Ms. 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:*

1. The letter "L" denotes a long position in the Shares.

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 See Beng. Mr. Soon Chiew Ang, Mr. Soon See Long and Ms. Soon Lee Shiang 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.

3. 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.

4. 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.

5. 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.

6. 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 annual report, 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.

## 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 relationships 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 support to new employees. During the Reporting Period, the Group had 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.

## PERMITTED INDEMNITY PROVISION

Pursuant to Article 164 of the Company's Articles of Association, the Directors shall be indemnified out of the assets of the Company from liabilities which they may incur by reason of the execution of their duties, unless such indemnification provision is avoided by any provisions of the applicable laws of the Cayman Islands.

The Company maintains an insurance policy for directors' and officers' liability for the Reporting Period.

## MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Reporting Period.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group's revenue from any single external customer did not contribute 10% or more of the total revenue of the Group during the Reporting Period.

The aggregate purchases attributable to the Group's largest and five largest suppliers combined were 12.8% and 39.8% respectively of the Group's total purchases for the Reporting Period.

None of the Directors, their close associates, or any shareholder (who to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had, at any time during the Reporting Period, a beneficial interest in any of the Group's five largest suppliers.

## CONTINUING CONNECTED TRANSACTIONS

The Group has entered into a number of transactions with various connected persons of our Company for (i) the supply of F&B and other products to certain connected persons; and (ii) the purchase of F&B and other products from certain connected persons, which will continue following the Listing. These connected persons are entities wholly owned or majority-owned by the Controlling Shareholders and/or their spouses or companies controlled by them; and hence are associates of the Controlling Shareholders under Rules 14A.07(4) and 14A.13(3) of the Listing Rules upon Listing (collectively, the "**Entities Interested by the Controlling Shareholders**").

On 14 July 2022, the Group has entered into a master supply agreement (the "**Master Supply Agreement**") with various Entities Interested by the Controlling Shareholders, namely Megamart Sdn. Bhd., Just Relax Restaurant, Tropicana Food Garden, The Eight Th, JR Grill & Bistro, Pak Su Seafood Restaurant Sdn. Bhd., Owl Cafe and Mega Jaya Seafood Sdn. Bhd. (together, the "**Connected Purchasers**") and certain businesses in the Private Group, for the provision of F&B products, including frozen food, cleaning and kitchen supplies, sauce and condiments and other products (the "**Continuing Connected Transactions**").

The annual caps for each of the financial years are set out as follows:

| **Period** | **Annual Cap RM** |
|---|---|
| Year ended 31 December 2022 | 7,000,000 |
| Year ended 31 December 2023 | 7,200,000 |
| Year ended 31 December 2024 | 7,500,000 |

During the Year, the aggregate service fee paid by the Connected Purchasers against the Group amounted to approximately 6,975,000, which was within the annual cap for the Reporting Period.

The transactions are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Further details of the Continuing Connected Transactions were set out in the section of "Connected Transactions" of the Prospectus.

The same day on 14 July 2022, the Group entered into a master purchase agreement (the "**Master Purchase Agreement**") with certain Controlling Shareholders, namely, Just Relax Restaurant, The Nine Th, Owl Cafe, Mega Jaya Seafood Sdn. Bhd. (together, the "**Connected Suppliers**"), for the provision of F&B and other products and procured sales and marketing services. As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) with reference to the expected transaction amount of the continuing connected transactions under the Master Purchase Agreement are less than 5% on an annual basis and the expected annual consideration is less than HK$3 million, the transactions under the Master Purchase Agreement constitute exempt continuing connected transactions of our Company under Rule 14A.76(1) of the Listing Rules, and are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. If the annual transaction amount exceeds the relevant threshold, the Company will comply with the Listing Rules where applicable.

The Company's joint auditors have been engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 – Auditors' Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from the joint auditors of the Company in accordance with Rule 14A.56 of the Listing Rules containing their findings and conclusion on the Continuing Connected Transactions of the Group, stating that the joint auditors did not notice anything that causes them to believe that any of the Continuing Connected Transactions (a) had not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group for the Continuing Connected Transactions; (c) were not entered into in accordance with the relevant agreements governing the Continuing Connected Transactions in all material aspects; and (d) exceeded the relevant annual caps for the financial year ended 31 December 2021 with respect to the aggregate amount of the Continuing Connected Transactions. The Company has provided a copy of the joint auditors' letter to the Stock Exchange.

The Independent Non-executive Directors have reviewed the Continuing Connected Transactions in accordance with Rule 14A.55 of Listing Rules and confirmed that up to the date of this annual report such transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the TAs on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 28 to the consolidated financial statements.

The Master Supply Agreement as disclosed in the section headed "Continuing Connected Transactions" in this annual report of the Directors constituted continuing connected transactions for the Company under the Listing Rules. Save as disclosed above, no other related party transactions as set out in Note 28 to the consolidated financial statements constitute connected transactions or continuing connected transactions that are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the laws of Cayman Islands (being the jurisdiction in which the Company was incorporated), which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## 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 annual report.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules since the Listing Date and up to the date of this annual report.

## CORPORATE GOVERNANCE CODE

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 annual report.

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.

## 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 report.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

## JOINT AUDITORS

The consolidated financial statements have been jointly audited by Mazars CPA Limited, Certified Public Accountants, Hong Kong, and Mazars LLP, Public Accountants and Chartered Accountants, Singapore, who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
**Mr. Soon See Beng**
*Chairman and Chief Executive Officer*

Hong Kong, 30 March 2023

## BOARD STATEMENT

Dear Stakeholders,

We are pleased to announce the Group's first Sustainability report for the Reporting Period ("**Sustainability Report**"). This Sustainability Report covers the ESG issues that are material for the Group in line with the disclosure requirements issued by the Stock Exchange.

As Asian governments are prioritising ESG related regulations and developing more stringent ESG disclosure requirements for listed companies, the Board recognises the need to be resilient and be actively ready in our commitment to contribute to a sustainable world. This means the Board must have oversight of ESG issues and include ESG considerations as part of the Group's strategy and decision-making.

With the support of the Audit Committee and our management team, the Board aims to address the interests of our stakeholders' by assessing the material issues and determine the Group's ESG-related risks and opportunities to ensure appropriate and effective ESG risk and management and internal control systems are in place.

The Group's efforts to maintain high standards on its food quality, foster a safe workplace and to support our employees with the opportunity to achieve their potential in a good work environment are at its foremost priority. We are also committed to strengthening our climate-related disclosures and deliver a more refined decarbonisation plan on our energy conservation solutions with further consultation within the Group.

As this our first Sustainability Report, our Group will require careful long-term planning to set ESG-related goals and targets on our material issues impacting a wide range of stakeholders.

Looking ahead of 2023 and beyond, the Board is confident that our Group will remain committed in its ESG journey while we are determined to work closely with all our partners and other stakeholders.

Board of Directors

# ABOUT THE REPORT & ESG APPROACH

With an established business in the distribution of F&B products in Peninsular Malaysia since 1982, the Group is committed to embark on its ESG journey with the aim of enhancing its environmental and social responsibilities based on high standards of governance.

Our sustainability approach is driven on the Company's core values rooted in integrity, inclusiveness, togetherness with a winning attitude to meet our stakeholders' expectations by embracing technology and innovation and talent capability.

## Scope of the Report

The Company is pleased to present its first Sustainability Report. This Sustainability Report covers ESG impacts of the Company's businesses for the period of 1 January 2022 to 31 December 2022. This Sustainability Report is prepared in accordance with the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange, following the reporting principles of "Materiality", Quantitative", "Balance" and "Consistency".

This Sustainability Report is published in English and in Chinese versions. If there are any discrepancies between the two versions, the English version shall prevail.

## Reporting Boundary

This Sustainability Report focuses on the entities listed in our financial statements, namely, the Company, including its Malaysian subsidiary companies, SCCSB, SCC Seafood, SCCM Pahang, SCCM, Chop Chin Huat, SCC Logistics and SCCM East Coast.

# ESG GOVERNANCE

## ESG Governance Structure

The Board is committed to carry out its responsibilities to manage the direction of the Group in such a way to achieve its objectives including formulating strategy, monitoring and implementing operational and financial performance including setting the ESG strategy for the Group.

To further strengthen the Company's ESG governance, the Group's ESG Policy states that the Company must establish an ESG Working Group (that reports to the Board), comprising of senior management and other members of staff who have sufficient ESG knowledge to conduct internal and external materiality assessments and prepare this Sustainability Report. The Group has embarked on its ESG journey which will take into consideration the establishment of the ESG Working Group. The Board recognises that more has to be done to ensure that the Group's sustainable practices are embedded into the Company's strategy and operations.

The existing governance structure to manage the ESG direction for the Group is as follows:

**Board of Directors**

- Formulate and monitor ESG strategy for the Group
- Set and monitor targets and Key Performance Indicators on ESG material issues

**Audit Committee**

- Independent review of the risk management and internal control systems

**Senior Management**

- Compliance and reporting of ESG practices

## Internal Controls and Risk Management

The Board, through the Audit Committee, has the overall responsibility over the Group to ensure an effective system of risk management and internal systems be maintained to safeguard the Company's assets and shareholders' interests.

In the Company's Risk Management and Internal Control process document, the Board views risk management as an important task and believes that effective corporate risk management is an essential element of good corporate governance. The Board has established an Audit Committee which comprises of 3 Independent Non-executive Directors. The Audit Committee is responsible to assist the Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Having an effective internal control and risk management framework in place, provides the management and stakeholders assurance that the Group is operating in accordance with the Company's policies, industry standards and regulatory requirements and minimises any risk exposure to the business operations.

For more details on the risk management of the Group, please refer to pages 34 to 36 in this annual report.

# MATERIAL ASSESSMENT

To prepare the Company's first Sustainability Report, we engaged an external consultant with the support of senior management and key personnel of our Group, to provide guidance on an internal review of our Group's sustainable practices.

We focused on the material issues listed under the 'comply or explain' provisions in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange for purposes of this Sustainability Report. Based on our internal engagement exercise, we determined that the following issues are material for our operations and therefore, form the basis of our disclosures in this Sustainability Report.

**ENVIRONMENT**

- Emissions
- Use of Resources
- Climate Change

**SOCIAL**

- Employment and Labour Practices
- Health and Safety
- Development and Training
- Labour Standards

- Supply Chain Management
- Product Responsibility

- Local Community

**GOVERNANCE**

- Anti-Corruption

We will continue to review our Company's material ESG issues on our future disclosures, to identify and disclose additional ESG issues, if relevant, that reflect our Company's significant environmental or social impacts, and that substantially influence the assessments and decisions of our stakeholders.

## STAKEHOLDERS' ENGAGEMENT

Stakeholders form an integral part of our business and keeping an open communication channel with them allows us to align their needs and expectations with the Company's goals and objectives.

Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by an issuer's activities, products and services; and/or whose actions can reasonably be expected to affect the ability of an issuer to successfully implement its strategies and achieve its objectives.

We will continue to engage with our stakeholders regularly as part of our business and operational requirements. In future, we will consider a stakeholder engagement survey to seek our stakeholders' views and feedback on the Company's material issues in our materiality assessment process.

Below is a list of our key stakeholders and the various methods of engagement used in the Reporting Period:

| Key Stakeholders | Methods of Engagement |
|---|---|
| 1. Shareholders and Investors | • Prospectus<br>• Interim Report and annual report<br>• Announcements and circulars |
| 2. Customers | • Meetings<br>• Emails<br>• Telephone discussions |
| 3. Suppliers/Business Partners | • Telephone discussions<br>• Meetings |
| 4. Government/Regulators | • Telephone discussions<br>• Prospectus<br>• Interim Report and annual report<br>• Announcements and circulars |
| 5. Employees | • Telephone discussions<br>• Workshops<br>• Training<br>• Meetings<br>• Emails<br>• Weekly assembly |

## MATERIAL MATTERS

## ENVIRONMENT

The Group recognises the importance to deliver its services and products with minimal adverse impact on the environment. We aim to operate our businesses responsibly in compliance with the relevant environmental laws and regulations in the areas we conduct our businesses. In Malaysia, the Environmental Quality Act 1974 provides guidance and conditions on emission, discharge or deposit of wastes into the environment.

The Group currently has a Health, Safety and Environmental Policy in place to reinforce the Company's commitment to protect the environment and prevent any adverse environmental impacts. The Group is expected to achieve its commitment by minimising waste generation, air emissions and other discharges from its activities to the environment. We will continue to review the Company's existing commitments to minimise our carbon footprint via air or greenhouse gas ("**GHG**") emissions, reduce generation of hazardous or non-hazardous waste and manage the efficient usage of resources, including energy, water and other raw materials. The Group aims to transition progressively on its environmental disclosures and set targets that are in line with the Company's objectives and stakeholder needs.

As at 31 December 2022, there is no environmental management system implemented to manage the significant impacts of the Company's activities on the environment. The Group does not have any penalties, fines or violated any environmental laws or regulations imposed on the Group in the Reporting Period. The Environment and Natural Resource heading under Part C: Comply or Explain Provisions of Appendix 27 is not covered as a separate material matter since the Group does not engage in any activities that has any direct or significant negative impact on the environment and natural resources in the course of its businesses, except for those activities discussed in the next sections.

## Emissions

**Scope 1 and Scope 2**

Due to the nature of our businesses, the Group's operational activities do not directly generate industrial pollutants. However, the Group aims to review and identify all other sources and implement effective solutions to improve efficiency and minimise any form of adverse environmental impact of its operations. Thereafter, we can assess the goals to set on the emissions generated in our operations.

Based on our internal review, the Group has identified GHG emissions under Scope 1 direct emissions are contributed from combustion of fuel used by its own fleet of transportation trucks and vehicles including equipment such as forklifts owned or controlled by the Group. As we use our cold facilities to store and refrigerated vehicles to transport temperature-sensitive products, we have also identified refrigerants used in these facilities and vehicles contribute to our carbon footprint under Scope 1 direct GHG emissions.

As at 31 December 2022, 8 out of our 12 warehousing facilities in Peninsular Malaysia are equipped with cold storage facilities. During the Reporting Period, we operated a fleet of 154 logistics vehicles, of which, approximately 102 are refrigerated vehicles.

Utility data from purchased electricity consumption is identified as Scope 2 indirect GHG emissions.

In the Reporting Period, the total GHG $CO_2$ emissions for Scope 1 and Scope 2 for the Group are as follows:

| | Total Direct Scope 1 (tonnes $CO_2$-eq)[(a)] | Total Indirect Scope 2 (tonnes $CO_2$-eq)[(b)] |
|---|---|---|
| FY2022 | 2,511.70 | 2,489.45 |

(a) Scope 1 direct emissions generated from combustion of fuels in mobile sources, i.e. from our transportation fleet and forklifts, is calculated using the diesel emission factor data according to GHG emission from fuel type, mobile combustions sources in Hong Kong Exchange "How to Prepare an ESG Report", Appendix 2: Reporting Guidance on Environmental KPIs" https://www.hkex.com.hk/–/media/HKEXMarket/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/step_by_step.pdf. For this Report, data on refrigerants under Scope 1 emissions calculations are not included as we are still compiling to assess the available data on refrigerants at the time of preparing this Report.

(b) Scope 2 energy indirect emissions generated from electricity purchased from the power company for our facilities in Malaysia, is calculated using the emission factor published by the Malaysian Green Technology Corporation for Peninsular Malaysia.

**Waste Management**

Waste generated in our warehouse facilities and operations are generally non-hazardous waste, which include packaging materials such as cardboard boxes, sugar drums, gunny sacks, plastic bottles food and general waste. Where food waste is required to be destroyed due to damage or passed their shelf life, we send them to the landfills to be sprayed and disposed to avoid any contamination. We engage licensed contractors to collect recyclable waste from our warehouse for a fee. Wastes which are not sent for recycling, are disposed as general waste.

The Company has not implemented any waste monitoring mechanisms to record and track waste generation data as the amount of waste generated in our operational activities is insignificant. However, there are plans to review the Group's waste management practices across our distribution value chain and to promote waste reduction and recycling to ensure minimal waste is disposed into the environment.

## Use of Resources

## Energy Consumption

**Electricity Consumption**

Purchased electricity is used extensively in the Group's warehouse facilities and offices across Peninsular Malaysia. Electricity consumption is tracked from utility invoices issued by Tenaga Nasional Berhad, the Malaysian power company. The Group has implemented some energy reduction initiatives at its warehouse facilities and offices which include installation of energy-saving bulbs, automatic light sensors and replacing energy intensive equipment using diesel to electric machinery such as forklifts. In addition, solar rooftop panels have been installed in several warehouses as part of the Group's energy reduction initiatives. More details are provided below under the section on Solar Panels.

The Group's total purchased electricity consumption in the Reporting Period is 4,255,465 kWh.

**Fuel Consumption**

Under the Group's logistics operations, the Group operated 154 transportation vehicles, comprising mainly heavy goods vehicles and several light and very heavy goods vehicles, as at 31 December 2022. We use diesel for our trucks and forklifts used in our facilities and track the fuel consumption using fleet fuel cards. We also provide fuel cards for our Group's sales team and track the petrol consumption used in their own vehicles for business travel. However, we do not have available data on fuel consumption for third party vehicles not managed by the Company's businesses.

The total fuel consumption for the Group in the Reporting Period is 960,864 litres of diesel, which excludes the 86,930 litres of petrol consumed by our sales team using their own vehicles for business travel purposes. For purposes of this Sustainability Report, only diesel consumption data is reflected under the Scope 1 emissions contributed by the Group.

**Solar Panels**

As part of our Group's energy reduction initiatives, we have installed solar panels at our Kuantan, Puchong, Kota Bharu and Mentakab warehouses to partly power the facilities with solar energy. There are plans in the future to instal solar panels in our other facilities, where feasible. The solar power generated is expected to provide an annual electricity cost savings, provide alternative back-up power source as well as support the Group's commitment to lower its carbon footprint with renewable energy sources.

The total solar power generated for consumption for the Group in the Reporting Period, is 536,149.72 kWh.

In the Reporting Period, the Group's total energy consumption is 13,894,639 kWh (4,255,465 kWh for electricity consumption and 9,639,174 kWh for diesel consumption) or 13,895 MWh and energy consumption intensity is 0.0166 per unit of revenue. Energy intensity is based on the total energy consumption over the total units of revenue for the Group.

The Company recognises that more can be done across the Group to improve its energy efficiency and conservation practices. Any effort to reduce energy consumption can lower costs and reduce GHG emissions in the longer term. We have yet to set any energy use efficiency targets for the Group as further understanding of our energy consumption practices are required. We aim to put in place any necessary measures to achieve any goals and targets set by the Group.

**Water Consumption**

We recognise water as a scarce natural resource and as such, measures to conserve and efficiently use water in our operations are needed to minimise any negative environmental impacts from our operations. Water used in our facilities is purchased from the local water services provider in the respective locations of our facilities in Peninsular Malaysia. Water usage is monitored from the monthly billing invoices and for our future disclosures, we are working to improve our data collection methods to enable us to better track water consumption across our Group. We have yet to set water consumption efficiency targets for the Group as further study and understanding of our water consumption practices are required. We will ensure that the necessary measures are put in place to achieve any targets set by the Group.

The Group's total water consumption in the Reporting Period is 35,613 $m^3$ and water consumption intensity is 0.00004 per unit of revenue. Water intensity is based on the total water consumption over the total revenue for the Group.

**Packaging Materials**

At our processing facility in Puchong, we repack and bottle raw materials using various different packaging materials.

We currently use plastic bottles and bags, laminated bags, plastic pail and glass jars as part of our primary packaging materials to pack raw materials and shrink wrap, cardboard boxes, PET/LLDPE plastic and PP bags are used as our secondary packaging materials. Packaging materials are sourced from third party suppliers.

We will progressively track and monitor the use of the different packaging materials for our finished products as part of our enhancements to our future ESG disclosures.

## Climate Change

The Group will seek to align its climate-related disclosures with the recommendations of the Taskforce on Climate-related Financial Disclosures ("**TCFD**") on identifying and disclosing the potential impacts on our businesses in our future reporting. The core elements of the TCFD recommendations include: Governance, Strategy, Risk Management and Metrics and Targets. As the Group is seeking to enhance its climate-related disclosures, the Group requires further time to work with all our internal teams and stakeholders to address the climate-related risks more accurately.

# SOCIAL

## Employment and Labour Practices

Our people are our biggest assets and therefore, we strive to maintain good relationships with them to foster a harmonious and caring work environment for all.

As our businesses depend on the contribution and dedication of our employees, we strive to identify, hire, train and retain suitable and skilled workforce in the areas of logistics, sales and marketing, procurement and other functions required to operate our businesses. Any loss of these key personnel will be disruptive to our business growth. Hence, we strive to offer competitive remuneration packages to full-time employees which include basic salaries, allowances, retirement benefit schemes and paid annual leave. Basic salary is determined by employee's seniority, position, qualification, working experience, and performance. Other benefits offered include medical and discretionary bonuses may be paid on an annual basis depending on length of service and performance of individual employee and commissions schemes.

We also have foreign labour in our workforce and ensure that the relevant work permits are in place for them to work for our Group.

The Company has in place a Human Resource ("**HR**") Internal Control Policy that outlines the Group's HR practices and policies on recruitment, termination, payroll process, performance review and other administrative functions. All our employees in the Group, irrespective of their positions and functions, are expected to fully adhere to the principles and procedures contained in the HR Internal Control Policy.

We generally carry out our recruitment by inviting job applications on our website, job postings from the open market by placing recruitment advertisements and in newspapers or employment websites. New employees are required to undergo a probation period, following which, their employment will be converted to full-time employee subject to the Company's discretion. For certain roles such as lorry drivers for our trucks, medical check-ups are required as only drug-free drivers will be recruited.

To assess the performance of each individual, we have in place a structured annual performance review process which is carried out via an open communication channel for each employee to initiate with their supervisors. This review process is an opportunity to discuss job tasks, identify and correct weaknesses and recognise strengths, and discuss positive, purposeful approaches for meeting goals.

**Total Workforce**

As at 31 December 2022, the Group's total workforce was 779, of which 37% were female and 63% were male employees. The following table provides the breakdown of our Group's workforce in Malaysia:

**Total Employees by Age Group**

| Group | Below 30 (%) | 30 to 50 (%) | 50 and above (%) |
|---|---|---|---|
| SCCSB | 46 | 49 | 5 |
| SCC Seafood | 52 | 38 | 10 |
| SCCM Pahang | 27 | 58 | 15 |
| SCCM | 48 | 43 | 9 |
| Chop Chin Huat | 24 | 69 | 7 |
| SCC Logistics | 64 | 34 | 2 |
| SCCM East Coast | 34 | 59 | 6 |

**Total Employees by Employment Type**

| Group | Permanent/Full-Time (no.) | Contract (no.) | Interns (no.) | Total (no.) |
|---|---|---|---|---|
| SCCSB | 242 | 0 | 1 | 243 |
| SCC Seafood | 46 | 4 | 0 | 50 |
| SCCM Pahang | 33 | 0 | 0 | 33 |
| SCCM | 187 | 0 | 0 | 187 |
| Chop Chin Huat | 128 | 1 | 0 | 129 |
| SCC Logistics | 104 | 0 | 1 | 105 |
| SCCM East Coast | 32 | 0 | 0 | 32 |
| Total (no.) | 772 | 5 | 2 | 779 |

**Employee Turnover Rate**

The Group's turnover rate for the Reporting Period is 6%, of which 2% is the turnover rate for female and 4% for male employees. The following is the breakdown of the turnover rate for the Group in Malaysia by age group:

| Group | Below 30 (%) | 30 to 49 (%) | 50 and above (%) |
|---|---|---|---|
| SCCSB | 75 | 25 | 0 |
| SCC Seafood | 88 | 12 | 0 |
| SCCM Pahang | 50 | 50 | 0 |
| SCCM | 50 | 50 | 0 |
| Chop Chin Huat | 67 | 33 | 0 |
| SCC Logistics | 83 | 17 | 0 |
| SCCM East Coast | 0 | 100 | 0 |

The Company is not aware of any material non-compliance of any employment laws and regulations that have a significant impact on the Group.

**Employee Engagement Activities**

In Kuantan, all the employees are required to attend a weekly assembly whereby the senior management will provide updates on the Company's news and plans to foster a closer and open communication amongst the workforce.

To further foster our family friendly relationship between the management and the employees, all our employees are gifted with an annual "Ang Pow" during each Chinese New Year festivities. We also engage a lion dance performance during the Reporting Period at our Kuantan headquarters.

A successful Bowling Competition has been organised for our employees in July 2022, which involved 68 employees from SCCSB's HR, IT, Administration, Sales, Warehouse and Supply Chain Departments in Kuantan. Prizes were awarded to the winners of the competition.

## Health and Safety

Keeping our employees safe and healthy is a fundamental priority for us. We are committed to provide a safe and healthy work environment for all in all our facilities and branches across Malaysia. In Malaysia, the Occupational Safety and Health Act 1994 ("**OSHA**") provides the framework to promote standards for health and safety at work. The Group has established a Health, Safety & Environmental Policy that outlines the Group's commitment to prioritise health and safety and for all workers to be responsible to identify, assess and eliminate work-related hazards. We will continuously review the Group's readiness and adequacy to implement an occupational health and safety management system to enhance the Group's health and safety standards.

We believe that each employee must be familiar with safety procedures and policies in the course of their employment. Therefore, we provide training on work safety laws and regulations to familiarise and remind the employees of the importance of and the correct practices for health and safety in the workplace. During the Reporting Period, we have engaged a third-party consultant to provide several training courses on fire safety and use of fire extinguisher and fire hose reel system to (i) our dedicated safety team at the Company's Kuantan headquarters (ii) teams in our other branches in Mentakap and Kuala Terengganu, and (iii) teams in the Fire Department, Jabatan Bomba dan Penyelamat Malaysia (BOMBA). As part of our emergency readiness and preparedness, a fire drill was conducted in May 2022 in Kuantan for the employees to practice quick and safe exit and familiarise themselves with the next action steps once the emergency alarms are activated in the event of an emergency.

We will continue to review the existing health and safety work processes on how best to record and enhance tracking methods to improve our health and safety reporting and performance.

We have also implemented internal work safety guidelines at each of the Group facilities and warehouses. Safety signages are placed at appropriate locations to remind the employees of their duties and requirements prior to entry on each of the work areas. For example, at SCCM, appropriate reminders on how to properly sanitise hands and wear mandated attire are placed on the walls prior to entry into the processing lines. At our cold storage facilities, we provide proper work uniform and equipment, layered clothing, gloves with gripping adhesives, and steel boots with non-slip soles to those employees assigned at those locations. Emergency contact numbers are also clearly placed for any medical assistance if an emergency occurs.

As required under OSHA, every employer must establish a safety and health committee where there are 40 or more persons who work at the place. The Group has set up Safety Committees for its headquarters in Kuantan and several of its warehouses in Bukit Minyak, Seremban, Johor Bahru, Kota Bharu, Kuala Terengganu, Kuantan, Mentakab and Puchong across Malaysia. The Safety Committees' main function is to review safety and health measures and investigate any related matters.

SCCSB's administration and Human Resources team is responsible for recording and following up on any injuries of the Group's employees. As at 31 December 2022, there were no work-related injuries, no lost days due to work injury or fatalities recorded for the Group.

## Development and Training

Our workforce, who work in our operations, is made up of different levels and functions, from senior management to non-executive employees. In order to maintain a dedicated and stable environment for all our employees, we strive to provide them with career development opportunities and training support in their respective roles. The Group currently does not have a policy on development and training for our employees.

Nevertheless, we continue to promote a learning and development culture to allow the employees to equip themselves with the right skillsets and knowledge to discharge their duties at work. Where appropriate, we encourage them to keep abreast with the latest industry practices and development to ensure the Group's policies and standards are updated with industry standards. New employees are required to attend onboarding training, on-site production advice and on-the-job coaching aimed to equip them with the right skill sets to perform their job duties and obligations.

During the Reporting Period, our employees attended various (internal and external) training courses. For instance, training courses on product and service quality assurance, induction training on warehouse and hygienic control risk analysis and internal, external and management control and health and safety. Training needs for our employees are assessed on an annual basis to determine which programmes are aligned with industry standards.

The number of employees who attended training and the number of training hours have not been tracked during the Reporting Period and not available for disclosure for this Sustainability Report, as no structured monitoring systems are in place yet. We will review the mechanisms to monitor the types of training programmes made available and the number of hours attended by the employees to better assess our Group's investment and performance on training and development of our employees to maintain an efficient and productive working environment. With such data, we should be able to assess the average training hours that employees' participated in.

## Labour Standards

As at 31 December 2022, the Company does not have any specific policies relating to child and forced labour and does not engage any child or forced labour in its operations in compliance with all Malaysian local laws and regulations. The Company will strive to review its policies on employment practices on child and forced labour and adopt the necessary steps required to eliminate such practices when discovered.

## Supply Chain Management

Our business partners are either suppliers or customers, depending on their positions in the F&B value chain and the services we provide to them. Our major suppliers include international and domestic brand owners and distributors. For our own products, we source raw materials and packaging materials from suppliers or OEM suppliers.

The Group believes in procurement practices that are based on transparent, objective, time and cost-effective decision and risk management practices. The Group has an established Procurement Policy that outlines the procurement processes and sourcing strategies which includes the selection and evaluation of new and existing vendors and suppliers.

Potential suppliers are selected in a neutral and transparent manner. The Procurement Team will evaluate potential suppliers based on their industry experience, reputation as well as cost-effectiveness. Suppliers will need to provide health certificates, inspection reports and the relevant qualifications relating to the products before making any purchase from them. The selection and evaluation criteria under the Procurement Policy applies for suppliers above RM50,000 per annum range.

Existing suppliers are also evaluated from time to time based on the same criteria.

We carry out an annual evaluation on our suppliers to assess timeliness of deliveries, quality of parts and products, competitiveness of the terms and conditions, completion of work, reputation level of research and development, response times on faults and queries to ensure quality of the product is maintained. The Group will consider and review its supplier assessment and selection process to include environmental and social risks along its supply chain including selecting suppliers promoting environmentally preferable products and services.

At SCCM, existing raw material suppliers and packaging suppliers are evaluated based on the supplier's performance on delivery to schedule, quality of product and services, food safety quality, level of cooperation and support and pricing. For our own products, SCCM procures its sugar, oats, salt and beans from overseas suppliers. In some instances, supplier site visits are conducted as part of the Group's supplier assessment process.

The Group maintains a master list of approved suppliers which are tracked as trade and non-trade suppliers. Trade suppliers are mainly those suppliers who have entered into Distributorship Agreements with any of the companies in the Group or those who supply the stock, raw materials and packaging materials. Non-trade suppliers are all other suppliers not listed as trade partners and who provide products or services such as maintenance services, freight forwarders or office supplies.

As at 31 December 2022, the Group engaged with a total of 591 suppliers from its master list of suppliers, of which 195 were trade suppliers and 396 were non-trade suppliers.

The following is the breakdown of the total number of the suppliers by geographical regions at the end of 31 December 2022:

| **Regions** | **Trade[(a)]** | **Non-Trade[(b)]** | **Total** |
|---|---|---|---|
| Malaysia | 159 | 396 | 555 |
| Australia | 3 | - | 3 |
| China | 16 | - | 16 |
| Thailand | 2 | - | 2 |
| India | 2 | - | 2 |
| Others *(Belgium, Canada, Denmark, Indonesia, Iran, Korea, Netherlands, Pakistan, Saudi Arabia, Turkey, United Kingdom, Vietnam & Yemen)* | 13 | - | 13 |
| Total No. of Suppliers | 195 | 396 | 591 |

(a) Trade suppliers are mainly suppliers who have entered into Distributorship Agreement with the Group or those who supply the stock, raw materials and packaging materials.

(b) Non-trade suppliers are all other suppliers for products or services that are not listed as Trade Suppliers such as maintenance services, freight forwarders or office supplies suppliers.

We will continue to review our policies and practices in more detail to address any environmental and social risks more clearly as part of our supplier selection and evaluation criteria.

In the Reporting Period, with our strategic planning and prioritisation, we did not experience any material logistics issues in delivering our products to our customers through the various sales channels.

## Product Responsibility

The Group is committed to maintain high standards of health and safety of its products and services. We have adopted the necessary standards on our food management and operations and will continuously strive to improve processes, products and services to meet and exceed customer satisfaction at all times.

As at 31 December 2022, the Group has the following certifications in place in respect of its manufacturing practice and food management system:

| **Certifications** | **Issuing Body** | **Company** |
|---|---|---|
| MS 1514:2019 – Good Manufacturing Practice (GMP) for Food | SIRIM QAS International Sdn. Bhd. | SCCM |
| MS 1480:2019 – Food Safety According to Hazard Analysis and Critical Control Point (HACCP) System (Second Revision) | SIRIM QAS International Sdn. Bhd. | SCCM |
| ISO 22000:2018 – Food Safety Management Systems – Requirements for Any Organisation in the Food Chain | SIRIM QAS International Sdn. Bhd. | SCCM |

As the Group also offers products under its own brand names and repacked at its facilities in Puchong, the Group has an established Food Safety Manual applicable for SCCM, incorporating a Food Safety Policy based on ISO 22000, ISO 9001, GMP and HACCP and in accordance with other legal and statutory requirements such as Malaysian Food Act 1983 and Food Hygiene Regulations 2009.

The Executive managing Director of the Group is ultimately responsible for overseeing and managing food safety, including efforts to manage risk and ensure compliance with applicable laws and regulations.

In addition, we maintain HALAL certification, issued by the Department of Islamic Development Malaysia (JAKIM) and the Islamic Religious Council, on some of our products that qualify as halal food, which means food that is manufactured, sold or to be consumed in accordance to Islamic laws. The certification covers a list of food products distributed under SCCM and SCC Seafood.

**The Group's Intellectual Property**

The Group has developed its own product brands under the following major trademarks registered under SCCM:

The registered trademarks enable our customers to differentiate our business from our competitors or OEM suppliers. For our own brand products, we either engage OEM suppliers to manufacture, package and label products (such as pet care and frozen food), or purchase raw materials (such as honey and salt) from our raw material suppliers for processing (bottling, labelling and filling) at our processing facilities.

As at 31 December 2022, the Group did not receive any notice of any claims of infringement of any intellectual property rights that may be threatened or pending in which the Group may be involved either as a claimant or respondent.

**Customer Complaints Handling**

We have a diverse mix of customers that include but not limited to hypermarkets, supermarkets, provision shops, convenience stores and kiosks, school canteens, hotels, restaurants, café, F&B dealers and merchandisers, including pharmacies, bakery ingredient shops and pet shops.

Our sales representatives and customer service personnel handle general enquiries, product returns and complaints. Any customer concerns on third party products, are dealt with directly with the principal suppliers named on the respective products. For our own brand products, any customer concerns are directed to our sales representatives by way of email or phone to be investigated and resolved. The marketing team will investigate the complaint and work with the sales team to engage with the customers to manage the issues promptly. The complaints received are generally on product quality, for instance, mouldy dairy products, weevils in oat products or crystallisation of honey.

During the Reporting Period, the Group, via SCCM received 54 complaints, which were generally settled within 5 working days.

Additionally, to manage our customers' expectations, our Group has in place a business continuity programme under a Business Continuity and Contingency Planning document to provide continuity for our customers' services and daily operations in the event of any unexpected interruptions to our facilities and services. Our Group will continually evaluate various possibilities to minimise any disruptions to our services and ensure our customers are promptly informed.

**Quality Assurance and Product Recall**

The Group has in place a robust food safety and quality assurance control policies and procedures throughout its distribution chain. Although our Group is not involved in most of the manufacturing of the products sold by our Group except for the frozen seafood or meat that are cut or repacked by us or the raw materials processed at our facilities in Puchong, we are committed to deliver our products in line with all the relevant health and safety standards, licensing requirements and quality assurance measures.

From the start, our procurement team evaluates and assesses the potential suppliers before making any purchase of products or raw materials in accordance with the Procurement Policy. To ensure products are received and managed appropriately at our warehouses, the Group has implemented an Inventory Internal Control Policy that outlines the procedures and provides guidance on how inventory will be properly controlled to prevent any losses or shortages.

Upon arrival at our warehouses, all products are physically inspected for expiry dates, quantity and appearance, to ensure compliance with requirements and that they are in proper packaging and good condition for sale. Any damaged products that are unsold, returned or expired may be disposed or returned to supplier depending on the principal supplier's requirements.

Products are categorised in accordance to their storage requirements such as recommended storage temperature and are placed in the designated storage areas in our warehouses. In respect of our cold storage facilities and cold chain logistics operations, we engage external third-party vendor to regularly inspect, repair and service the cold storage facilities and refrigerated trucks so that the quality of frozen food and dairy products food stored is maintained at the required temperatures without any prolonged or significant downtime from major or unexpected breakdowns or failures. Our cold storage and refrigerated trucks are professionally calibrated to our specified requirements and calibration certificates are valid for 1 year.

We closely monitor and supervise our warehouse and logistic service providers' performance to ensure our products are properly stored, managed and delivered under proper conditions.

In our processing facility in Puchong, raw materials are sent to external laboratories for testing and quality assurance. The frequency of the testing will depend on the type of raw materials that require to be tested.

For the Reporting Period, our Group is not aware of any incident of non-compliance with any relevant laws and regulations or any material product recall relating to any health and safety reasons or any breach of any consumer data and privacy matters in respect of the use of the Group's products and services including the supply of products from our suppliers.

## Local Community

The Group strongly believes in giving back to its communities to support any charitable causes or concerns in areas it operates in.

During the Reporting Period, SCCSB provided RM3,000 to support a Children's Welfare Centre in Kuantan (Pusat Penjagaan Kanak-Kanak Tercentat Akal Kuantan), RM500 was provided to Sekolah Menengah Persendirian Chung Hwa (Chung Hwa High School) in Kuantan, and RM200,000 was provided to Yayasan Sekolah Menengah Chong Hwa Kuantan to support fundraising activities for various activities or programmes. The Group contributed a total of RM203,500 as community investments in the Reporting Period.

The Group has not set any formal policies on community investments. We seek to improve our focus area of contributions taking into consideration the needs and interests of our local communities to utilise our resources more effectively for our communities.

# GOVERNANCE

The Group is committed to uphold high standards of corporate governance, with integrity, openness and accountability and ethical practices in the management of its business and operations.

## Anti-Corruption and Bribery

The Group has a zero-tolerance approach to bribery in compliance with the Malaysian Anti-Corruption Commission (Amendment) Act 2018 in all the states it operates in Malaysia. The Group has established an Anti-fraud and Whistleblowing Policy that sets out the parameters to prevent fraud by adhering to a set of Code of Conduct and setting a culture of good faith, high ethical standards and professionalism with an effective internal control in the fraud risk evaluation process. The Group has adopted a Code of Conduct which applies to all its employees and provides them with a set of behavioural guidelines to ensure high standards of integrity across our business operations. The Group has also implemented an Expenses and Payment Policy that outlines how an employee within the Group can claim and reimbursed for reasonable and authorised expenses that are incurred while doing business for the Group.

As at 31 December 2022, there were no legal cases regarding corrupt practices brought against the Company and its employees.

**Whistleblowing**

The Board recognises the importance of whistleblowing and have established an Anti-fraud and Whistleblowing Policy, whereby we encourage our employees and related third parties who deal with the Group, to raise concerns, in confidence about any misconduct, malpractice or irregularities in any matters related to the Group. These concerns can be reported through an appropriate channel and ultimately, and all reports will be assessed by the Audit Committee. We have also placed signages in our facilities to remind the employees to "Be Bold...Speak Up" if they come across any wrongdoings and report such incidences to his/her supervisor, HR Department or contact via email or by phone.

To further reinforce employees' integrity and ethical business practices, the Company has in place several internal controls such as the Conflict of Interest Policy and the Declaration of Interest Policy. The Conflict of Interest Policy aims to protect the Group before it enters into any transaction or arrangement that might benefit the private interest of an officer or Director of the Company or might result in a possible excess benefit transaction. The Declaration of Interest Policy outlines the responsibilities of the Directors' and Board Committee Members.

During the Reporting Period, the Group did not receive any reports via the whistleblowing channels.

Further details on the corporate governance policies and practices of the Group are set out in the Corporate Governance Report on page 18.

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To the members of
**SWANG CHAI CHUAN LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Swang Chai Chuan Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 82 to 158, which comprises the consolidated statement of financial position at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the "Joint Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS (continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|

***Loss allowance for expected credit loss ("ECL") of trade and other receivables***
*Refer to Notes 18 and 30 to the consolidated financial statements*

At 31 December 2022, the Group had trade and other receivables (net of loss allowance for ECL) of approximately RM129,061,000. The loss allowance for ECL was approximately RM3,807,000 at 31 December 2022.

In determining the loss allowance for ECL of trade and other receivables, the Group's management assesses loss allowance based on lifetime ECL at each reporting date and considers whether trade and other receivables are credit impaired by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

We identified the loss allowance for ECL on trade and other receivables as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the Group's management in evaluating the ECL of trade and other receivables.

Our procedures, among others, included:

a) enquiring the Group's management to understand the Group's process for estimating the loss allowance for ECL of trade and other receivables;

b) evaluating the design and implementation of key controls relating to estimate of loss allowance of trade and other receivables;

c) evaluating the judgement made by the Group's management in identifying trade and other receivables with significant increase in credit risk and credit-impaired trade and other receivables;

d) assessing whether the loss allowance for ECL of trade and other receivables is properly supported by considering available forward-looking information, the debtors' ageing analysis, settlement record and history of bad debt, on a sample basis;

e) for credit-impaired trade and other receivables, testing and evaluating the reasonableness of the loss allowance with reference to the future estimated cash flows from the customers as prepared by the Group's management, including the expected recoverable amount from the counterparties, on a sample basis; and

f) checking the mathematical accuracy of the loss allowance for ECL of trade and other receivables and assessing the related disclosures made by the Group's management.

## KEY AUDIT MATTERS (continued)

| Key Audit Matter | How our audit addressed the key audit matter |
| --- | --- |
| ***Valuation for inventories***<br>*Refer to Note 17 to the consolidated financial statements*<br><br>At 31 December 2022, the Group had inventories (net of provision for write-down of inventories of approximately RM4,732,000) of approximately RM97,898,000.<br><br>In determining the provision for write-down of inventories, the Group's management assesses the level of provision for write-down of inventories required at the end of the reporting period after considering the inventory ageing and other relevant factors, including obsolescence, slow-moving or no longer recoverable or suitable for use in production as well as significant drop in market price. Such assessment involves significant management judgement and estimation in determining the value of inventories which will not be recoverable at the end of the reporting period.<br><br>We identified the valuation for inventories as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the Group's management in evaluating the provision for write-down of inventories. | Our procedures, among others, included:<br><br>a) obtaining an understanding of the basis used to determine the policy for provision for write-down of inventories and the information used by the Group's management to determine the inventory provision, including the historical accuracy of management estimation on provision for write-down of inventories;<br><br>b) assessing the application of the Group's key internal controls over the provision for write-down of inventories' assessment process;<br><br>c) checking on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing brackets by comparing the individual items selected with underlying production/purchase records;<br><br>d) selecting inventory items, on a sample basis, at the end of the reporting period and comparing their carrying value with their selling prices as indicated in sales invoices subsequent to the end of the reporting period; and<br><br>e) checking the mathematical accuracy of inventory provision and assessing the related disclosures made by the Group's management. |

## KEY AUDIT MATTERS (continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|

***Recognition of expenses for the initial listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited on 19 August 2022 (the "Listing")***

*Refer to Note 2 to the consolidated financial statements*

Relevant costs incurred for the Listing are allocated and classified among (i) profit or loss as listing expenses, and (ii) equity as a reduction of share premium upon the capitalisation issue, on the basis that whether the costs are (i) costs for the Company to obtain the listing status or (ii) incremental costs for the Company to raise additional funds from the issue of new shares. Such allocation of costs involved significant judgement of the Group's management.

During the year ended 31 December 2022, costs attributable to obtaining the listing status of approximately RM7,026,000 were charged to profit or loss and costs attributable to issue of new shares of approximately RM11,858,000 were recognised in equity as a reduction of share premium.

We have identified the above matter as a key audit matter because the amounts involved are significant and the classification and allocation of relevant costs incurred involves a significant degree of Group's management judgement and therefore is subject to an inherent risk of error.

Our procedures, among others, included:

a) enquiring of the Group's management on the bases of classification and allocation for the relevant costs and assessing the reasonableness of these bases with reference to the applicable accounting standards and guidelines; and

b) checking samples of expenses items that made up the total costs incurred for the Listing to invoices and agreements to confirm the natures of the items and checking whether these items have been correctly classified and allocated according to the bases determined by the Group's management.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2022 annual report of the Company, but does not include the consolidated financial statements and our joint auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## JOINT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a joint auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## JOINT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our joint auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our joint auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## JOINT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our joint auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Mazars CPA Limited**
*Certified Public Accountants, Hong Kong*

42nd Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

30 March 2023

The engagement director of Mazars CPA Limited on the audit jointly resulting in this independent joint auditors' report is:

**She Shing Pang**
Practising Certificate number: P05510

**Mazars LLP**
*Public Accountants and Chartered Accountants of Singapore*
135 Cecil Street
#10-01
Singapore 069536

30 March 2023

The engagement partner of Mazars LLP on the audit jointly resulting in this independent joint auditors' report is:

**Lai Keng Wei**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

| | Note | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|---|
| **Revenue** | *4* | **835,906** | 668,738 |
| Cost of sales | | **(724,285)** | (574,230) |
| **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 results of an associate | *15* | **26** | – |
| Listing expenses | | **(7,026)** | (4,974) |
| **Profit before tax** | *6* | **39,545** | 32,756 |
| Income tax expenses | *9* | **(12,758)** | (9,168) |
| **Profit for the year** | | **26,787** | 23,588 |
| **Other comprehensive income (loss):** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Exchange differences on translation of the Company's financial statements to presentation currency | | **738** | – |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on consolidation | | **(1,548)** | 25 |
| **Total comprehensive income for the year** | | **25,977** | 23,613 |
| **Earnings per share attributable to owners of the Company** | | | |
| Basic and diluted | *10* | **3.25 sen** | 3.26 sen |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

| | Note | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *13* | **39,280** | 32,321 |
| Right-of-use assets | *14* | **17,991** | 9,462 |
| Investment in an associate | *15* | **226** | – |
| Deferred tax assets | *24* | **2,352** | 1,774 |
| | | **59,849** | 43,557 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss ("**FVPL**") | *16* | **–** | 233 |
| Inventories | *17* | **97,898** | 56,292 |
| Trade and other receivables | *18* | **129,061** | 95,032 |
| Fixed deposits with licensed banks | *19* | **59,261** | 13,430 |
| Bank balances and cash | *20* | **23,026** | 4,480 |
| | | **309,246** | 169,467 |
| **Current liabilities** | | | |
| Trade and other payables | *21* | **79,678** | 55,777 |
| Bank overdrafts | *22* | **–** | 110 |
| Interest-bearing borrowings | *22* | **48,721** | 26,065 |
| Lease liabilities | *23* | **10,457** | 1,412 |
| Income tax payable | | **903** | 1,651 |
| | | **139,759** | 85,015 |
| **Net current assets** | | **169,487** | 84,452 |
| **Total assets less current liabilities** | | **229,336** | 128,009 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | *22* | **14,548** | 15,250 |
| Lease liabilities | *23* | **771** | 1,980 |
| Deferred tax liabilities | *24* | **1,090** | 592 |
| | | **16,409** | 17,822 |
| **NET ASSETS** | | **212,927** | 110,187 |
| **Capital and reserves** | | | |
| Share capital | *25* | **5,707** | –* |
| Reserves | *26* | **207,220** | 110,187 |
| **TOTAL EQUITY** | | **212,927** | 110,187 |

* Represents amount less than RM1,000

*These consolidated financial statements on pages 82 to 158 were approved and authorised for issue by the Board of Directors on 30 March 2023 and signed on its behalf by*

**Soon See Beng**
*Director*

**Soon Chiew Ang**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

| | Share capital RM'000 *(Note 25)* | Share premium RM'000 *(Note 26(a))* | Capital reserve RM'000 *(Note 26(b))* | Translation reserve RM'000 *(Note 26(c))* | Accumulated profits RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| | | Reserves | | | | |
| At 1 January 2021 | –* | – | –* | 26 | 86,548 | 86,574 |
| Profit for the year | – | – | – | – | 23,588 | 23,588 |
| **Other comprehensive income:** | | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | | |
| Exchange differences on consolidation | – | – | – | 25 | – | 25 |
| **Total comprehensive income for the year** | – | – | – | 25 | 23,588 | 23,613 |
| At 31 December 2021 | –* | – | –* | 51 | 110,136 | 110,187 |
| **At 1 January 2022** | **–*** | **–** | **–*** | **51** | **110,136** | **110,187** |
| Profit for the year | **–** | **–** | **–** | **–** | **26,787** | **26,787** |
| **Other comprehensive income (loss):** | | | | | | |
| *Items that will not be reclassified to profit or loss* | | | | | | |
| Exchange differences on translation of the Company's financial statements to presentation currency | **–** | **–** | **–** | **738** | **–** | **738** |
| *Items that may be reclassified subsequently to profit or loss* | | | | | | |
| Exchange differences on consolidation | **–** | **–** | **–** | **(1,548)** | **–** | **(1,548)** |
| **Total comprehensive (loss) income for the year** | **–** | **–** | **–** | **(810)** | **26,787** | **25,977** |
| **Transactions with owners:** | | | | | | |
| *Contributions and distributions* | | | | | | |
| Issue of shares pursuant to the Global Offering *(as defined in Note 25(c))* | **1,375** | **75,621** | **–** | **–** | **–** | **76,996** |
| Issue of shares pursuant to the over-allotment option *(as defined in Note 25(d))* | **207** | **11,418** | **–** | **–** | **–** | **11,625** |
| Issue of shares pursuant to the Capitalisation Issue *(as defined in Note 25(b))* | **4,125** | **(4,125)** | **–** | **–** | **–** | **–** |
| Transaction costs attributable to issue of shares *(as defined in Note 25(e))* | **–** | **(11,858)** | **–** | **–** | **–** | **(11,858)** |
| **Total transactions with owners** | **5,707** | **71,056** | **–** | **–** | **–** | **76,763** |
| **At 31 December 2022** | **5,707** | **71,056** | **–*** | **(759)** | **136,923** | **212,927** |

* Represent amounts less than RM1,000

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before tax | **39,545** | 32,756 |
| Adjustments for: | | |
| Depreciation | **4,492** | 4,394 |
| Finance costs | **1,545** | 1,373 |
| Exchange differences | **(809)** | 25 |
| Interest income | **(567)** | (264) |
| Share of results from an associate | **(26)** | – |
| Dividend income | **(3)** | (31) |
| Gain on disposal of property, plant and equipment | **(77)** | (80) |
| Write-off of right-of-use assets | **604** | – |
| Provision for loss allowance of trade receivables, net | **1,134** | 462 |
| Provision for write-down of inventories, net | **2,146** | 736 |
| Bad debts written off | **159** | 331 |
| **Operating cash inflows before movements in working capital** | **48,143** | 39,702 |
| Changes in working capital: | | |
| Inventories | **(43,752)** | (11,997) |
| Trade and other receivables | **(35,322)** | (22,801) |
| Trade and other payables | **24,537** | 8,653 |
| **Cash (used in) generated from operations** | **(6,394)** | 13,557 |
| Income tax paid | **(13,586)** | (8,552) |
| **Net cash (used in) from operating activities** | **(19,980)** | 5,005 |
| **INVESTING ACTIVITIES** | | |
| Increase in fixed deposits with licensed banks | **(45,831)** | (586) |
| Interest received | **567** | 264 |
| Investment in an associate | **(200)** | – |
| Dividend received | **3** | 31 |
| Payment for purchase of property, plant and equipment | **(8,377)** | (5,127) |
| Payment for purchase of right-of-use assets | **(1,050)** | – |
| Payment for purchase of financial assets at FVPL | **–** | (11,731) |
| Proceeds from disposal of property, plant and equipment | **164** | 264 |
| Proceeds from redemption of financial assets at FVPL | **233** | 17,452 |
| **Net cash (used in) from investing activities** | **(54,491)** | 567 |

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| Inception of interest-bearing borrowings | **205,752** | 83,530 |
| Proceeds from the Global Offering *(as defined in Note 25(c))* | **76,996** | – |
| Proceeds from the Over-allotment option *(as defined in Note 25(d))* | **11,625** | – |
| Payment for transaction costs attributable to issue of shares | **(11,858)** | – |
| Repayment of interest-bearing borrowings | **(183,798)** | (80,424) |
| Interest paid | **(1,545)** | (1,373) |
| Repayment to the Ultimate Controlling Party | **(2,430)** | (2,227) |
| Repayment to related parties | **–** | (1,687) |
| Dividends paid | **–** | (10,500) |
| Repayment of lease liabilities | **(1,614)** | (1,533) |
| **Net cash from (used in) financing activities** | **93,128** | (14,214) |
| **Net increase (decrease) in cash and cash equivalents** | **18,657** | (8,642) |
| **Cash and cash equivalents at the beginning of the reporting period** | **4,370** | 13,012 |
| Effect on exchange rate changes | **(1)** | – |
| **Cash and cash equivalents at the end of the reporting period** | **23,026** | 4,370 |
| **Analysis of the balances of cash and cash equivalents** | | |
| Bank balances and cash | **23,026** | 4,480 |
| Bank overdrafts | **–** | (110) |
| | **23,026** | 4,370 |

## 1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Swang Chai Chuan Limited (the "**Company**" together with its subsidiaries are collectively refer 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 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.

A summary of the principal accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

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).

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Changes in accounting policies (continued)

**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 above 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 as explained in the accounting policy set out below.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 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.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 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.

### Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position as set out in Note 34, investment in a subsidiary are stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The result of a subsidiary is accounted for by the Company on the basis of dividends received and receivable.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investment in an associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long-term interests that, in substance, form part of the Group's net investment in the investee.

### Property, plant and equipment

Property, plant and equipment, other than freehold land which is stated at cost and not subject to depreciation, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives at the annual rate/useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

| | |
|---|---|
| Freehold land | No depreciation |
| Buildings | Shorter of 50 years or over the unexpired term of lease |
| Leasehold improvements | Shorter of 5 years or over the unexpired term of lease |
| Plant and machinery | 10% to 20% |
| Furniture, fixtures and office equipment | 10% to 20% |
| Motor vehicles | 10% to 20% |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Financial instruments

**Financial assets**

*Recognition and derecognition*

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

*Classification and measurement*

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Financial assets** (continued)

*Classification and measurement (continued)*

1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, fixed deposits with licensed banks and bank balances and cash.

2) Financial assets at FVPL

These investments include financial assets held for trading, financial assets designated upon initial recognition as FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which IFRS 3 applies, and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Financial assets** (continued)

*Classification and measurement (continued)*

2) Financial assets at FVPL (continued)

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets designated as at FVPL include unlisted investments of money market funds recognised as financial assets at FVPL.

**Financial liabilities**

*Recognition and derecognition*

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

*Classification and measurement*

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, bank overdrafts and interest-bearing borrowings. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

**Impairment of financial assets**

The Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

# 2. PRINCIPAL ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

**Impairment of financial assets** (continued)

*Measurement of ECL*

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral, if any

(iv) industry of debtors

(v) geographical location of debtors

(vi) external credit risk ratings

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Impairment of financial assets** (continued)

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Assessment of significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Impairment of financial assets** (continued)

*Low credit risk*

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group's fixed deposits with licensed banks and bank balances are determined to have low credit risk.

*Simplified approach of ECL*

For trade receivables without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*Credit-impaired financial asset*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Impairment of financial assets** (continued)

*Write-off*

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

### Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts (if any).

### Revenue recognition

**Revenue from contracts with customers within IFRS 15**

*Nature of goods or services*

The nature of the goods or services provided by the Group is distribution and sales of F&B and provision of logistics, warehousing services and others in Malaysia.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

**Revenue from contracts with customers within IFRS 15** (continued)

*Identification of performance obligations*

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

*Timing of revenue recognition*

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

**Revenue from contracts with customers within IFRS 15** (continued)

*Timing of revenue recognition (continued)*

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from distribution and sales of F&B is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Revenue from logistics, warehousing services and others is recognised over time (except for sales of miscellaneous goods is recognised at a point in time) upon the performance obligation is satisfied.

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

*Transaction price: significant financing components*

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

**Revenue from contracts with customers within IFRS 15** (continued)

*Variable consideration*

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group gives trade discounts, rebates and/or other price incentives (collectively referred to as "**Marketing Incentive**") to selected customers. The Group estimates the Marketing Incentive using the most-likely-amount method and assesses whether the estimated variable consideration is constrained with reference to the customer's historical Marketing Incentive entitlement and accumulated purchases to date. Any significant estimation variances will be analysed and taken into consideration in the current estimation and assessment. Typically, the estimated consideration is not constrained.

*Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for specified goods or services to be provided by the other party.

The Group is acting as a principal for the revenue from third-party brand distribution as the Group controls the third-party brand products before the good transferred to its customers and its performance obligation is to transfer those goods to its customers.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

**Revenue from other sources**

*Rental income*

Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term.

*Dividend income*

Dividend income from unlisted investments of money market funds is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

*Interest income*

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

### Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group receives payments from the customer which are largely in line with the timing of revenue recognition and no significant contract assets are recognised. Contract liabilities in relation to Marketing Incentive are recognised under "Other payables". The Group may offer the Marketing Incentive to its customers after they make purchase with and paid to the Group and customers will utilise the Marketing Incentive granted for their future purchases. The unused marketing incentives at the end of the reporting periods represent the Group's obligations to be performed and are recognised as contract liabilities.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company's functional currency is Hong Kong dollars ("**HK$**") and majority of its subsidiaries have RM as their functional currency. The consolidated financial statements are presented in RM and rounded to the nearest thousands unless otherwise indicated, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;

- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and

- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

- on all other partial disposals, which includes partial disposal of associates that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's property, plant and equipment, right-of-use assets, investment in an associate and the Company's investment in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e., cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**The Group as lessee**

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Leases (continued)

**The Group as lessee** (continued)

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate standalone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives at the annual rates/useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

| | |
|---|---|
| Motor vehicles | 10% to 20% |
| Leasehold land | Over the unexpired term of lease |
| Leased properties | 50 years |

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Leases (continued)

**The Group as lessee** (continued)

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Leases (continued)

**The Group as lessee** (continued)

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;

(b) the Group determines the lease term of the modified contract;

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and/or

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021, and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Leases (continued)

**The Group as lessor**

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

**Operating lease**

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group's rental income from operating lease is recognised to profit or loss on a straight-line basis over the term of the relevant lease.

### Employee benefits

**Short term employee benefits**

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Employee benefits (continued)

**Defined contribution plans**

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the statutory requirements prescribed by the relevant Malaysian laws and regulations, the Group's entities established in Malaysia are required to contribute certain percentage range from 4%–13% of payroll costs to Employees Provident Fund, which is a federal statutory body managing the retirement benefits for the employees in Malaysia.

The Group's entities in Malaysia participate in defined contribution schemes managed by the local government. The Group has no further payment obligations once the contributions have been paid.

During the years ended 31 December 2022 and 2021, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. At 31 December 2022 and 2021, no forfeited contributions were available for utilisation by the Group's entities to reduce the existing level of contributions.

### Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in a subsidiary and an associate, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Related parties

A related party is a person or entity that is related to the Group:

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

### Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Critical accounting estimates and judgements (continued)

**Key sources of estimation uncertainty:**

*(i) Useful lives of property, plant and equipment and right-of-use assets*

The management of the Group determines the estimated useful lives of the Group's property, plant and equipment and right-of-use assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

*(ii) Impairment of property, plant and equipment and right-of-use assets*

The management of the Group determines whether the Group's property, plant and equipment and right-of-use assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of property, plant and equipment and right-of-use assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management of the Group to make an estimate of the expected future cash flows from property, plant and equipment and right-of-use assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

*(iii) Allowance for inventories*

The management of the Group reviews the inventory ageing analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

*(iv) Loss allowance for ECL*

The management of the Group estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

*(v) Income taxes*

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Critical accounting estimates and judgements (continued)

**Critical judgements made in applying accounting policies**

*Recognition of expenses for the Listing*

The management of the Group determines the allocation and classification of relevant costs incurred for Listing among (i) profit or loss as listing expenses and (ii) equity as a reduction of share premium upon the capitalisation issue based on its judgement on whether such costs are (i) costs for the Company to obtain the listing status or (ii) incremental costs for the Company to raise additional funds from the issue of new shares, respectively.

### Future changes in IFRSs

At the date of approving these consolidated financial statements, the IASB has issued the following new/revised IFRSs that are not yet effective for the current period, which the Group has not early adopted.

| | |
|---|---|
| Amendments to IAS 1 | Disclosure of Accounting Policies [1] |
| Amendments to IAS 8 | Definition of Accounting Estimates [1] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction [1] |
| IFRS 17 | Insurance Contracts [1] |
| Amendment to IFRS 17 | Initial Application of IFRS 17 and IFRS 9 – Comparative Information [1] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current [2] |
| Amendments to IAS 1 | Non-current Liabilities with Covenants [2] |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback [2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3] |

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2024
[3] The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

## 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 (except for certain fixed deposits with licensed banks and bank balances) 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<br>RM'000** | 2021<br>RM'000 |
|---|---|---|
| **Revenue from contracts with customers within IFRS 15** | | |
| *At a point in time* | | |
| Distribution and sales of F&B | **826,231** | 658,164 |
| *Over time* | | |
| Provision of logistics, warehousing services and others | **9,675** | 10,574 |
| | **835,906** | 668,738 |

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) (Note 21(b)).

## 5. OTHER INCOME

| | **2022<br>RM'000** | 2021<br>RM'000 |
|---|---|---|
| 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 *(Note)* | **–** | 46 |
| Reversal of loss allowance of trade receivables | **1,159** | 256 |
| Sundry income | **486** | 274 |
| | **3,323** | 1,296 |

*Note:* Government grants primarily consist 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<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| **Finance costs** | | |
| Interest on bank overdrafts | 2 | 1 |
| Interest on interest-bearing borrowings | 1,430 | 1,209 |
| Interest on lease liabilities | 113 | 163 |
| | 1,545 | 1,373 |
| **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 |
| | 38,932 | 34,004 |

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| **Other items** | | |
| Cost of inventories | 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 |

## 7. DIRECTORS' REMUNERATION

CA Soon and SL Soon were appointed as executive directors of the Company on 25 January 2021. Mr. Khoo Chee Siang, Mr. Ooi Guan Hoe, Datuk Tan Teow Choon, Mr. Ngai Wah Sang and Ms. Tiong Hui Ling were appointed as independent non-executive directors of the Company on 14 July 2022.

The aggregate amounts of remuneration received and receivable by the directors of the Company are set out below.

**Year ended 31 December 2022**

| | Directors' fees RM'000 | Salaries, allowances and benefits in kind RM'000 | Discretionary bonus RM'000 | Contributions to defined contribution plans RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| *Executive directors* | | | | | |
| SB Soon | 96 | 1,594 | – | 285 | 1,975 |
| CA Soon | 96 | 422 | – | 82 | 600 |
| SL Soon | 96 | 303 | – | 60 | 459 |
| *Independent non-executive directors* | | | | | |
| Mr. Khoo Chee Siang | 30 | – | – | – | 30 |
| Mr. Ooi Guan Hoe | 30 | – | – | – | 30 |
| Datuk Tan Teow Choon | 30 | – | – | – | 30 |
| Mr. Ngai Wah Sang | 30 | – | – | – | 30 |
| Ms. Tiong Hui Ling | 30 | – | – | – | 30 |
| | 438 | 2,319 | – | 427 | 3,184 |

## 7. DIRECTORS' REMUNERATION (continued)

Year ended 31 December 2021

| | Directors' fees RM'000 | Salaries, allowances and benefits in kind RM'000 | Discretionary bonus RM'000 | Contributions to defined contribution plans RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| *Executive directors* | | | | | |
| SB Soon | – | 1,448 | – | 303 | 1,751 |
| CA Soon | – | 404 | – | 102 | 506 |
| SL Soon | – | 304 | – | 65 | 369 |
| | – | 2,156 | – | 470 | 2,626 |

During the years ended 31 December 2022 and 2021, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021.

## 8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the years ended 31 December 2022 and 2021 is as follows:

| | Number of individuals | |
|---|---|---|
| | **2022** | 2021 |
| Director | **3** | 3 |
| Non-director | **2** | 2 |
| | **5** | 5 |

Details of the remuneration of the above highest paid non-director individuals are as follows:

| | **2022**<br>**RM'000** | 2021<br>RM'000 |
|---|---|---|
| Salaries, discretionary bonus, allowances and other benefits in kind | **702** | 687 |
| Contributions to defined contribution plans | **107** | 82 |
| | **809** | 769 |

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

| | **2022** | 2021 |
|---|---|---|
| Nil to HK$1,000,000 | **2** | 2 |

During the years ended 31 December 2022 and 2021, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the years ended 31 December 2022 and 2021.

## 9. TAXATION

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| **Current tax** | | |
| Malaysia corporate income tax ("**Malaysia CIT**") | 12,838 | 9,828 |
| **Deferred tax** *(Note 24)* | | |
| 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 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<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| **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 |

## 10. 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<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Profit for the year attributable to owners of the Company, used in basic and diluted earnings per share calculation | 26,787 | 23,588 |

| | '000 | '000 |
|---|---|---|
| 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 25) 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.

## 11. DIVIDEND

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

## 12. SUBSIDIARIES

Details of the subsidiaries at the end of each reporting period are as follows:

| Name of subsidiary | Place of incorporation/ establishment | Date of incorporation/ establishment | Issued/Paid up capital | Attributable equity interest held by the Company | Principal activities/ place of operation |
|---|---|---|---|---|---|
| *Directly held* | | | | | |
| SCC Holdings Limited ("**SCC Holdings**") | The BVI | 27 December 2018 | United States Dollars ("**US$**")1 | 100% (2021: 100%) | Investment holding/The BVI |
| *Indirectly held* | | | | | |
| Swang Chai Chuan Holding Sdn. Bhd. | Malaysia | 17 December 2018 | RM100 | 100% (2021: 100%) | Investment holding/Malaysia |
| Swang Chai Chuan (HK) Limited | Hong Kong | 29 January 2019 | HK$1 | 100% (2021: 100%) | Dormant/Hong Kong |
| Swang Chai Chuan Sdn. Bhd. | Malaysia | 28 March 1995 | RM1,500,000 | 100% (2021: 100%) | Distribution and sales of F&B products/Malaysia |
| Swang Chai Chuan Seafood Sdn. Bhd. | Malaysia | 26 October 1998 | RM1,500,000 | 100% (2021: 100%) | Distribution and sales of frozen seafood and meat products/Malaysia |
| SCC Marketing (Pahang) Sdn. Bhd. | Malaysia | 18 June 1996 | RM500,000 | 100% (2021: 100%) | Distribution and sales of fast-moving consumer goods/Malaysia |
| SCC Marketing (East Coast) Sdn. Bhd. | Malaysia | 14 August 2000 | RM50,000 | 100% (2021: 100%) | Marketing and distribution and sales of F&B products/Malaysia |
| SCC Marketing (M) Sdn. Bhd. | Malaysia | 10 November 2003 | RM1,000,000 | 100% (2021: 100%) | Packaging, processing, marketing and distribution and sales of F&B products/Malaysia |
| Chop Chin Huat Sendirian Berhad | Malaysia | 12 January 1989 | RM500,000 | 100% (2021: 100%) | Distribution and sales of F&B products/Malaysia |
| SCC Logistics Sdn. Bhd. | Malaysia | 14 January 2013 | RM500,000 | 100% (2021: 100%) | Provision of cold room facilities and transportation services/Malaysia |

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM'000 | Buildings RM'000 | Leasehold improvements RM'000 | Plant and machinery RM'000 | Furniture, fixtures and office equipment RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Reconciliation of carrying amount – year ended 31 December 2021** | | | | | | | |
| At 1 January 2021 | 9,061 | 11,749 | 179 | 5,656 | 883 | 2,427 | 29,955 |
| Additions | 1,458 | – | – | 1,509 | 226 | 1,934 | 5,127 |
| Disposals | – | – | – | (24) | (33) | (127) | (184) |
| Reclassified from investment properties | – | 121 | – | – | – | – | 121 |
| Depreciation | – | (277) | (52) | (1,170) | (298) | (901) | (2,698) |
| At 31 December 2021 | 10,519 | 11,593 | 127 | 5,971 | 778 | 3,333 | 32,321 |
| **Reconciliation of carrying amount – year ended 31 December 2022** | | | | | | | |
| **At 1 January 2022** | **10,519** | **11,593** | **127** | **5,971** | **778** | **3,333** | **32,321** |
| Additions | **4,998** | **–** | **666** | **1,693** | **583** | **2,187** | **10,127** |
| Disposals | **–** | **–** | **–** | **(13)** | **(2)** | **(72)** | **(87)** |
| Depreciation | **–** | **(289)** | **(147)** | **(1,343)** | **(229)** | **(1,073)** | **(3,081)** |
| **At 31 December 2022** | **15,517** | **11,304** | **646** | **6,308** | **1,130** | **4,375** | **39,280** |
| At 31 December 2021 | | | | | | | |
| Cost | 10,519 | 13,873 | 811 | 12,722 | 2,907 | 12,516 | 53,348 |
| Accumulated depreciation | – | (2,280) | (684) | (6,751) | (2,129) | (9,183) | (21,027) |
| | 10,519 | 11,593 | 127 | 5,971 | 778 | 3,333 | 32,321 |
| **At 31 December 2022** | | | | | | | |
| Cost | **15,517** | **13,873** | **1,477** | **14,372** | **3,382** | **14,767** | **63,388** |
| Accumulated depreciation | **–** | **(2,569)** | **(831)** | **(8,064)** | **(2,252)** | **(10,392)** | **(24,108)** |
| | **15,517** | **11,304** | **646** | **6,308** | **1,130** | **4,375** | **39,280** |

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amounts of the Group's property, plant and equipment pledged to secure banking facilities (Note 22) at 31 December 2022 and 2021 are as follows:

| | Freehold land RM'000 | Buildings RM'000 |
|---|---|---|
| **Pledged to secure banking facilities** | | |
| At 31 December 2021 | 9,061 | 9,717 |
| **At 31 December 2022** | **14,058** | **10,811** |

## 14. RIGHT-OF-USE ASSETS

| | Leasehold land RM'000 | Leased properties RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Reconciliation of carrying amount – year ended 31 December 2021** | | | | |
| At 1 January 2021 | 4,558 | 1,628 | 2,164 | 8,350 |
| Additions | – | 70 | 1,044 | 1,114 |
| Reclassified from investment properties | 1,694 | – | – | 1,694 |
| Depreciation | (211) | (628) | (857) | (1,696) |
| At 31 December 2021 | 6,041 | 1,070 | 2,351 | 9,462 |
| **Reconciliation of carrying amount – period ended 31 December 2022** | | | | |
| At 1 January 2022 | **6,041** | **1,070** | **2,351** | **9,462** |
| Additions | **10,544** | **–** | **–** | **10,544** |
| Depreciation | **(209)** | **(605)** | **(597)** | **(1,411)** |
| Write-offs | **–** | **–** | **(604)** | **(604)** |
| At 31 December 2022 | **16,376** | **465** | **1,150** | **17,991** |
| At 31 December 2021 | | | | |
| Cost | 7,945 | 1,780 | 6,686 | 16,411 |
| Accumulated depreciation | (1,904) | (710) | (4,335) | (6,949) |
| | 6,041 | 1,070 | 2,351 | 9,462 |
| **At 31 December 2022** | | | | |
| Cost | **18,489** | **1,780** | **6,082** | **26,351** |
| Accumulated depreciation | **(2,113)** | **(1,315)** | **(4,932)** | **(8,360)** |
| | **16,376** | **465** | **1,150** | **17,991** |

## 14. RIGHT-OF-USE ASSETS (continued)

The Group leases various properties and motor vehicles for its daily operations, the lease terms range from 2 to 6 years during the years ended 31 December 2022 and 2021. The leasehold lands represent lump sum considerations paid by the Group, which are with initial lease period range from 35 to 93 years and there are no ongoing payments to be made under the terms of the land leases.

The Group's leasehold lands with a total carrying amount of approximately RM4,131,000 at 31 December 2022 (2021: RM4,404,000), were pledged to secure bank facilities (Note 22) granted to the Group.

The Group's motor vehicles with a total carrying amount of approximately RM1,150,000 at 31 December 2022 (2021: RM2,351,000), were pledged to secure the lease liabilities (Note 23).

### Extension and termination options

The lease contracts of leased properties contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leased properties is normally exercised because the Group does not want to incur additional costs, such as leasehold improvements, while exercising the termination option is normally unusual unless the Group could replace the leased properties without significant cost or acquisition of a new property. The Group seldom exercises options that were not included in the lease liabilities. During the year ended 31 December 2022, all of lease contracts for leased properties contains an extension or termination option, in which the total lease payment made amounted to approximately RM1,817,000 (2021: RM1,864,000) representing the total cash outflows for lease during the year ended 31 December 2022. No optional lease payments were made by the Group during the years ended 31 December 2022 and 2021.

### Restriction or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

### Commitments under leases

At 31 December 2022, the Group was committed to short-term leases or low-value asset leases of approximately RM168,000 (2021: RM121,000).

During the years ended 31 December 2022 and 2021, no lease contract contains variable lease payment terms.

## 15. INVESTMENT IN AN ASSOCIATE

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Unlisted entity, share of net assets | **226** | – |

Details of the associates at the end of each reporting period are as follows:

| Name of the associate | Principal place of business and place of incorporation | Registered and paid-up capital | Proportion of value of registered and paid-up capital indirectly held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | 2022 | 2021 | |
| KARABAO MARKETING (M) SDN. BHD. ("KARABAO") | Malaysia | RM500,000 | **40%** | N/A | Provision of trading Beverages/Malaysia |

KARABAO is a private company and there is no quoted market price available for its shares.

During the year ended 31 December 2022, the Group acquired 40% equity interest in KARABAO at a consideration of RM199,999.

Management has assessed the level of influence that the Group exercises on KARABAO during the year ended 31 December 2022, and determined that it has significant influence thereon through a board representation and other arrangements made. Consequently, this investment has been classified as an investment in an associate.

## 16. FINANCIAL ASSETS AT FVPL

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| **Financial assets mandatorily measured at FVPL** | | |
| Unlisted investments – Money market funds | – | 233 |

The money market funds represented unlisted investments acquired by the Group which are managed by banks in Malaysia and mainly invested in deposit and money market instruments and/or liquid assets. They can be redeemed from time to time and bear return at market rates. During the years ended 31 December 2022 and 2021, the actual rates of return for the money market funds are ranging from 1.47% to 2.88% per annum. The fair values of the money market funds are reported by the banks with reference to the fair value of the underlying instruments at the end of each reporting period.

## 16. FINANCIAL ASSETS AT FVPL (continued)

The movements of the money market funds are analysed as follows:

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| At the beginning of the reporting period | **233** | 5,954 |
| Additions | **–** | 11,731 |
| Redemptions | **(233)** | (17,452) |
| Gain on redemptions of money market funds | **–*** | –* |
| Fair value changes recognised in profit or loss | **–*** | –* |
| At the end of the reporting period | **–** | 233 |

* Represent amounts less than RM1,000

## 17. INVENTORIES

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Raw materials | **2,545** | 1,579 |
| Finished goods | **100,085** | 57,299 |
| | **102,630** | 58,878 |
| Less: Write-down provision | **(4,732)** | (2,586) |
| | **97,898** | 56,292 |

## 18. TRADE AND OTHER RECEIVABLES

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **Trade receivables** | | | |
| From related companies | *18(a)* | **982** | 979 |
| From third parties | | **120,100** | 89,796 |
| | | **121,082** | 90,775 |
| Less: Loss allowances | *30* | **(3,807)** | (2,673) |
| | *18(b)* | **117,275** | 88,102 |
| **Other receivables** | | | |
| Prepayments *(Note (i))* | | **–*** | 472 |
| Deposits paid to suppliers | | **4,539** | 2,745 |
| Deposits paid for acquisition of computer software | | **1,428** | – |
| Other deposits and receivables | | **5,154** | 3,713 |
| Amount due from an associate *(Note (ii))* | | **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 amounts 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.

## 18. TRADE AND OTHER RECEIVABLES (continued)

### 18(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 year ended 31 December 2022 (2021: Nil). The Group does not hold any collateral over these balances.

| | Year ended 31 December 2022 | | |
|---|---|---|---|
| | Maximum amount outstanding during the year RM'000 | Balance at 31 December 2022 RM'000 | Balance at 1 January 2022 RM'000 |
| Alfa Indah (Beserah) Sdn. Bhd. ("**Alfa Indah (Beserah)**") *(Note 18(a)(i))* | 328 | 294 | 263 |
| Alfa Indah (Jaya Gading) Sdn. Bhd. ("**Alfa Indah (Jaya Gading)**") *(Note 18(a)(ii))* | 162 | 134 | 118 |
| Golden Empire Palace Restaurant Sdn. Bhd. ("**Golden Empire**") *(Note 18(a)(ix))* | 5 | 1 | – |
| JR Grill & Bistro *(Note 18(a)(iii))* | 5 | 5 | – |
| Just Relax Restaurant *(Note 18(a)(iii))* | 56 | 49 | 56 |
| Megamart Sdn. Bhd. ("**Megamart**") *(Note 18(a)(vi))* | 920 | 446 | 495 |
| Mega Jaya Seafood Sdn. Bhd. ("**Mega Jaya Seafood**") *(Note 18(a)(v))* | 4 | – | – |
| Owl café *(Note 18(a)(iii))* | 31 | 27 | 29 |
| Pak Su Seafood Restaurant Sdn. Bhd. ("**Pak Su Seafood**") *(Note 18(a)(iv))* | 22 | 12 | 18 |
| The Eight Th *(Note 18(a)(vii))* | 14 | 14 | – |
| The Nine Th *(Note 18(a)(viii))* | 3 | –* | – |
| The 12 Th Kitchen & Bistro ("**The 12 Th**") *(Note 18(a)(viii))* | –* | –* | – |
| The 13 Th Kitchen & Bistro ("**The 13 Th**") *(Note 18(a)(viii))* | –* | –* | – |
| | 1,550 | 982 | 979 |

* Represent amounts less than RM1,000

## 18. TRADE AND OTHER RECEIVABLES (continued)

### 18(a) Trade receivables from related companies (continued)

| | 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 | 16 | – | 14 |
| Just Relax Restaurant | 56 | 56 | 46 |
| Megamart | 813 | 495 | 438 |
| Mega Jaya Seafood | 56 | – | 6 |
| Owl café | 30 | 29 | 13 |
| Pak Su Seafood | 31 | 18 | 17 |
| | 1,555 | 979 | 738 |

*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 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.

## 18. TRADE AND OTHER RECEIVABLES (continued)

### 18(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<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| 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 |
| | **117,275** | 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:

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Not yet due | **70,300** | 53,280 |
| Past due: | | |
| Within 30 days | **37,094** | 28,434 |
| 31 to 60 days | **8,683** | 5,511 |
| 61 to 90 days | **1,198** | 877 |
| | **46,975** | 34,822 |
| | **117,275** | 88,102 |

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

**18(c)** Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 30.

## 19. FIXED DEPOSITS WITH LICENSED BANKS

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Fixed deposits – pledged | **13,948** | 13,430 |
| Fixed deposits – non-pledged | **45,313** | – |
| | **59,261** | 13,430 |

The carrying amounts of fixed deposits with licensed banks are denominated in the following currencies:

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| RM | **30,868** | 13,430 |
| HK$ | **28,393** | – |
| | **59,261** | 13,430 |

At 31 December 2022 and 2021, pledged bank deposits are bank deposits which are pledged as securities in favour of banks for banking facilities granted (Note 22). The pledged bank deposits are denominated in RM.

The fixed deposits with licensed banks generally have maturity periods over three months but less than one year and bearing annual interest rates ranging from 0.21% to 4.0% (2021: 0.75% to 3.5%) for the year ended 31 December 2022.

## 20. BANK BALANCES AND CASH

Cash at banks earn interest at floating rates based on daily bank deposit rates. The carrying amounts of bank balances and cash are denominated in the following currencies:

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| RM | **17,583** | 4,442 |
| Australian Dollars ("AUD") | **1,500** | – |
| United States Dollars ("USD") | **6** | 5 |
| HK$ | **3,937** | 33 |
| | **23,026** | 4,480 |

## 21. TRADE AND OTHER PAYABLES

| | Note | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|---|
| **Trade payables** | | | |
| To third parties | *21(a)* | **60,462** | 37,111 |
| **Other payables** | | | |
| Contract liabilities – Marketing Incentive | *21(b)* | **5,978** | 7,032 |
| Salary payables | | **5,458** | 4,523 |
| Other accruals and other payables *(Notes (i)&(ii))* | | **7,509** | 4,423 |
| Rental and other deposits | | **271** | 258 |
| Due to the Ultimate Controlling Party | *21(c)* | **–** | 2,430 |
| | | **19,216** | 18,666 |
| | | **79,678** | 55,777 |

*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 (note 29(a)(ii)).

### 21(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<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| 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 |

## 21. TRADE AND OTHER PAYABLES (continued)

### 21(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<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| At the beginning of the reporting period | **7,032** | 4,421 |
| Additions | **5,978** | 7,032 |
| Revenue recognised for the reporting period *(Note 4)* | **(7,032)** | (4,421) |
| At the end of the reporting period | **5,978** | 7,032 |

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.

### 21(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<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| SB Soon | – | 1,862 |
| SL Soon | – | 339 |
| CA Soon | – | 40 |
| LS Soon | – | 189 |
| | – | 2,430 |

## 22. BANK OVERDRAFTS AND INTEREST-BEARING BORROWINGS

At the end of each reporting period, details of the bank overdrafts and interest-bearing borrowings of the Group are as follows:

| | Note | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|---|
| Bank overdrafts – secured | *22(a)* | – | 110 |
| Interest-bearing borrowings – secured | *22(b)* | 63,269 | 41,315 |
| | *22(c)* | 63,269 | 41,425 |

### 22(a) Bank overdrafts – secured

The secured bank overdrafts are interest-bearing at base lending rate plus a percentage ranging from 0.75% to 3.50% per annum during the years ended 31 December 2022 and 2021.

### 22(b) Interest-bearing borrowings – secured

The secured bank borrowings are repayable ranging from within one year to over five years since their inception. At 31 December 2022, the secured bank borrowings carried weighted average effective interest rate of approximately 3.61% per annum (2021: 3.51% per annum).

## 22. BANK OVERDRAFTS AND INTEREST-BEARING BORROWINGS (continued)

### 22(b) Interest-bearing borrowings – secured (continued)

At the end of each reporting period, details of the interest-bearing borrowings of the Group are as follows:

| | **2022 RM'000** | 2021 RM'000 |
|---|---|---|
| Secured bank borrowings | | |
| – Current portion | **48,721** | 26,065 |
| – Non-current portion | **14,548** | 15,250 |
| | **63,269** | 41,315 |
| Carrying amounts of the above borrowings are repayable: | | |
| Within one year | **48,721** | 26,065 |
| More than one year, but not exceeding two years | **2,499** | 1,943 |
| More than two years, but not exceeding five years | **6,967** | 6,626 |
| Over five years | **5,082** | 6,681 |
| | **63,269** | 41,315 |
| Less: amounts shown under current liabilities | **(48,721)** | (26,065) |
| Amounts shown under non-current liabilities | **14,548** | 15,250 |

## 22. BANK OVERDRAFTS AND INTEREST-BEARING BORROWINGS (continued)

### 22(c) The bank overdrafts and interest-bearing borrowings are secured by:

(i) guarantees provided by the Ultimate Controlling Party;

(ii) guarantees provided by the government of Malaysia;

(iii) properties owned by the related party, the parents of the Ultimate Controlling Party;

(iv) certain property, plant and equipment with aggregate net carrying amounts of approximately RM24,869,000 (2021: RM18,778,000), as set out in Note 13;

(v) certain right-of-use assets with aggregate net carrying amounts of approximately RM4,131,000 at 31 December 2022, (2021: RM4,404,000), as set out in Note 14; and

(vi) pledged bank deposits with carrying amounts of approximately RM13,948,000 at 31 December 2022, (2021: RM13,430,000), as set out in Note 19.

All banking facilities are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At 31 December 2022 and 2021, none of the covenants relating to drawn down facilities had been breached.

At the date of approving these consolidated financial statements, the Group is in the process of releasing the above guarantees/pledged properties provided by the Ultimate Controlling Party by replacement of corporate guarantees provided by the Company.

## 23. LEASE LIABILITIES

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Current portion | **10,457** | 1,412 |
| Non-current portion | **771** | 1,980 |
| | **11,228** | 3,392 |

The Group has recognised the following amounts relating to short-term leases during the years ended 31 December 2022 and 2021:

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Lease payments – Short-term leases | **203** | 168 |

Commitments and present value of lease liabilities:

| | Lease payments | | Present value of lease payments | |
|---|---|---|---|---|
| | **2022<br>RM'000** | 2021<br>RM'000 | **2022<br>RM'000** | 2021<br>RM'000 |
| Amounts payable: | | | | |
| Within one year | **10,465** | 1,530 | **10,457** | 1,412 |
| In the second to fifth years inclusive | **810** | 2,086 | **771** | 1,980 |
| | **11,275** | 3,616 | **11,228** | 3,392 |
| Less: future finance charges | **(47)** | (224) | **–** | – |
| Total lease liabilities | **11,228** | 3,392 | **11,228** | 3,392 |

The total cash outflows for leases for the year ended 31 December 2022 was approximately RM1,930,000 (2021: RM1,864,000).

The lease liabilities are secured by certain right-of-use assets with aggregate net carrying amount of approximately RM1,150,000 at 31 December 2022, (2021: RM2,351,000), as set out in Note 14.

At 31 December 2022, the weighted average effective interest rate of the lease liabilities of the Group was 4.36% per annum, (2021: 4.69% per annum).

## 24. DEFERRED TAX ASSETS (LIABILITIES)

For the purpose of presentation in the consolidated financial statements, the following is the analysis of the deferred taxation:

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Deferred tax assets | 2,352 | 1,774 |
| Deferred tax liabilities | (1,090) | (592) |
| | 1,262 | 1,182 |

The movements in the Group's deferred tax assets (liabilities) for the reporting periods were as follows:

| | Provision for impairment allowances for trade and other receivables<br>RM'000 | Marketing Incentive/ accrued revenue and costs<br>RM'000 | Accelerated tax depreciation<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| At 1 January 2021 | 530 | 1,263 | (1,271) | 522 |
| Income tax credit | 111 | 424 | 125 | 660 |
| At 31 December 2021 | 641 | 1,687 | (1,146) | 1,182 |
| At 1 January 2022 | 641 | 1,687 | (1,146) | 1,182 |
| Income tax credit (expenses) | 272 | (248) | 56 | 80 |
| **At 31 December 2022** | 913 | 1,439 | (1,090) | 1,262 |

## 25. SHARE CAPITAL

| | *Notes* | Number of shares '000 | HK$'000 | Equivalent to approximately RM'000 |
|---|---|---|---|---|
| Ordinary share 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 | *25(a)* | 1,462,000 | 14,620 | 8,277 |
| **At 31 December 2022** | | **1,500,000** | **15,000** | **8,474** |
| Issued and fully paid: | | | | |
| At 1 January 2021, 31 December 2021 and 1 January 2022 | | –* | –* | –* |
| Issue of shares pursuant to Capitalisation issue | *25(b)* | 723,000 | 7,230 | 4,125 |
| Issue of shares pursuant to the global offering | *25(c)* | 241,000 | 2,410 | 1,375 |
| Issue of shares pursuant to the over-allotment option) | *25(d)* | 36,150 | 362 | 207 |
| **At 31 December 2022** | | **1,000,150** | **10,002** | **5,707** |

* Represent amounts 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.

## 26. RESERVES

### 26(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the law of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

### 26(b) Capital reserve

The capital reserve represents the aggregate amount of the nominal value of the issued/paid-up capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any).

### 26(c) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of foreign operations for consolidation and the Company's financial statements to the presentation currency.

## 27. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to the written resolutions of the shareholders passed on 14 July 2022.

Under the Scheme, the Board of Directors (the "**Board**") may at its discretion offer to any individual who is an employee of the Group (including directors) or any entity in which the Company holds any equity interest and such other persons (the "**Participants**") in the sole discretion of the Board, has contributed or will contribute to the Group of the options to subscribe for shares in the Company in accordance with the terms of the Scheme and Chapter 17 of the Listing Rules. The principal purposes of the Scheme are to recognise and acknowledge the contributions made by the Participants, to attract skilled and experienced personnel, to incentivise them to remain with the Company and to motivate them to strive for the future development and expansion of the Group. The Scheme commenced on 14 July 2022 and will end on the day immediately prior to the tenth anniversary thereof.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of issued share capital of the Company, or may not exceed a maximum of 30%, should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

## 27. SHARE OPTION SCHEME (continued)

Share options granted under the Scheme where applicable to a director, chief executive, substantial shareholder or management shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme where applicable at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board under the Scheme, but may not be later than ten years after the date of the grant of the option. According to the Scheme where applicable, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK$1 is payable on acceptance of the grant of an option under the Scheme where applicable.

The subscription price for the shares subject to options will be a price determined by the Board and notified to each Participant and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a share.

No option has been granted or exercised under the Scheme during the year ended 31 December 2022.

## 28. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, further information of the related party transactions for the reporting periods is set out below.

### (a) Related party transactions of the Group:

| | *Note* | **2022 RM'000** | 2021 RM'000 |
|---|---|---|---|
| **Revenue arising from distribution and sales of F&B** | | | |
| Alfa Indah (Beserah) | *18(a)(i)* | **1,497** | 1,145 |
| Alfa Indah (Jaya Gading) | *18(a)(ii)* | **846** | 800 |
| Golden Empire | *18(a)(ix)* | **19** | – |
| JR Grill & Bistro | *18(a)(iii)* | **8** | 16 |
| Just Relax Restaurant | *18(a)(iii)* | **307** | 243 |
| Mega Jaya Seafood | *18(a)(v)* | **4** | 51 |
| Megamart | *18(a)(vi)* | **6,466** | 6,346 |
| Owl café | *18(a)(iii)* | **150** | 87 |
| Pak Su Seafood | *18(a)(iv)* | **123** | 48 |
| The Eight Th | *18(a)(vii)* | **70** | 30 |
| The Nine Th | *18(a)(viii)* | **2** | – |
| The 12 Th | *18(a)(viii)* | **1** | – |
| The 13 Th | *18(a)(viii)* | **–*** | – |
| **Sales and marketing expenses** | | | |
| Alfa Indah (Beaserah) | *18(a)(i)* | **(11)** | (7) |
| Alfa Indah (Jaya Gading) | *18(a)(ii)* | **(9)** | (7) |
| Megamart | *18(a)(vi)* | **(17)** | (50) |
| Just Relax Restaurant | *18(a)(iii)* | **–** | (5) |

* Represents amount less than RM1,000

## 28. RELATED PARTY TRANSACTIONS (continued)

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

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Salaries, discretionary bonus, allowances and other benefits in kind | **3,310** | 2,156 |
| Contributions to defined contribution plans | **534** | 470 |
| | **3,844** | 2,626 |

Further details of the directors' remuneration are set out in Note 7.

## 29. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

(i) During the year ended 31 December 2022, the Group entered into lease arrangements in respect of leased assets with a total capital value at the inception of leases of approximately RM9,450,000 (2021: RM1,114,000).

(ii) During the year ended 31 December 2022, the Group incurred payables of approximately RM1,750,000 to the vendor for addition of property, plant and equipment (Note 21).

(iii) During the year ended 31 December 2021, dividend of approximately RM10,017,000 was settled through distribution of investment properties and property, plant and equipment included in non-current assets held for distribution to owners.

## 29. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Reconciliation of liabilities arising from financing activities

The movements during the years ended 31 December 2022 and 2021 in the Group's liabilities arising from financing activities are as follows:

| | At 1 January 2022 RM'000 | Net cash inflow (outflow) RM'000 | Non-cash changes: Addition of right-of-use assets RM'000 | Non-cash changes: Settlement via distribution RM'000 | At 31 December 2022 RM'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | |
| Interest-bearing borrowings | 41,315 | 21,954 | – | – | 63,269 |
| Lease liabilities | 3,392 | (1,614) | 9,450 | – | 11,228 |
| Due to the Ultimate Controlling Party | 2,430 | (2,430) | – | – | – |
| Total liabilities from financing activities | 47,137 | 17,910 | 9,450 | – | 74,497 |

| | At 1 January 2021 RM'000 | Net cash inflow (outflow) RM'000 | Non-cash changes: Addition of right-of-use assets RM'000 | Non-cash changes: Settlement via distribution RM'000 | At 31 December 2021 RM'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | | |
| Interest-bearing borrowings | 38,209 | 3,106 | – | – | 41,315 |
| Lease liabilities | 3,811 | (1,533) | 1,114 | – | 3,392 |
| Due to the Ultimate Controlling Party | 4,657 | (2,227) | – | – | 2,430 |
| Due to related parties, net | 1,687 | (1,687) | – | – | – |
| Dividend payables | 20,517 | (10,500) | – | (10,017) | – |
| Total liabilities from financing activities | 68,881 | (12,841) | 1,114 | (10,017) | 47,137 |

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at FVPL, fixed deposits with licenced banks, bank balances and cash, bank overdrafts, interest-bearing borrowings and lease liabilities. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The Group's management reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

### Price risk

At 31 December 2021, the Group was exposed to price risk arising from unlisted investments in money market funds classified as financial assets measured at FVPL which their fair value would fluctuate. The Group has no such unlisted investments in money market funds at 31 December 2022.

At 31 December 2021, if the fair value of the investments has been 1% higher/lower with all other variables held constant, the Group's pre-tax results would increase/decrease by approximately RM2,000.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the fair value of the unlisted investments in money market funds had occurred at 31 December 2021 and had been applied to the exposure to price risk in existence at that date. The stated changes represent the management's assessment of reasonably possible changes in the fair value of the unlisted investment in money market funds over the next 12 months after the year end 31 December 2021.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the price risk because the exposure at 31 December 2021 does not reflect the exposure for the year ended 31 December 2021.

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank overdrafts and interest-bearing borrowings with floating interest rates of approximately RM16,854,000 (2021: RM17,230,000) at 31 December 2022. The Group currently does not have a policy to hedge against the interest rate risk as the management of the Group does not expect any significant interest rate risk at 31 December 2022 and 2021.

At 31 December 2022, if interest rates had been 1% (2021: 1%) higher/lower and all other variables were held constant, the Group's pre-tax results would decrease/increase by approximately RM169,000 (2021: RM172,000).

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the years ended 31 December 2022 and 2021.

In addition, the Group's financial liabilities measured at amortised cost are considered not to materially expose to fair value interest rate risk at the end of each reporting period.

### Foreign currency risk

The Group's transactions are mainly denominated in RM.

Certain financial assets and financial 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 carrying amounts of those financial assets and liabilities are analysed as follows:

| | Financial assets | | Financial liabilities | |
|---|---|---|---|---|
| | **2022 RM'000** | 2021 RM'000 | **2022 RM'000** | 2021 RM'000 |
| AUD | **1,500** | – | **(1,668)** | (2,757) |
| Euro ("**EUR**") | **–** | – | **(2,575)** | – |
| Thai Baht ("**THB**") | **–** | – | **(1,045)** | – |
| USD | **6** | 5 | **(1,647)** | – |
| HK$ | **3,937** | – | **–** | – |

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk (continued)

The following table indicates the approximate change in the Group's pre-tax results if exchange rates of RM had changed against the above foreign currencies of the respective group entities by 10% and all other variables were held constant at the end of each reporting period.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Increase (decrease) in foreign exchange rates** | **Effect on profit before tax RM'000** | Increase (decrease) in foreign exchange rates RM'000 | Effect on profit before tax |
| AUD | **10%** | **17** | 10% | 276 |
| | **(10%)** | **(17)** | (10%) | (276) |
| EUR | **10%** | **258** | 10% | – |
| | **(10%)** | **(258)** | (10%) | – |
| THB | **10%** | **104** | 10% | – |
| | **(10%)** | **(104)** | (10%) | – |
| USD | **10%** | **164** | 10% | – |
| | **(10%)** | **(164)** | (10%) | – |
| HK$ | **10%** | **(394)** | 10% | – |
| | **(10%)** | **394** | (10%) | – |

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of each reporting period does not reflect the exposure during the years ended 31 December 2022 and 2021.

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk

The carrying amount of financial assets recognised on the consolidated financial statements, which is net of impairment loss allowances, represents the Group's exposure to credit risk on these financial assets without taking into account the credit enhancements.

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Trade and other receivables | **129,061** | 94,560 |
| Fixed deposits with licensed banks | **59,261** | 13,430 |
| Bank balances and cash | **23,026** | 4,480 |
| | **211,348** | 112,470 |

**Trade receivables**

The Group trades only with recognised, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 90 days.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and region in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 31 December 2022, the Group had a concentration of credit risk as approximately 6% (2021: 7%) of the total trade receivables was due from the Group's largest trade debtor, and approximately 25% (2021: 29%) of the total trade receivables was due from the Group's five largest trade debtors.

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises loss allowances based on lifetime ECL at the end of each reporting period and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past periods and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the during the years ended 31 December 2022 and 2021.

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

**Trade receivables** (continued)

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix is summarised as follows:

**At 31 December 2022**

| | Expected credit loss rate (approximately) % | Gross carrying amount RM'000 | Loss allowance RM'000 | Net carrying amount RM'000 | Credit-impaired |
|---|---|---|---|---|---|
| Not yet due | – | 70,300 | – | 70,300 | No |
| 1 to 30 days past due | 6 | 39,461 | (2,367) | 37,094 | No |
| 31 to 60 days past due | 7 | 9,337 | (654) | 8,683 | No |
| 61 to 90 days past due | 20 | 1,497 | (299) | 1,198 | No |
| Over 90 days past due | 100 | 487 | (487) | – | Yes |
| | | 121,082 | (3,807) | 117,275 | |

At 31 December 2021

| | Expected credit loss rate (approximately) % | Gross carrying amount RM'000 | Loss allowance RM'000 | Net carrying amount RM'000 | Credit-impaired |
|---|---|---|---|---|---|
| Not yet due | – | 53,280 | – | 53,280 | No |
| 1 to 30 days past due | 6 | 30,249 | (1,815) | 28,434 | No |
| 31 to 60 days past due | 7 | 5,926 | (415) | 5,511 | No |
| 61 to 90 days past due | 20 | 1,096 | (219) | 877 | No |
| Over 90 days past due | 100 | 224 | (224) | – | Yes |
| | | 90,775 | (2,673) | 88,102 | |

The Group does not hold any collateral over trade receivables at 31 December 2022 (2021: Nil).

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

**Trade receivables** (continued)

At 31 December 2022, the Group recognised the loss allowance of approximately RM3,807,000 (2021: RM2,673,000) on the trade receivables. The movement in the loss allowance for trade receivables during the years ended 31 December 2022 and 2021 is summarised below.

| | **2022 RM'000** | 2021 RM'000 |
|---|---|---|
| Balance at the beginning of the reporting period | **2,673** | 2,211 |
| Increase in allowance | **2,392** | 718 |
| Decrease in allowance | **(1,258)** | (256) |
| Balance at the end of the reporting period | **3,807** | 2,673 |

For the years ended 31 December 2022 and 2021, bad debts written off directly to profit or loss of approximately RM159,000 and RM331,000 respectively are still subject to enforcement activity.

The following significant changes in the gross carrying amounts of trade receivables contributed to the changes in the loss allowance:

(a) changes because of financial instruments originated, acquired and derecognised (including those that were written-off) during the period; and

(b) modification of contractual cash flows on trade receivables that do not result in the derecognition of those trade receivables.

**Other financial assets carried at amortised costs**

The Group's other financial assets carried at amortised costs include fixed deposits with licenced banks, bank balances and cash and other receivables in the consolidated statement of financial position.

The majority of the Group's fixed deposits with licenced banks and bank balances are deposited in financial institutions which are of high credit rating. The Group's management does not expect any losses arising from non-performance by these counterparties. The Group's management considers that the other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Loss allowances on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

**Other financial assets carried at amortised costs** (continued)

In estimating the ECL, the Group's management has taken into account the historical actual credit loss experience over the past 3 years and the financial position of the counterparties, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The Group's management considers the ECL of other receivables to be negligible after taking into account the financial position, credit quality and past settlement records of the counterparties.

There was no change in the estimation techniques or significant assumptions made during years ended 31 December 2022 and 2021.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is summarised below:

| | Total carrying amount RM'000 | Total contractual undiscounted cash flow RM'000 | On demand or less than 1 year RM'000 | 1 to 2 years RM'000 | 2 to 5 years RM'000 | Over 5 years RM'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | | |
| Trade and other payables | **73,700** | **73,700** | **73,700** | **–** | **–** | **–** |
| Interest-bearing borrowings | **63,269** | **68,352** | **49,880** | **3,721** | **8,327** | **6,424** |
| Lease liabilities | **11,228** | **11,275** | **10,465** | **810** | **–** | **–** |
| | **148,197** | **153,327** | **134,045** | **4,531** | **8,327** | **6,424** |
| At 31 December 2021 | | | | | | |
| Trade and other payables | 48,745 | 48,745 | 48,745 | – | – | – |
| Bank overdrafts | 110 | 110 | 110 | – | – | – |
| Interest-bearing borrowings | 41,315 | 45,896 | 26,783 | 2,579 | 8,364 | 8,170 |
| Lease liabilities | 3,392 | 3,616 | 1,530 | 2,086 | – | – |
| | 93,562 | 98,367 | 77,168 | 4,665 | 8,364 | 8,170 |

## 31. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13 "Fair Value Measurement" with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 (lowest level): unobservable inputs for the asset or liability.

### (a) Assets measured at fair value

| | **Level 2 At 31 December** | |
|---|---|---|
| | **2022 RM'000** | 2021 RM'000 |
| Financial assets at FVPL | | |
| Money market funds, unlisted *(Note 16)* | – | 233 |

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements. The details of the measurement basis and movements of the financial assets at FVPL are set out in Note 16.

The Group reviews estimation of fair values of unlisted investments in money market funds which is categorised at level 2 of the fair value hierarchy. Reports with estimation of the fair values are prepared by the banks on a monthly basis.

### (b) Assets and liabilities with fair value disclosure, but not measured at fair value

All other financial assets and liabilities are carried at amounts not materially different from their fair values at the end of each reporting period.

## 32. COMMITMENTS

### (a) Capital expenditure commitments

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Contracted but not provided net of deposits paid for acquisition of property, plant and equipment | – | 1,023 |

### (b) Commitments under operating leases

**The Group as lessor**

The Group leases out its properties under operating leases with lease terms ranging from one year to three years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Within one year | 34 | 18 |
| More than one year but less than two years | 24 | 18 |
| | 58 | 36 |

## 33. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company and the movement in its reserve is set out below:

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in a subsidiary | *34(a)* | –* | –* |
| | | –* | –* |
| **Current assets** | | | |
| Prepayments | | – | 472 |
| Bank balances and cash | | 3,903 | –* |
| Fixed deposit with licensed bank | | 28,393 | – |
| Amount due from a subsidiary | | 31,445 | – |
| | | 63,741 | 472 |
| **Current liabilities** | | | |
| Accrued expenses | | 230 | 768 |
| Amount due to the immediate holding company | *34(b)* | – | –* |
| Amounts due to subsidiaries | *34(c)* | – | 7,883 |
| | | 230 | 8,651 |
| **Net current assets (liabilities)** | | 63,511 | (8,179) |
| **NET ASSETS (LIABILITIES)** | | 63,511 | (8,179) |
| **Capital and reserves** | | | |
| Share capital | *25* | 5,707 | –* |
| Reserves | *34(d)* | 57,804 | (8,179) |
| **TOTAL EQUITY** | | 63,511 | (8,179) |

* Represent amounts less than RM1,000

The statement of financial position was approved and authorised for issue by the Board of Directors on 30 March 2023 and signed on its behalf by

**Soon See Beng**
*Director*

**Soon Chiew Ang**
*Director*

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

### 34(a) Investments in a subsidiary

Investment in a subsidiary represents 100% of the issued share capital of SCC Holdings.

### 34(b) Amount due to the immediate holding company

The amount due to the immediate holding company is non-trade in nature, unsecured, interest-free and repayable on demand and was fully settled prior to the Listing.

### 34(c) Amounts due from/to subsidiaries

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

### 34(d) Movement of share capital and reserves

| | **Share capital** RM'000 *(Note 25)* | **Share premium** RM'000 *(Note 26(a))* | **Translation reserve** RM'000 *(Note 26(c))* | **Accumulated losses** RM'000 | **Total** RM'000 |
|---|---|---|---|---|---|
| At 1 January 2021, 31 December 2021 and 1 January 2022 | –* | – | – | (8,179) | (8,179) |
| Loss for the year | – | – | – | (5,811) | (5,811) |
| **Other comprehensive income (loss):** | | | | | |
| Exchange differences on translation | – | – | 738 | – | 738 |
| **Total comprehensive loss for the year** | – | – | 738 | (5,811) | (5,073) |
| **Transactions with owners:** | | | | | |
| *Contributions and distributions* | – | – | – | – | – |
| Issue of shares pursuant to the Global Offering *(as defined in Note 25(c))* | 1,375 | 75,621 | – | – | 76,996 |
| Issue of shares pursuant to the over-allotment option *(as defined in Note 25(d))* | 207 | 11,418 | – | – | 11,625 |
| Issue of shares pursuant to the Capitalisation Issue *(as defined in Note 25(b))* | 4,125 | (4,125) | – | – | – |
| Transaction costs attributable to issue of shares *(as defined in Note 25(e))* | – | (11,858) | – | – | (11,858) |
| **Total transactions with owners** | 5,707 | 71,056 | – | – | 76,763 |
| **At 31 December 2022** | 5,707 | 71,056 | 738 | (13,990) | 63,511 |

* Represents amount less than RM1,000

During the years ended 31 December 2022 and 2021, certain corporate administrative expenses and the expenses for the Listing of the Company were borne by the subsidiaries of the Company without recharge.

## GLOSSARY

| | |
|---|---|
| "Articles of Association" or "Articles" | the amended and restated articles of association of our Company adopted on 14 July 2022 and effective on the Listing Date as amended from time to time, a summary of which is set out in Appendix III to this prospectus |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Audit Committee" | the audit committee of the Board |
| "Board" or "Board of Directors" | the board of Directors of our Company |
| "BVI" | the British Virgin Islands |
| "Chop Chin Huat" | Chop Chin Huat Sendirian Berhad, a private company limited by shares incorporated in Malaysia on 12 January 1989, and an indirect wholly-owned subsidiary of our Company |
| "Companies Act" | the Companies Act (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Company" | Swang Chai Chuan Limited (雙財莊有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 February 2019 |
| "Controlling Shareholder(s)" | has the meaning ascribed to it under the Listing Rules and in the case of our Company, unless the context requires otherwise, refers to Soon Holdings |
| "Corporate Governance Code" | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| "Director(s)" | the director(s) of our Company |
| "Eastern Peninsular Malaysia" | includes Kelantan, Terengganu and Pahang |
| "EC Maju Frozen" | EC Maju Frozen Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 2 March 2012 |
| "ESG" | the environmental, social and governance |
| "FY 2022" | the financial year ended 31 December 2022 |

| | |
|---|---|
| "Group", "we", "us" or "our" | our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| "Hong Kong", "HKSAR" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Government" | the Government of the Hong Kong Special Administrative Region of the PRC |
| "Listing" | the listing of the Shares on the Main Board |
| "Listing Date" | Friday, 19 August 2022, on which dealings in the Shares first commence on the Main Board |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time |
| "Main Board" | the Main Board of the Stock Exchange |
| "Memorandum of Association" or "Memorandum" | the amended and restated memorandum of association of our Company adopted on 14 July 2022 and effective on the Listing Date as amended or supplemented from time to time, a summary of which is set out in Appendix III to this prospectus |
| "Nomination Committee" | the nomination committee of our Board |
| "Northern Peninsular Malaysia" | includes the states of Perlis, Kedah, Penang and Perak |
| "NSB Marketing" | NSB Marketing Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 29 September 2015 |
| "OSHA" | the Occupational Safety and Health Act 1994 (Act 514), as amended, supplemented or otherwise modified from time to time under the laws of Malaysia |
| "Peninsular Malaysia" | also known as West Malaysia and comprises Western Peninsular Malaysia, Southern Peninsular Malaysia, Northern Peninsular Malaysia and Eastern Peninsular Malaysia |
| "PRC" or "China" | the People's Republic of China, which for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region and Taiwan region |

| | |
|---|---|
| "SCC HK" | Swang Chai Chuan (HK) Limited (formerly known as Swang Chai Chuan Limited), a company incorporated in Hong Kong on 29 January 2019 with limited liability and an indirect wholly-owned subsidiary of our Company |
| "SCC Holding Malaysia" | Swang Chai Chuan Holding Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 17 December 2018 and an indirect wholly-owned subsidiary of our Company |
| "SCC Holdings" | SCC Holdings Limited, a company incorporated in the BVI on 27 December 2018 with liability limited by shares and a direct wholly-owned subsidiary of our Company |
| "SCC Logistics" | SCC Logistics Sdn. Bhd. (formerly known as EC Maju Cold Chain Logistics Sdn. Bhd.), a private company limited by shares incorporated in Malaysia on 14 January 2013, and an indirect wholly-owned subsidiary of our Company |
| "SCC Seafood" | Swang Chai Chuan Seafood Sdn. Bhd. (formerly known as DNG Batik Sdn. Bhd.), a private company limited by shares incorporated in Malaysia on 26 October 1998, and an indirect wholly-owned subsidiary of our Company |
| "SCCM" | SCC Marketing (M) Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 10 November 2003, and an indirect wholly-owned subsidiary of our Company |
| "SCCM East Coast" | SCC Marketing (East Coast) Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 14 August 2000, and an indirect wholly-owned subsidiary of our Company |
| "SCCM Pahang" | SCC Marketing (Pahang) Sdn. Bhd. (formerly known as PC Solutions Software Sdn. Bhd.), a private company limited by shares incorporated in Malaysia on 18 June 1996, and an indirect wholly-owned subsidiary of our Company |
| "SCCSB" | Swang Chai Chuan Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 28 March 1995, and an indirect wholly-owned subsidiary of our Company |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Shareholder(s)" | the holder(s) of the Share(s) |
| "Southern Peninsular Malaysia" | includes the states of Melaka and Johor |

# GLOSSARY

| | |
|---|---|
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed to it under the Listing Rules |
| "Substantial Shareholder" | has the meaning ascribed to it under the Listing Rules |
| "TCFD" | the Taskforce on Climate-related Financial Disclosures |
| "Western Peninsular Malaysia" | includes the states of Selangor and Sembilan and the federal territories of Kuala Lumpur and Putrajaya |