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Swang Chai Chuan Limited

雙財莊有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2321)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023 (the “**Period**”):

- the Group (as defined hereinafter) recorded unaudited revenue of approximately RM481.7 million, representing an increase of approximately 20.5% as compared to approximately RM399.9 million for the six months ended 30 June 2022 (the “**Last Corresponding Period**”);
- the Group recorded a profit for the period of approximately RM16.5 million in the Period, representing an increase of approximately 3.1% as compared to approximately RM16.0 million in the Last Corresponding Period;
- Excluding the non-recurring listing expenses, the Group recorded a profit for the period of approximately RM16.5 million in the Period and RM19.5 million in the Last Corresponding Period;
- the Group recorded unaudited earnings per share attributable to owners of the Company of approximately 1.64 sen in the Period, as compared to approximately 2.21 sen in the Last Corresponding Period; and
- The Board (as defined hereinafter) does not recommend the payment of interim dividend.

The Board of Directors (the “**Board**”) of Swang Chai Chuan Limited (the “**Company**”) presents the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022 as follows. The interim results have not been audited by the external joint auditors but they have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	RM'000	RM'000
		(Unaudited)	(Unaudited)
Revenue	4	481,739	399,932
Cost of sales		<u>(423,213)</u>	<u>(342,989)</u>
Gross profit		58,526	56,943
Other income	5	3,407	498
Selling and distribution expenses		(26,606)	(22,061)
Administrative and other operating expenses		(10,276)	(8,548)
Finance costs	6	(1,259)	(726)
Share of results of an associate		(130)	–
Listing expenses		<u>–</u>	<u>(3,476)</u>
Profit before tax	6	23,662	22,630
Income tax expenses	7	<u>(7,212)</u>	<u>(6,631)</u>
Profit for the period		16,450	15,999
Other comprehensive income (loss), net of tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company's financial statements to presentation currency		1,930	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on consolidation		<u>(2,029)</u>	<u>(191)</u>
Total comprehensive income for the period		<u>16,351</u>	<u>15,808</u>
Earnings per share attributable to owners of the Company			
– Basic and diluted	8	<u>1.64 sen</u>	<u>2.21 sen</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		At 30 June 2023 <i>RM'000</i> (Unaudited)	At 31 December 2022 <i>RM'000</i> (Audited)
Non-current assets			
Property, plant and equipment		40,033	39,280
Right-of-use assets		17,678	17,991
Investment in an associate		96	226
Deferred tax assets		2,043	2,352
		<u>59,850</u>	<u>59,849</u>
Current assets			
Inventories		93,533	97,898
Trade and other receivables	10	129,189	129,061
Pledged bank deposits		14,368	13,948
Fixed deposits with licensed banks		37,678	45,313
Bank balances and cash		38,025	23,026
		<u>312,793</u>	<u>309,246</u>
Current liabilities			
Trade and other payables	11	76,122	79,678
Interest-bearing borrowings		40,093	48,721
Lease liabilities		685	10,457
Dividend payable	9	13,702	–
Income tax payable		1,412	903
		<u>132,014</u>	<u>139,759</u>
Net current assets		<u>180,779</u>	<u>169,487</u>
Total assets less current liabilities		<u>240,629</u>	<u>229,336</u>

		At 30 June 2023 <i>RM'000</i> (Unaudited)	At 31 December 2022 <i>RM'000</i> (Audited)
Non-current liabilities			
Interest-bearing borrowings		22,959	14,548
Lease liabilities		569	771
Deferred tax liabilities		1,525	1,090
		<u>25,053</u>	<u>16,409</u>
NET ASSETS		<u>215,576</u>	<u>212,927</u>
Capital and reserves			
Share capital	12	5,707	5,707
Reserves		209,869	207,220
TOTAL EQUITY		<u>215,576</u>	<u>212,927</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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.

The condensed consolidated financial statements (the “**Interim Financial Statement**”) of the Group for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standard Board (the “**IASB**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since 31 December 2022, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) which collective term includes all applicable individual IFRSs, IAS and Interpretations issued by the IASB. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2022 (the “**Annual Report**”).

The Interim Financial Statements have been prepared on the historical costs basis, it is presented in Malaysian Ringgit (“**RM**”) and rounded to the nearest thousands unless otherwise indicated.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the Annual Report except for the adoption of the new/revised IFRSs which are relevant to the Group and effective for the Group’s financial year beginning on 1 January 2023.

Adoption of new/revised IFRSs

In the current interim period, the Group has applied, for the first time, certain new/revised IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Interim Financial Statements.

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

3. SEGMENT INFORMATION

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

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

Information about major customers

The Group's revenue from any single external customer did not contribute 10% or more of the total revenue of the Group for the six months ended 30 June 2023 and 2022.

4. REVENUE

	Six months ended 30 June	
	2023	2022
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within IFRS 15		
At a point in time		
– Distribution and sales of F&B	476,897	395,404
Over time		
– Provision of logistics, warehousing services and others	4,842	4,528
	<u>481,739</u>	<u>399,932</u>

The amounts of revenue recognised for the six months ended 30 June 2023 that was included in the contract liabilities at the beginning of the period was approximately RM5,978,000 (six months ended 30 June 2022: RM2,547,000) (Note 11(b)).

5. OTHER INCOME

	Six months ended 30 June	
	2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Interest income	804	140
Dividend income	–	2
Gain on disposal of property, plant and equipment	160	56
Exchange gain, net	2,025	–
Rental income	60	61
Bad debts recovery	110	88
Sundry income	248	151
	<u>3,407</u>	<u>498</u>

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Six months ended 30 June	
	2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Finance costs		
Interest on interest-bearing borrowings	1,226	666
Interest on lease liabilities	33	60
	<u>1,259</u>	<u>726</u>
Staff costs (including directors' emoluments)		
Salaries, discretionary bonus, allowances and other benefits in kind	18,566	16,365
Contributions to defined contribution plans	1,760	1,520
	<u>20,326</u>	<u>17,885</u>
Other items		
Cost of inventories	415,637	336,360
Auditor's remuneration	169	65
Depreciation of property, plant and equipment (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	1,804	1,415
Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	765	767
Exchange (gain) loss, net	(2,025)	4
Expenses recognised under short-term leases	140	133
Bad debts written off	760	181
(Reversal of) provision for write-down of inventories, net	(838)	195
Provision for loss allowance of trade receivables, net	884	868
	<u>415,637</u>	<u>336,360</u>

7. TAXATION

	Six months ended 30 June	
	2023	2022
	<i>RM'000</i>	<i>RM'000</i>
	(Unaudited)	(Unaudited)
Current tax		
Malaysia corporate income tax (“ Malaysia CIT ”)	6,468	7,689
Deferred tax		
Changes in temporary differences	744	(1,058)
Total income tax expenses for the period	7,212	6,631

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for six months ended 30 June 2023 and 2022.

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

Malaysia CIT is calculated at 24% of the estimated assessable profits for the six months ended 30 June 2023 and 2022. During the six months ended 30 June 2022, 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%.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	<i>RM'000</i>	<i>RM'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company, used in basic and diluted earnings per share calculation	16,450	15,999
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	1,000,150	723,000

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period. For the six months ended 30 June 2022, 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 reorganisation and Capitalisation Issue (as defined in Note 12) had been effective on 1 January 2022.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence for the six months ended 30 June 2023 and 2022.

9. DIVIDEND

	Six months ended 30 June	
	2023	2022
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Special dividends declared to the owners of the Company HK\$0.023 (six months ended 30 June 2022: Nil) per ordinary share	13,702	–

On 30 June 2023, the directors of the Company announced that it had resolved to declare the payment of a special dividend to the shareholders whose names appear on the Company's register of members at the close of business on 17 July 2023. The dividend payables were fully settled on 14 August 2023.

10. TRADE AND OTHER RECEIVABLES

	At	At
	30 June	31 December
	2023	2022
	RM'000	RM'000
<i>Note</i>	(Unaudited)	(Audited)
Trade receivables		
From related companies	10(a) 1,235	982
From third parties	121,033	120,100
	122,268	121,082
Less: Loss allowances	(4,691)	(3,807)
	10(b) 117,577	117,275
Other receivables		
Prepayments	–	–*
Deposits paid to suppliers	1,904	4,539
Deposits paid for acquisition of computer software	1,428	1,428
Other deposits and receivables (<i>Note i</i>)	6,878	5,154
Amount due from an associate (<i>Note ii</i>)	1,402	665
	11,612	11,786
	129,189	129,061

* Represents amount less than RM1,000

Notes:

- (i) Included in the other deposits and receivables, there were approximately RM6,204,000 and RM4,545,000, respectively, at 30 June 2023 and 31 December 2022, representing the marketing expenses receivables from the suppliers.
- (ii) The amount due from an associate is non-trade in nature, unsecured, interest-free and repayable on demand.

10(a) Trade receivables from related companies

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

10(b) Trade receivables

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

	At 30 June 2023 <i>RM'000</i> (Unaudited)	At 31 December 2022 <i>RM'000</i> (Audited)
Within 30 days	67,762	68,690
31 to 60 days	39,485	37,118
61 to 90 days	7,558	9,670
Over 90 days	2,772	1,797
	117,577	117,275

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

	At 30 June 2023 <i>RM'000</i> (Unaudited)	At 31 December 2022 <i>RM'000</i> (Audited)
Not yet due	71,244	70,300
Past due:		
Within 30 days	37,074	37,094
31 to 60 days	7,142	8,683
61 to 90 days	2,117	1,198
	46,333	46,975
	117,577	117,275

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

11. TRADE AND OTHER PAYABLES

		At 30 June 2023 RM'000 (Unaudited)	At 31 December 2022 RM'000 (Audited)
Trade payables			
To third parties	11(a)	<u>61,752</u>	<u>60,462</u>
Other payables			
Contract liabilities – Marketing Incentive	11(b)	3,821	5,978
Salary payables		4,231	5,458
Other accruals and other payables (Note)		6,150	7,509
Rental and other deposits		<u>168</u>	<u>271</u>
		<u>14,370</u>	<u>19,216</u>
		<u>76,122</u>	<u>79,678</u>

Note: The amount at 30 June 2023 included payables of approximately RM1,249,000 (at 31 December 2022: approximately RM1,750,000) for addition of property, plant and equipment.

11(a) Trade payables

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

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

	At 30 June 2023 RM'000 (Unaudited)	At 31 December 2022 RM'000 (Audited)
Within 30 days	34,099	36,722
31 to 60 days	25,731	22,730
61 to 90 days	1,919	847
Over 90 days	<u>3</u>	<u>163</u>
	<u>61,752</u>	<u>60,462</u>

11(b) Contract liabilities – Marketing Incentive

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

	At 30 June 2023 <i>RM'000</i> (Unaudited)	At 31 December 2022 <i>RM'000</i> (Audited)
At the beginning of the reporting period	5,978	7,032
Addition for the reporting period	3,821	5,978
Revenue recognised for the reporting period (<i>Note 4</i>)	(5,978)	(7,032)
	<hr/>	<hr/>
At the end of the reporting period	3,821	5,978
	<hr/> <hr/>	<hr/> <hr/>

Note: The contract liabilities of approximately RM3,821,000 at 30 June 2023 (31 December 2022: approximately RM5,978,000), represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of each reporting period. The Group expects the transaction price of approximately RM3,821,000 at 30 June 2023 (31 December 2022: approximately RM5,978,000), allocated to the unsatisfied performance obligations will be recognised as revenue in one year or less when the obligations are performed.

12. SHARE CAPITAL

	<i>Note</i>	Number of shares '000	<i>HK\$'000</i>	Equivalent to Approximately <i>RM'000</i>
Ordinary share of HK\$0.01 each				
Authorised:				
At 1 January 2022		38,000	380	197
Increase on 14 July 2022	<i>12(a)</i>	1,462,000	14,620	8,277
		<hr/>	<hr/>	<hr/>
At 31 December 2022, 1 January 2023 and 30 June 2023		1,500,000	15,000	8,474
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:				
At 1 January 2022		_*	_*	_*
Issue of shares pursuant to Capitalisation Issue	<i>12(b)</i>	723,000	7,230	4,125
Issue of shares pursuant to the Global Offering	<i>12(c)</i>	241,000	2,410	1,375
Issue of shares pursuant to the Over-allotment option	<i>12(d)</i>	36,150	362	207
		<hr/>	<hr/>	<hr/>
At 31 December 2022, 1 January 2023 and 30 June 2023		1,000,150	10,002	5,707
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* 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 aspects.
- (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 resolutions 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 the 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.

13. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements, during the six months ended 30 June 2023 and 2022, further information of the related party transactions is set out below.

(a) Related party transactions of the Group:

	<i>Note</i>	Six months ended 30 June	
		2023 <i>RM'000</i> (Unaudited)	2022 <i>RM'000</i> (Unaudited)
Revenue arising from distribution and sales of F&B	13(a)(i)	6,005	5,237
Sales and marketing expenses	13(a)(i)	8	19

Note:

- (i) It represented related party transactions with the companies interested by the Ultimate Controlling Party and/or the spouses of the Ultimate Controlling Party.

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

	Six months ended 30 June	
	2023 <i>RM'000</i> (Unaudited)	2022 <i>RM'000</i> (Unaudited)
Salaries, discretionary bonus, allowances and other benefits in kind	2,057	1,195
Contributions to defined contribution plans	374	183
	2,431	1,378

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY BACKGROUND

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

BUSINESS REVIEW AND PROSPECTS

As the world has been affected by the COVID-19 pandemic since the end of 2019, which led to an increase of demand of F&B products, the Company had to accelerate its business in 2020 by leasing 2 more warehouses located in Kuantan and Perai of Malaysia to satisfy the demand. As at 30 June 2023, the Company has a total of 8 self-owned and 4 leased warehouses strategically distributed in Malaysia which contributed to an aggregate designated storage capacity of approximately 30,900 m³. In addition, the Company also owns a fleet with more than 160 self-operated logistics vehicles, which allows the Group to enhance its service quality.

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

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

FINANCIAL OVERVIEW

Revenue

The Company's revenue is primarily generated from (i) the distribution and sales of F&B and other products and (ii) the provision of logistics, warehousing services and others. For the six months ended 30 June 2023 (the "**Period**"), the Group's revenue increased by approximately Malaysian Ringgit ("**RM**") 81.8 million or 20.5% from approximately RM399.9 million in the six months ended 30 June 2022 (the "**Last Corresponding Period**") to approximately RM481.7 million in the Period, mainly due to the increase in distribution revenue from third party brands amounting to approximately RM79.8 million. The increase in revenue from third party brands is mainly attributed to dairy products, sauce, oil and condiments with increase of approximately RM78.5 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, both in the second half of 2022.

Gross profit and gross profit margin

The gross profit margin decreased to approximately 12.1% in the Period as compared to approximately 14.2% in the Last Corresponding Period. 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 and the lower margins from securing two new distribution rights described in the above section.

Other income

Other income mainly consists of interest income, net exchange gain, and others. Other income increased by approximately RM2.9 million or 580.0%, from approximately RM0.5 million in the Last Corresponding Period to approximately RM3.4 million in the Period which was primarily due to the increase in interest income and net exchange gain.

Selling and distribution expenses

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 RM4.5 million or 20.4%, from approximately RM22.1 million in the Last Corresponding Period to approximately RM26.6 million in the Period which was mainly due to the increase in a) salaries and wages and b) transportation and storage expenses as a result of the increase in revenue of approximately 20.5% mentioned above. 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) professional fees, and vi) others. Administrative and other operating expenses increased by approximately RM1.8 million or 21.2%, from approximately RM8.5 million in the Last Corresponding Period to approximately RM10.3 million in the Period primarily due to increase in professional fees incurred and directors' remunerations.

Finance costs

Finance costs mainly represent interest on interest-bearing borrowings and interest on lease liabilities. The Company's finance costs increased by approximately RM0.5 million or 71.4% from approximately RM0.7 million in the Last Corresponding Period to approximately RM1.2 million in the 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 interest on bank acceptance.

Income tax expenses

Income tax expenses primarily consist of current and deferred income tax at the applicable tax rate in accordance with the relevant laws and regulations in Malaysia. No provision for Hong Kong profit tax has been made as the Group has no assessable profits arising in or derived from Hong Kong and the group entities established in the Cayman Islands and the British Virgin Islands are exempted from corporate income tax therein. Income tax expenses for the Period increased by approximately RM0.6 million or 9.0% to approximately RM7.2 million from approximately RM6.6 million in the Last Corresponding Period. The increase in income tax expenses was mainly due to the increase in profit before tax generated in the Period.

Profit for the period and net profit margin

As a result of the foregoing, the Group recorded a profit for the period of approximately RM16.5 million in the Period and approximately RM16.0 million in the Last Corresponding Period. The net profit margin of the Group declined to 3.4% in the Period from 4.0% in the Last Corresponding Period 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. The Group intends to apply the proceeds from the issuance of 241,000,000 Shares at the offer price of Hong Kong dollars (“**HK\$**”) 0.56 per Share (the “**Global Offering**”) in accordance with the proposed applications set out in the section headed “Net Proceeds From The Global Offering” in the announcement of offer price and allotment result dated 18 August 2022.

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 30 June 2023 are as per followings:

Business Objectives	Planned use of net proceeds <i>HK\$ million</i>	Actual use of proceeds as at 30 June 2023 <i>HK\$ million</i>	Balance of unutilised proceeds as at 30 June 2023 <i>HK\$ million</i>	Expected timeline for unutilised proceeds
Further enhancement to distribution and sales capabilities	50.3	4.0	46.3	December 2024
Development in Own Products business	19.0	4.5	14.5	December 2024
Development in e-commerce mobile platform	7.3	0.2	7.1	December 2024
Strategic acquisitions and investments	18.1	2.9	15.2	December 2024
General working capital	10.5	10.5	–	NA
	<u>105.2</u>	<u>22.1</u>	<u>83.1</u>	

The utilisation of proceeds is slower than expected as the Group (i) have yet to find a suitable location and at the right price to build a warehouse in Klang, Selangor; (ii) is actively looking for strategic investments but many were unsuitable; and (iii) 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 Global Offering in August 2022, the net proceeds from the Global Offering has provided additional funds for future cash requirements. It is anticipated that the Group has sufficient working capital to fund its future working capital, capital expenditure and other cash requirements.

As at 30 June 2023, the Group's net current assets were approximately RM180.8 million (31 December 2022: approximately RM169.5 million). The Group's cash and cash equivalents as at 30 June 2023 were approximately RM38.0 million (31 December 2022: approximately RM23.0 million).

As at 30 June 2023, there were bank borrowings of approximately RM63.1 million bearing interest rate of base lending rate plus a percentage ranging from 3.25% per annum to 4.85% per annum (31 December 2022: 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).

As at 30 June 2023, the Group had total available banking facilities of approximately RM161.7 million, of which approximately RM63.1 million was utilized and approximately RM98.6 million was unutilized and available for use.

GEARING RATIO

As at 30 June 2023, 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 29.8% (31 December 2022: approximately 35.0%). The decrease in gearing ratio is primarily attributable to the net effect of increase in equity base and decrease of lease liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed 856 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 Period, the Group has not experienced any significant problems with its employees or material disruption to the operations due to labour disputes, nor has the Group experienced any material 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 30 June 2023, the Group had outstanding foreign currency forward contract to sell approximately RM7.0 million buy approximately Australian dollars ("AUD") 2.3 million (31 December 2022: sell approximately RM7.0 million buy approximately AUD2.4 million) and sell approximately RM nil buy approximately Euro nil (31 December 2022: sell approximately RM1.1 million buy approximately Euro 0.3 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.

PLEDGE OF ASSETS

As at 30 June 2023, the (i) interest-bearing borrowings and (ii) lease liabilities of the Group are secured by certain assets of the Group.

CONTINGENT LIABILITIES

As at 30 June 2023, 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 during the Period.

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group had no specific plan for material commitments or capital assets as at 30 June 2023.

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

The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company on the Listing Date. Based on the specific enquiry with the Directors, all the Directors has complied with the required standards as set out in the Model Code since the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE

Save for the deviation from code provisions C.2.1 and C.6.1 of Part 2 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules, the Company has complied with required standards as set out in the CG Code during the Period.

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 executive Directors (including Mr. Soon See Beng) and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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. Yeung Kwong Wai does not act as an individual employee of the Company, but as an external service provider in respect of the appointment of Mr. Yeung Kwong Wai as the company secretary of the Company. In this respect, the Company has nominated Mr. Soon See Beng as its contact point with Mr. Yeung Kwong Wai. While the Company is well aware of the importance of the company secretary in supporting the Board on governance matters, after having considered Mr. Yeung Kwong Wai’s experience in acting as the company secretary of two other companies listed on the Stock Exchange, both the Company and Mr. Yeung Kwong Wai 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. Yeung Kwong Wai’s experience in company secretarial functions, the Directors believe that Mr. Yeung Kwong Wai has the appropriate company secretarial expertise for the purposes of Rule 8.17 of the Listing Rules.

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 for the purpose of reviewing and supervising the Group's financial reporting process.

The Audit Committee consists of three Independent Non-executive Directors, namely Mr. Khoo Chee Siang, Datuk Tan Teow Choon and Ms. Tiong Hui Ling. Mr. Khoo Chee Siang 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.

REVIEW OF THE INTERIM RESULTS

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

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 the date of this announcement, 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 ⁽¹⁾	Percentage of Interest in the Company
Mr. Soon See Beng	Interest in a controlled corporation ⁽²⁾	723,000,000 (L) ⁽¹⁾	72.29%
Mr. Soon Chiew Ang	Interest in a controlled corporation ⁽²⁾	723,000,000 (L) ⁽¹⁾	72.29%
Mr. Soon See Long	Interest in a 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, 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.

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the date of this announcement, so far as our Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares 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 ⁽¹⁾	Approximate percentage of shareholding
Soon Holdings Limited ⁽²⁾	Beneficial owner	723,000,000 (L)	72.29%
Mr. Soon See Beng ⁽²⁾	Interest in a controlled corporation	723,000,000 (L)	72.29%
Mr. Soon Chiew Ang ⁽²⁾	Interest in a controlled corporation	723,000,000 (L)	72.29%
Mr. Soon See Long ⁽²⁾	Interest in a controlled corporation	723,000,000 (L)	72.29%
Ms. Soon Lee Shiang ⁽²⁾	Interest in a controlled corporation	723,000,000 (L)	72.29%
Ms. Ng Mee Lam ⁽³⁾	Interest of spouse	723,000,000 (L)	72.29%
Ms. Ng Kar Wei ⁽⁴⁾	Interest of spouse	723,000,000 (L)	72.29%
Ms. Yang Lixia ⁽⁵⁾	Interest of spouse	723,000,000 (L)	72.29%
Mr. Lim Tau Hong ⁽⁶⁾	Interest of spouse	723,000,000 (L)	72.29%
Mr. Tee Kian Heng	Beneficial owner	50,000,000 (L)	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 announcement, the Directors are not aware of any other person 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.

SHARE SCHEME

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

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

INTERIM DIVIDEND

On 30 June 2023, the Board announced that it had resolved to declare the payment of a special dividend of HK0.023 per ordinary share of the Company, amounting to approximately HK23,003,450 (equivalent to approximately RM13,702,000) in total. The special dividend has fully settled on Monday, 14 August 2023 in cash to the shareholders of the Company whose names appear on the Register of Members at the close of business on Monday, 17 July 2023.

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

IMPORTANT EVENTS AFTER THE REVIEW PERIOD

Save as disclosed above, there are no material subsequent events undertaken by the Company or by the Group after 30 June 2023 and up to the date of this announcement.

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

The interim result announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.sccgroup.com.my>). The interim report for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

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

Hong Kong, 29 August 2023

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