10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Companies	Interests
• Great Prompt	He is a director of Great Prompt and holds 17.0% equity interest in Great Prompt
• VMM Holdings	Deemed interested in VMM Holdings by virtue of his shareholdings in Yeah Holdings, which holds 65.0% direct equity interest in ValueMax Group Limited, which holds 100.0% direct equity interest in VMM Holdings pursuant to Section 8 of the Act. He is also a director of VMM Holdings
• Goldjew	He is a director of Goldjew and holds 49.9% equity interest in Goldjew
• VYN Holdings	Deemed interested in VYN Holdings by virtue of his shareholdings in Yeah Holdings, which holds 65.0% direct equity interest in ValueMax Group Limited, which in turn holds 100.0% direct equity interest in VMM Holdings and 49.0% indirect equity interest in VYN Holdings pursuant to Section 8 of the Act

(8) Yeah Chia Kai

- our Promoter, Non-Independent Non-Executive Director
- son of Yeah Hiang Nam and Tan Hong Yee
- a sibling of Yeah Lee Ching and Yeah Chia Wei
- his interests in the transacting parties are as set out below:

Companies	Interests
• VM Corporate Services • VM Management • VM Properties	He is a director of these companies
• ValueMax Group Limited	He is an Executive Director and the Chief Executive Officer of ValueMax Group Limited
• VMM Holdings	He is a director of VMM Holdings

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(9) Tan Hong Yee

- our Promoter and substantial shareholder
- spouse of Yeah Hiang Nam as well as the mother of Yeah Chia Kai, Yeah Lee Ching and Yeah Chia Wei
- her interests in the transacting parties are as set out below:

Companies	Interests
• VM Corporate Services • VM Management • VM Properties	Deemed interested in these companies by virtue of her shareholdings in Yeah Holdings, which holds 65.0% direct equity interest in ValueMax Group Limited, which in turn holds 100.0% direct equity interest in these companies pursuant to Section 7 of the Companies Act, 1967 of Singapore
• ValueMax Group Limited	Deemed interested in ValueMax Group Limited by virtue of her shareholdings in Yeah Holdings, which holds 65.0% direct equity interest in ValueMax Group Limited pursuant to Section 7 of the Companies Act, 1967 of Singapore
• Swift Paragon	Deemed interested in Swift Paragon by virtue of her shareholding in Yeah Holdings, which holds 65.0% direct equity interest in ValueMax Group Limited, which in turn holds 100.0% direct equity interest in VMM Holdings and 100.0% indirect equity interest in Swift Paragon pursuant to Section 8 of the Act
• Great Prompt	She holds 16.0% equity interest in Great Prompt
• VMM Holdings	Deemed interested in VMM Holdings by virtue of her shareholdings in Yeah Holdings, which holds 65.0% direct equity interest in ValueMax Group Limited, which holds 100.0% direct equity interest in VMM Holdings pursuant to Section 8 of the Act
• Goldjew	She is a director of Goldjew and holds 49.9% equity interest in Goldjew
• VYN Holdings	Deemed interested in VYN Holdings by virtue of her shareholdings in Yeah Holdings, which holds 65.0% direct equity interest in ValueMax Group Limited, which in turn holds 100.0% direct equity interest in VMM Holdings and 49% indirect equity interest in VYN Holdings pursuant to Section 8 of the Act

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(10) Yeah Lee Ching

- our Promoter
- daughter of Yeah Hiang Nam and Tan Hong Yee
- a sibling of Yeah Chia Kai and Yeah Chia Wei
- her interests in the transacting parties are as set out below:

Companies	Interests
• VM Corporate Services • VM Management • VM Properties	She is a director of these companies
• ValueMax Group Limited	She is an Executive Director of ValueMax Group Limited

(11) Ng Hooi Lang

- our Promoter, Executive Director and Chief Executive Officer
- a director of KP Well Chip, KE Well Chip and Thye Shing Pawnshop
- spouse of Poon Foo Wha, who is a director of Swift Paragon as well as the mother of Poon Chun Meng, Poon Chun Hoeh and Poon Pooi Mern
- a sibling of Ng Kooi Eng, Ng Hooi Hwang, Ng Hui Chin, Ng Heah Joo and Ng Yah Ching
- a director of VMM Holdings and VYN Holdings (transacting parties). She is also a shareholder of VYN Holdings (transacting party)

(12) Yeow Choong Kuan

- a director of KP Well Chip, KE Well Chip and Thye Shing Pawnshop
- spouse of Fang Kui Chin as well as the father of Yeow Jia Hao and Yeow Xiang Ting
- a sibling of Yeow Chun Huat, Yeow Choong Meng, Yeow Chuen Chai, Yeow Lee Choo and Yeow Lee Hong
- a director and shareholder of Great Prompt (transacting party)

(13) Yeah Chia Wei

- our Promoter
- son of Yeah Hiang Nam and Tan Hong Yee
- a sibling of Yeah Chia Kai and Yeah Lee Ching
- a shareholder of Great Prompt (transacting party)

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(14) Tang Soo Yen

- our Promoter, Executive Director and Director of Retail and Merchandising
- a director of SYT Pavilion and PG Shinegold
- spouse of Yeow Chun Huat, who is a director and shareholder of Great Prompt as well as a director of Goldjew and VMM Holdings
- mother of Yeow En Min and Yeow Shun Kang

(15) All the individual shareholders of KP Well Chip prior to the Acquisition, who consist of the following, had granted loans to KP Well Chip:

(i) our Promoters/Directors, namely Ng Hooi Lang and Tang Soo Yen;

(ii) persons connected to our substantial shareholders and/or Directors; and

(iii) extended family members of Yeah Hiang Nam, being our Promoter, substantial shareholder and Non-Independent Non-Executive Director.

For avoidance of doubt, VMM Holdings, being the major shareholder of KP Well Chip prior to the Acquisition, did not grant any loans to KP Well Chip. KP Well Chip had made interest payments at the interest rate of 7% per annum on such loans.

(16) The software licence and the exclusive trademark licence each granted by ValueMax Group Limited were entered into by SYT Pavilion and our Company respectively to maintain business continuity of our Group, as our Group has been operating its business with the use of such software and under the trademark registered by ValueMax Group Limited.

The consideration RM10 for the software licence and RM34,507 (SGD10,000) for the trademark licence paid in connection with the obtainment of such licences were not arrived at on an arm's length basis, as such payments were a fixed sum agreed upon by the parties on a one-off basis. As the licences granted are perpetual and irrevocable and hence the payments made are single lump sum payments with no further payments to be made in connection with the grant of such licences, the Board is of the view that notwithstanding that such transactions were not arrived at on an arm's length basis, the transactions were entered into in the best interest of our Group and not detrimental to the non-interested shareholders in view of the following:

(i) the monetary value of the transactions were not material; and

(ii) the transactions were entered into in the best interest of our Group as the software licence facilitates our pawnbroking business while the trademark licence is for branding continuity.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

A summary of the related party transactions listed above aggregated on the basis that such transactions have been entered into by the Well Chip Group with the same related party based on nature of transaction is as set out below:

				Transaction value				
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	From 1 January 2024 up to the LPD
No.	**Transactions**	**Transacting parties**	**Nature of transaction**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1.	1, 2, 3, 5 & 6	Certain subsidiaries of our Company with ValueMax Group Limited and certain subsidiaries of ValueMax Group Limited	Provision of the following services by certain subsidiaries of ValueMax Group Limited to the relevant subsidiaries of our Company: • general operation and marketing services, and carrying out any other activities supplemental or additional to the aforementioned services • general accounting and IT services, and carrying out any other activities supplemental or additional to the aforementioned services • maintenance of computers, equipment and peripherals, development or sourcing for suitable software to enhance the efficiency of the client's business, and carrying out any other activities supplemental or additional to the aforementioned services	1,589 (represents 9.1% of administrative expenses)	2,019 (represents 9.6% of administrative expenses)	2,055 (represents 7.7% of administrative expenses)	566 (represents 2.1% of administrative expenses)	46
2.	4	SYT Pavilion and VM Properties	Development and sourcing of suitable software and provision of maintenance and support by SYT Pavilion to VM Properties	473 (represents 51.5% of other income)	1,151 (represents 80.1% of other income)	1,103 (represents 86.6% of other income)	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				Transaction value				
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	From 1 January 2024 up to the LPD
No.	Transactions	Transacting parties	Nature of transaction	RM'000	RM'000	RM'000	RM'000	RM'000
3.	7	KE Well Chip with Swift Paragon	Rental of property by KE Well Chip to Swift Paragon	18 (represents 2.0% of other income)	19 (represents 1.3% of other income)	22 (represents 1.7% of other income)	22 (represents 7.4% of other income)	9
4.	8 – 15	Certain subsidiaries of our Company with ValueMax Group Limited and related parties to our Company	Rental of properties by certain subsidiaries our Company from of ValueMax Group Limited and related parties to our Company	200 (represents 1.1% of administrative expenses)	216 (represents 1.0% of administrative expenses)	234 (represents 0.9% of administrative expenses)	474 (represents 1.7% of administrative expenses)	261
5.	16 – 23	Certain subsidiaries of our Company with ValueMax Group Limited and related parties to our Company	Provision of loans by ValueMax Group Limited and related parties to our Company	2,670 (represents 2.0% of NA)	10,057 (represents 6.7% of NA)	4,271 (represents 2.5% of NA)	7,799 (represents 3.8% of NA)	-
			Repayment of loans to ValueMax Group Limited and related parties to our Company	10,827 (represents 8.2% of NA)	3,242 (represents 2.2% of NA)	2,046 (represents 1.2% of NA)	32,671 (represents 16.1% of NA)	5,671
			Interests at interest rates of 6% to 7% per annum payable to ValueMax Group Limited and related parties to our Company in relation to the loans from ValueMax Group Limited and related parties to our Company	5,858 (represents 59.8% of cost of sales for pawnbroking services)	4,981 (represents 61.1% of cost of sales for pawnbroking services)	5,765 (represents 54.6% of cost of sales for pawnbroking services)	5,822 (represents 38.8% of cost of sales for pawnbroking services)	2,018
6.	24	Certain subsidiaries of our Company with ValueMax Group Limited and Yeah Holdings	Annual fees payable in relation to corporate guarantees provided by ValueMax Group Limited and Yeah Holdings in favour of the respective financiers at the rate of 0.75% on the amount guaranteed	941 (represents 5.4% of administrative expenses)	1,016 (represents 4.8% of administrative expenses)	1,062 (represents 4.0% of administrative expenses)	1,514 (represents 5.5% of administrative expenses)	685

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				Transaction value				
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	From 1 January 2024 up to the LPD
No.	**Transactions**	**Transacting parties**	**Nature of transaction**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
7.	25 - 28	KE Well Chip with the related parties of our Company	Sales of gold jewellery and watches	202 (represents 0.3% of revenue from retail and trading of jewellery and gold)	403 (represents 0.8% of revenue from retail and trading of jewellery and gold)	163 (represents 0.2% of revenue from retail and trading of jewellery and gold)	49 (less than 0.1% of revenue from retail and trading of jewellery and gold)	7
8.	29 – 30	Our Company and SYT Pavilion with ValueMax Group Limited	One-off payment in respect of: • software licence granted to SYT Pavilion by ValueMax Group Limited • sole and exclusive perpetual licence granted to our Company by ValueMax Group Limited	-	-	-	35 (represents 0.1% of administrative expenses)	-

Save for the following transactions, our Directors confirm that all the above related party transactions were carried out on arm's length basis as the respective considerations were fixed at the prevailing market rate and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and are not detrimental to our non-interested shareholders:

(i) transactions (1) to (5), where we are unable to determine whether they have been carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and are not detrimental to the non-interested shareholders;

(ii) transactions (16) to (23), which are not on arm's length basis and not on normal commercial terms during the Period Under Review up to the date of our Listing; and

(iii) transactions (29) to (30), where the considerations were not arrived at on an arm's length basis.

Our Directors also confirm that there are no other material related party transactions that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but not yet effected up to the date of this Prospectus.

After the Listing, our Group intends to continue with related party transactions (6) to (23) and (25) to (28), which are recurring in nature. In accordance with the Listing Requirements, our Group would be required to seek shareholders' approval when our Group enters into material related party transactions. However, if such related party transactions can be deemed as recurrent related party transactions, our Group may seek a general mandate from our shareholders to enter into the transactions without having to seek separate shareholders' approval each time it wishes to enter into such recurrent related party transactions during the validity period of the mandate.

Our Board will, through our Audit and Risk Management Committee, ensure that any related party transactions (inclusive of recurrent related party transactions) are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to the detriment of our Group.

Our Audit and Risk Management Committee will supervise the terms of related party transactions and our Directors will report related party transactions, if any, annually in our Company's annual report. In the event there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his/her interest to our Board, of the details of the nature and extent of his/her interest, including all matters in relation to the proposed related party transactions that he/she is aware or should reasonably be aware of, which is not in our Company's best interests. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions.

In the event there are any proposed related party transactions that require prior approval of our shareholders, our Directors, major shareholders and/or persons connected with them who have any direct or indirect interest in the proposed related party transactions shall abstain from deliberation and voting on resolutions pertaining to the respective transactions at the general meeting.

10.2.2 Transactions entered into that are unusual in their nature or conditions

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for the Period Under Review up to the LPD.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

10.2.3 Loans and/or advances made to or for the benefit of related parties or received from related parties

(i) Loans and/or advances made to or for the benefit of related parties

Save as disclosed below, there are no outstanding loans and/or advances made by our Group to or for the benefit of related parties during the Period Under Review and up to the LPD:

				As at 31 December				As at the LPD
No.	Transacting parties	Nature of relationship	Nature of transaction	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	RM'000
1.	KP Well Chip and VMM Holdings	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Director • Yeah Chia Kai(2) • Ng Hooi Lang(3) Interested substantial shareholder • Tan Hong Yee(4) Person connected Yeow Chun Huat(5)	Cash advances to VMM Holdings for payment of expenses incurred by VMM Holdings, which includes management fees, withholding tax, interest expenses, rental as well as contributions to EPF, SOCSO and EIS(10).	113 (represents 0.1% of NA)	113 (represents 0.1% of NA)	14 (less than 0.1% of NA)	-	-
2.	SYT Pavilion and VM Properties	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Director • Yeah Chia Kai(2) Interested substantial shareholder • Tan Hong Yee(4) Person connected • Yeah Lee Ching(6)	Amount owing by VM Properties for IT support services (11)	473 (represents 0.4% of NA)	1,151 (represents 0.8% of NA)	1,103 (represents 0.6% of NA)	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(ii) Loans and/or advances received from related parties

Save as disclosed below, there are no outstanding loans and/or advances received by our Group from related parties during the Period Under Review and up to the LPD:

				As at 31 December				As at the LPD
				2020	2021	2022	2023	
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1.	SYT Pavilion with ValueMax Group Limited	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Director • Yeah Chia Kai(2) Interested substantial shareholder • Tan Hong Yee(4) Persons connected • Yeah Lee Ching(6)	Loans from ValueMax Group Limited for Cash Capital(12)	(13)24,955 (represents 18.9% of NA)	(13)32,725 (represents 21.7% of NA)	(13)40,171 (represents 23.4% of NA)	(13)17,321 (represents 8.5% of NA)	(13)17,557
2.	KP Well Chip with Goldjew	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Director • Tang Soo Yen(5) Interested substantial shareholder • Tan Hong Yee(4) Persons connected • Yeo Mooi Huang(1) • Yeow Chun Huat(5)	Loans from Goldjew for Cash Capital(12)	10,518 (represents 8.0% of NA)	11,267 (represents 7.5% of NA)	12,069 (represents 7.0% of NA)	12,929 (represents 6.4% of NA)	13,295

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

No.	Transacting parties	Nature of relationship	Nature of transaction	As at 31 December 2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	As at the LPD RM'000
3.	KP Well Chip with Great Prompt	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Director • Yeow Choong Kuan(7) • Tang Soo Yen(5) Interested substantial shareholder • Tan Hong Yee(4) Persons connected • Yeah Chia Wei(8) • Yeow Chun Huat(5)	Loans from Great Prompt for Cash Capital(12)	188 (represents 0.1% of NA)	201 (represents 0.1% of NA)	216 (represents 0.1% of NA)	231 (represents 0.1% of NA)	237
4.	Thye Shing Pawnshop with Great Prompt	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Director • Yeow Choong Kuan(7) • Tang Soo Yen(5) Interested substantial shareholder • Tan Hong Yee(4) Persons connected • Yeah Chia Wei(8) • Yeow Chun Huat(5)	Loans from Great Prompt for Cash Capital(12)	2,778 (represents 2.1% of NA)	2,976 (represents 2.0% of NA)	3,188 (represents 1.9% of NA)	3,415 (represents 1.7% of NA)	3,512

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				As at 31 December				As at the LPD
				2020	2021	2022	2023	
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
5.	Thye Shing Pawnshop with Goldjew	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Director • Tang Soo Yen(5) Interested substantial shareholder • Tan Hong Yee(4) Persons connected • Yeo Mooi Huang(1) • Yeow Chun Huat(5)	Loans from Goldjew for Cash Capital(12)	7,233 (represents 5.5% of NA)	7,748 (represents 5.1% of NA)	8,300 (represents 4.8% of NA)	8,891 (represents 4.4% of NA)	9,142 -
6.	KP Well Chip with Yeah Hiang Nam	Interested Director and/or substantial shareholder Yeah Hiang Nam(1)	Loans from Yeah Hiang Nam for Cash Capital(12)	6,126 (represents 4.6% of NA)	6,517 (represents 4.3% of NA)	6,929 (represents 4.0% of NA)	7,373 (represents 3.6% of NA)	7,555 -
7.	KP Well Chip with Ng Hooi Lang	Interested Director • Ng Hooi Lang(3)	Loans from Ng Hooi Lang for Cash Capital(12)	830 (represents 0.6% of NA)	1,136 (represents 0.8% of NA)	1,135 (represents 0.7% of NA)	1,089 (represents 0.5% of NA)	933 -
8.	KP Well Chip with Tang Soo Yen	Interested Director • Tang Soo Yen(5)	Loans from Tang Soo Yen for Cash Capital(12)	1,170 (represents 0.9% of NA)	1,282 (represents 0.9% of NA)	757 (represents 0.4% of NA)	601 (represents 0.3% of NA)	- -
9.	KP Well Chip with other individual minority shareholders of KP Well Chip	Individual minority shareholders of KP Well Chip(9)	Loans from individual minority shareholders of KP Well Chip for Cash Capital(12)	16,124 (represents 12.2% of NA)	17,751 (represents 11.8% of NA)	18,609 (represents 10.8% of NA)	19,264 (represents 9.5% of NA)	15,116 -
10.	Thye Shing Pawnshop with Yeah Hiang Nam	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1)	Loans from Yeah Hiang Nam for Cash Capital(12)	3,804 (represents 2.9% of NA)	4,047 (represents 2.7% of NA)	4,306 (represents 2.5% of NA)	4,582 (represents 2.3% of NA)	4,696 -

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Notes:

(1) Please refer to note (7) of **Section 10.2.1** of this Prospectus.

(2) Please refer to note (8) of **Section 10.2.1** of this Prospectus.

(3) Please refer to note (11) of **Section 10.2.1** of this Prospectus.

(4) Please refer to note (9) of **Section 10.2.1** of this Prospectus.

(5) Please refer to note (14) of **Section 10.2.1** of this Prospectus.

(6) Please refer to note (10) of **Section 10.2.1** of this Prospectus.

(7) Please refer to note (12) of **Section 10.2.1** of this Prospectus.

(8) Please refer to note (13) of **Section 10.2.1** of this Prospectus.

(9) Please refer to note (15) of **Section 10.2.1** of this Prospectus.

(10) The advances to VMM Holdings are short term, unsecured and non-interests bearing. As at the LPD, all the advances to VMM Holdings were fully repaid.

(11) The amount owing by VM Properties for IT support services is short term in nature. Please refer to item (3) of **Section 10.2.1** of this Prospectus.

(12) All Related Parties Loans are classified as short-term in nature. Please refer to note (4) of **Section 10.2.1** of this Prospectus.

(13) The loans from ValueMax Group Limited are dominated in SGD. The outstanding amount in the corresponding SGD amounts are as set out below:

	As at 31 December				
	2020	**2021**	**2022**	**2023**	**As at the LPD**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**
Loans from ValueMax Group Limited	8,175	10,583	12,174	4,969	5,035

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

The Related Parties Loans are not on arm's length basis and not on normal commercial terms during the Period Under Review up to the date of our Listing as the loans by or amount owing to the related parties are unsecured, and repayable on demand together with interests incurred therein.

Following the supplemental loan agreements entered into by our Group on 22 September 2023, our Board is of the view that the Revised Loan Terms will be carried out on arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and are not detrimental to non-interested shareholders as the Revised Loan Terms (i) maintains the fixed interest rates provided for under the existing loan agreements, which are comparable to interest rates incurred by our Group's existing secured bank borrowings utilised to finance our pawnbroking operations; and (ii) further provides for fixed repayment periods in substitution for the repayment on demand provision.

Save as disclosed above, no further loans or financial assistance will be received from any related parties of our Group, unless such loans and financial assistance are permitted under the law and the Listing Requirements and brought to our Audit and Risk Management Committee and our Board for deliberation and approval.

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10.2.4 Guarantees provided by our related parties

For the Period Under Review, Yeah Hiang Nam, Ng Hooi Lang, and certain directors of our subsidiaries and/or related parties to our Group have provided joint and several personal guarantees, while ValueMax Group Limited and Yeah Holdings have provided corporate guarantees in favour of the financial institutions extending such banking facilities to our Group.

As at the LPD, we have obtained conditional approvals from the relevant financial institutions to discharge and/or uplift the said personal guarantees and/or corporate guarantee by substituting the same with a corporate guarantee from our Company subject to the success of our Listing.

10.3 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.3.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee reviews related party transactions and conflicts of interest situations that may arise within our Company or Group. Our Audit and Risk Management Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conducts. In reviewing the related party transactions, the following, amongst others, will be considered:

(i) the rationale and the cost/benefit to our Company is first considered;

(ii) where possible, comparative quotes will be taken into consideration;

(iii) that the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length basis; and

(iv) that the transactions are not detrimental to our Company's non-interested shareholders.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

10.3.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the shareholders, officers and the directors of our Group are also officers, directors and in some cases, shareholders of the related parties of our Group, as disclosed in this Prospectus and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to the public dealing on an arm's length basis with our Group and are not detrimental to our Company's non-interested shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and MCCG upon our Listing. The procedures which may form part of the framework including, amongst others, the following:

(i) our Board shall ensure that majority of our Board members are Independent Directors and will undertake an annual assessment of our Independent Directors;

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(ii) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and

(iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would, in turn, make a recommendation to our Board.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN ENTITIES WHICH CARRY ON A SIMILAR TRADE AS OUR GROUP OR WHICH ARE OUR CUSTOMERS OR SUPPLIERS

11.1.1 Interest of our Directors and substantial shareholders in entities which carry on a similar trade as our Group

As at the LPD, save as disclosed below, our Directors and substantial shareholders do not have any interest, direct or indirect, in any entities which are carrying on a similar trade as our Group:

No.	Name of Company	Nature of trade	Principal activities	Nature of interest
1.	ValueMax Group Limited via its subsidiaries: (i) Ban Soon Pawnshop Pte. Ltd. (ii) ValueMax Pawnshop Pte. Ltd. (iii) ValueMax Pawnshop (BD) Pte. Ltd. (iv) ValueMax Pawnshop (PR) Pte. Ltd. (v) ValueMax Pawnshop (SG) Pte. Ltd. (vi) ValueMax Pawnshop (CCK) Pte. Ltd. (vii) ValueMax Pawnshop (WL) Pte. Ltd. (viii) ValueMax Pawnshop (EL) Pte. Ltd. (ix) ValueMax Pawnshop (JP) Pte. Ltd. (x) Thye Lian Pawnshop Pte. Ltd. (xi) ValueMax Retail Pte. Ltd. (xii) ValueMax Precious Metals Pte. Ltd. (xiii) Spring Jewellery (SG) Pte. Ltd. (collectively, "**ValueMax Group Subsidiaries**")	The ValueMax Group Subsidiaries are involved in the business of pawnbroking and retail sale of jewellery, which is similar to our Group's business.	Companies (i) to (x): Pawnbroking Companies (xi) to (xiii): Retail sale of jewellery made from precious metals and stones	<u>Interested Director and/or substantial shareholder</u> • Yeah Hiang Nam(1) <u>Interested Director</u> • Yeah Chia Kai(2) <u>Interested substantial shareholder</u> • Tan Hong Yee(3)

11. CONFLICT OF INTEREST *(Cont'd)*

No.	Name of Company	Nature of trade	Principal activities	Nature of interest
2.	Ban Seng Pawnshop Pte. Ltd.	Ban Seng Pawnshop is involved in the business of pawnbroking, which is similar to our Group's business	Pawnbroking	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1)
3.	Soon Hong Pawnshop Pte. Ltd.	Soon Hong Pawnshop is involved in the business of pawnbroking, which is similar to our Group's business	Pawnbrokerage	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Director • Yeah Chia Kai(2)

Notes:

(1) Please refer to note (7) of **Section 10.2.1** of this Prospectus.

(2) Please refer to note (8) of **Section 10.2.1** of this Prospectus.

(3) Please refer to note (9) of **Section 10.2.1** of this Prospectus.

Our Board is of the view that any potential conflict of interest which may arise through the interests of Yeah Hiang Nam, Tan Hong Yee and Yeah Chia Kai in ValueMax Group Limited, the ValueMax Group Subsidiaries, Ban Seng Pawnshop Pte. Ltd. and Soon Hong Pawnshop Pte. Ltd. (where applicable), which carry on a similar trade as our Group is mitigated in view of the following:

(i) The pawnbroking services provided by the ValueMax Group Subsidiaries, Ban Seng Pawnshop Pte. Ltd. and Soon Hong Pawnshop Pte. Ltd. are focused within the vicinity where the pawnshops are located, and each pawnshop are licenced by and registered with the Singapore authorities, and may only operate within Singapore.

The entities within the ValueMax Group involved in the retail sale of precious metals and stones only operates in Singapore and do not have any trades or operations in Malaysia.

(ii) Yeah Hiang Nam and Yeah Chia Kai, being our Non-Independent Non-Executive Directors and Tan Hong Yee, being a substantial shareholder of our Company, are not involved in the day-to-day management and operation of our Group, and have abstained and will continue to abstain from deliberating on all decisions made in relation to our Group's transactions with ValueMax Group Limited and the ValueMax Group Subsidiaries.

The daily operations and management of our Group is undertaken by Ng Hooi Lang, our Executive Director and Chief Executive Officer, and Tang Soo Yen, our Executive Director and Director of Retail and Merchandising, together with Sia Shu Yee, our Chief Financial Officer.

(iii) Both Yeah Hiang Nam and Yeah Chia Kai will abstain from deliberating and voting at our Board meetings in relation to transactions with ValueMax Group Limited and the ValueMax Group Subsidiaries (if any). Yeah Hiang Nam and Tan Hong Yee will abstain from voting in respect of their direct/indirect shareholdings in our Company on the resolutions in relation to transactions with ValueMax Group Limited and the ValueMax Group Subsidiaries (if any).

In order to address, resolve, mitigate and/or eliminate any actual or any potential conflict of interest situation between the ValueMax Group and our Group, ValueMax Group Limited had, on 10 November 2023, announced on SGX that it has adopted a policy and commitment ("**Policy**") to not engage in and/or carry out the business of pawnbroking and/or retail trading of gold jewellery and watches in Malaysia so long as ValueMax Group Limited maintains the associate company relationship between ValueMax Group Limited and our Company or ValueMax Group Limited retains direct or indirect shareholding control in our Company, where the Policy is meant to:

(i) address, resolve, mitigate and/or eliminate any actual or potential conflict of interest between the respective business activities of the ValueMax Group and our Group; and

(ii) focus on ValueMax Group's principal business activities within Singapore and also in other markets to optimise efficiency and resource allocation to be able to compete effectively with other industry players and to avoid inadequate allocation of resources in competition with the business activities of our Group in which ValueMax Group Limited holds an indirect interest.

ValueMax Group Limited is committed to the Policy for as long as ValueMax Group Limited remains as a substantial shareholder of our Company.

11.1.2 Interest of our Directors and substantial shareholders in entities which are our customers

As at the LPD, none of our Directors and substantial shareholders have any interest, whether direct or indirect, in any businesses or corporations which are customers of our Group.

11.1.3 Involvement of our Directors and substantial shareholders in entities which are our suppliers

As at the LPD, save as disclosed below, none of our Directors and substantial shareholders have any interest, whether direct or indirect, in any businesses or corporations which are the suppliers of our Group:

VMM Holdings

VMM Holdings has been providing IT support services to our Group since 1 July 2023 pursuant to the IT services agreement dated 22 May 2023 ("**IT Services Agreement**"). VMM Holdings is our substantial shareholder and is a wholly-owned subsidiary of ValueMax Group Limited. Please refer to note (2) of **Section 10.2.1** of this Prospectus for more information on the IT Services Agreement.

Under the IT Services Agreement, SYT Pavilion pays to VMM Holdings a service fee of RM350.00 per month in respect of each pawnbroking and/or retail of jewellery and gold outlet using the IT support services. Please refer to notes (7), (8), (9), (11) and (14) of **Section 10.2.1** of this Prospectus on the interests of Yeah Hiang Nam, Yeah Chia Kai, Tang Hong Yee, Ng Hooi Lang and Tang Soo Yen(1) respectively in VMM Holdings.

Our Board is of the view that any potential conflict of interest situation which may arise through the interests of Yeah Hiang Nam, Yeah Chia Kai, Tan Hong Yee, Ng Hooi Lang or Tang Soo Yen in VMM Holdings is mitigated due to the following:

(i) VMM Holdings is not our Group's major supplier and our Group is not dependent on the services from VMM Holdings as there are other third-party service providers in the market providing similar services;

(ii) The IT Services Agreement is carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group and are provided exclusively to our Group; and

(iii) Yeah Hiang Nam, Yeah Chia Kai, Ng Hooi Lang and Tang Soo Yen and persons connected with them will abstain from deliberating and voting at our Board meetings in relation to transactions with VMM Holdings.

Note:

(1) The spouse of Tang Soo Yen, Yeow Chun Huat, is a director of VMM Holdings.

11.2 INVOLVEMENT OF OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS IN ENTITIES WHICH PROVIDE LOANS TO OUR GROUP

As at the LPD, save as disclosed below, our Directors and substantial shareholders do not have any interest, direct or indirect, in any entities which have provided any loans to our Group:

No.	Company(ies) in our Group	Interested party(ies)	Nature of transaction	Nature of interest	Outstanding amount as at LPD RM'000
1.	SYT Pavilion	ValueMax Group Limited	Loans provided by ValueMax Group Limited to SYT Pavilion for Cash Capital	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Director • Yeah Chia Kai(2) Interested substantial shareholder • Tan Hong Yee(3)	17,557
2.	KP Well Chip	Goldjew Sdn. Bhd. ("**Goldjew**")	Loans provided by Goldjew to KP Well Chip for Cash Capital	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested director • Tang Soo Yen(4) Interested substantial shareholder • Tan Hong Yee(3)	13,295
3.	KP Well Chip	Great Prompt Sdn. Bhd. ("**Great Prompt**")	Loans provided by Great Prompt to KP Well Chip for Cash Capital	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Directors • Tang Soo Yen(4) • Yeow Choong Kuan(5) Interested substantial shareholder • Tan Hong Yee(3)	237

11. CONFLICT OF INTEREST *(Cont'd)*

No.	Company(ies) in our Group	Interested party(ies)	Nature of transaction	Nature of interest	Outstanding amount as at LPD RM'000
4.	Thye Shing Pawnshop	Great Prompt	Loans provided by Great Prompt to Thye Shing Pawnshop for Cash Capital	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Directors • Tang Soo Yen(4) • Yeow Choong Kuan(5) Interested substantial shareholder • Tan Hong Yee(3)	3,512
5.	Thye Shing Pawnshop	Goldjew	Loans provided by Goldjew to Thye Shing Pawnshop for Cash Capital	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1) Interested Directors • Tang Soo Yen(4) • Yeow Choong Kuan(5) Interested substantial shareholder • Tan Hong Yee(3)	9,142
6.	KP Well Chip	Individual minority shareholders of KP Well Chip(7)	Loans provided by individual minority shareholders of KP Well Chip to KP Well Chip for Cash Capital	Interested Directors • Ng Hooi Lang(6) • Tang Soo Yen(4) • Yeow Choong Kuan(5)	15,116
7.	KP Well Chip	Yeah Hiang Nam	Loans provided by Yeah Hiang Nam to KP Well Chip for Cash Capital	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1)	7,555
8.	Thye Shing Pawnshop	Yeah Hiang Nam	Loans provided by Yeah Hiang Nam to Thye Shing Pawnshop for Cash Capital	Interested Director and/or substantial shareholder • Yeah Hiang Nam(1)	4,696

Notes:

(1) Please refer to note (7) of **Section 10.2.1** of this Prospectus.

(2) Please refer to note (8) of **Section 10.2.1** of this Prospectus.

(3) Please refer to note (9) of **Section 10.2.1** of this Prospectus.

(4) Please refer to note (14) of **Section 10.2.1** of this Prospectus.

(5) Please refer to note (12) of **Section 10.2.1** of this Prospectus.

(6) Please refer to note (11) of **Section 10.2.1** of this Prospectus.

(7) Please refer to note (15) of **Section 10.2.1** of this Prospectus.

The Related Parties Loans were mainly utilised by our Group as cash capital for the disbursement of pawn loans, which were instrumental to the growth of our Group's pawnbroking business. Any immediate repayment or short repayment period or lump sum repayment will have an adverse impact on the growth of our Group as it would constrain the amount of cash capital available for the disbursement of pawn loans and expansion of new pawnbroking outlets of our Group. As at the LPD, the outstanding Related Parties Loans amounted to RM72.04 million with interest rates ranging from 6% to 7% per annum.

Assuming that our Group does not utilise the Related Parties Loans, the working capital of our Group will comprise mainly internally generated funds and external bank borrowings. On this basis, our Group will still have adequate working capital to support and grow its pawnbroking business operations for at least the next 12 months, albeit at a lower growth rate of its pawn loan book (i.e. pledged receivables).

Our Group had on 22 September 2023 entered into supplemental loan agreements with the related parties whereby the terms of the loans have been revised, amongst others, to incorporate fixed interest rate payments and fixed repayment terms. Based on the revised terms pursuant to the supplemental loan agreements, the Related Parties Loans will be on arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and which are not detrimental to the interests of non-interested shareholders, in view of the following:

(i) the applicable interest rates are fixed between 6% to 7% per annum, which is within the range of interest rates incurred by our Group for existing bank borrowings utilised to finance our pawnbroking operations;

11. CONFLICT OF INTEREST *(Cont'd)*

(ii) the principal amount of the Related Parties Loans together with the applicable interests are repayable on a fixed repayment term as opposed to repayable on demand for the Period Under Review up to the date of our Listing; and

(iii) the interest rates will be calculated on the principal amount outstanding on the respective loans, and on a daily basis and payable on the last day of each calendar year during the Repayment Term.

Premised on the above, our Board is of the view that any potential conflict of interest situation which may arise through the interests of the related parties of our Group is mitigated.

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Upon successful implementation of the Listing, our Group will not rely on additional related parties loans, as our Group may raise additional funds from bank borrowings and/or the capital market to finance future expansions of our pawnbroking business. In the event we issue new shares/securities as part of our fund raising exercise, the issuance of additional shares may result in dilution to the shareholdings of our shareholders.

Moving forward, following the Listing, our Audit and Risk Management Committee will continue to review and assess the financial risk and matters in relation to any related parties transactions and potential conflict of interest situations that may arise to ensure that transactions are carried out in the best interest of our Group. These matters may include any transaction, procedure or course of conduct within our Group that raise questions of management integrity. Our Audit and Risk Management Committee will also ensure that any such transactions are carried out on terms that are not detrimental to our Group.

Notwithstanding the above, the interests that are held by our Directors and substantial shareholders and the interests that may be held by our Directors and substantial shareholders in the future in other businesses or corporations which are carrying on a similar trade as our Group and/or our customers or suppliers may give rise to a conflict of interest situation with our business. Where such interests give rise to a conflict of interest situation, our Directors and substantial shareholders and persons connected to them shall abstain from deliberating and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interest. Such transactions will be carried out on arm's length basis and on normal commercial terms.

11.3 DECLARATIONS BY ADVISERS ON CONFLICT OF INTEREST

(i) Kenanga IB confirms that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as our Principal Adviser, Managing Underwriter, Joint Underwriter and Joint Placement Agent for our IPO.

(ii) CGS International confirms that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as our Joint Underwriter and Joint Placement Agent for our IPO.

(iii) Mah-Kamariyah & Philip Koh confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors in relation to our IPO.

(iv) RSM Malaysia PLT confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants in relation to our IPO.

(v) Protégé confirms that there is there is no existing or potential conflict of interest in its capacity as the Independent Market Researchers in relation to our IPO.

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia under the Act on 12 April 2023 to facilitate our Listing. On 20 May 2024, we formed our Group upon completion of the Pre-IPO Restructuring. All the Target Companies acquired by our Company pursuant to the Acquisition are assumed to be under the common control of our Company. As such, the historical financial information of our Group for the Period Under Review is presented based on the combined audited financial statements of our Group.

Our historical combined financial statements have been prepared in accordance with the MFRS and IFRS. There are no accounting policies which are peculiar to our Group in regard to the nature of the business or the industry which our Group is involved in and there has been no audit qualification on our audited combined financial statements for the Period Under Review.

The following selected historical financial information should be read in conjunction with the "Management's Discussion and Analysis of Financial Conditions and Results of Operations" as set out in **Section 12.3** of this Prospectus and Accountants' Report, together with its accompanying notes, as set out in **Section 13** of this Prospectus.

12.1.1 Combined statements of profit or loss and other comprehensive income

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations				
Revenue	121,840	101,881	158,125	203,675
Cost of sales	(58,886)	(49,390)	(95,592)	(126,243)
GP	**62,954**	**52,491**	**62,533**	**77,432**
Other income	919	1,437	1,274	299
Administrative expenses	(17,540)	(21,006)	(26,726)	(27,360)
Finance costs	(173)	(176)	(303)	(378)
PBT from continuing operations	**46,160**	**32,746**	**36,778**	**49,993**
Taxation	(12,478)	(8,965)	(11,621)	(14,672)
PAT and total comprehensive income from continuing operations	**33,682**	**23,781**	**25,157**	**35,321**
Discontinued operations [(1)]				
(LAT)/PAT from discontinued operations	(74)	184	1,195	1,109
PAT and total comprehensive income	**33,608**	**23,965**	**26,352**	**36,430**
EBITDA [(2)]	48,780	35,516	40,054	53,941
GP margin (%) [(3)]	51.7	51.5	39.5	38.0
PBT margin (%) [(4)]	37.9	32.1	23.3	24.5
PAT margin (%) [(5)]	27.6	23.3	15.9	17.3
Basic EPS (sen) [(6)]	7.5	5.3	5.6	7.8
Diluted EPS (sen) [(7)]	5.6	4.0	4.2	5.9

Notes:

(1) On 28 June 2023, we have completed the Disposal of Swift Paragon. Please see **Section 6.3.1** of this Prospectus for more information on the Disposal of Swift Paragon.

Accordingly, the assets and liabilities of Swift Paragon for the Period Under Review are classified as disposal group classified as held for sale and the financial results of Swift Paragon are classified as discontinued operations.

(2) Computed as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT from continuing operations	33,682	23,781	25,157	35,321
Add: Finance costs	173	176	303	378
Income tax expense	12,478	8,965	11,621	14,672
Depreciation	2,447	2,594	2,973	3,700
Less: Interest income	-	-	-	(130)
EBITDA	**48,780**	**35,516**	**40,054**	**53,941**

(3) Computed based on GP divided by revenue.

(4) Computed based on PBT from continuing operations divided by revenue.

(5) Computed based on PAT from continuing operations divided by revenue.

(6) Computed based on PAT from continuing operations over our total number of 450,000,000 Shares after the Acquisition but before our IPO.

(7) Computed based on PAT from continuing operations over our enlarged total number of 600,000,000 Shares after our IPO.

12.1.2 Combined statements of financial position

	Audited			
	As at 31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current assets				
Property, plant and equipment	5,191	4,971	6,344	7,585
Right-of-use assets	1,750	2,818	15,863	22,484
Goodwill	425	425	425	425
Total non-current assets	**7,366**	**8,214**	**22,632**	**30,494**
Current assets				
Inventories	24,758	33,226	35,021	32,097
Trade and other receivables	255,751	263,346	343,411	420,470
Current tax assets	516	674	430	299
Cash and bank balances	14,551	14,369	8,606	12,466
	295,576	**311,615**	**387,468**	**465,332**
Assets classified as held for sale	167	14,392	24,468	-
Total current assets	**295,743**	**326,007**	**411,936**	**465,332**
Total assets	**303,109**	**334,221**	**434,568**	**495,826**

	Audited			
	As at 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Equity				
Invested equity	27,683	27,683	27,683	27,683
Retained profits	104,327	122,857	144,112	175,694
Total equity	**132,010**	**150,540**	**171,795**	**203,377**
Non-current liabilities				
Lease liabilities	745	1,543	10,794	15,604
Loans and borrowings	1,177	1,126	3,750	3,831
Deferred tax liabilities	54	12	74	58
Total non-current liabilities	**1,976**	**2,681**	**14,618**	**19,493**
Current liabilities				
Lease liabilities	1,071	1,340	1,702	2,110
Loans and borrowings	85,575	87,958	143,184	188,665
Other payables	78,119	90,926	101,921	79,911
Current tax liabilities	4,210	705	1,147	2,270
	168,975	180,929	247,954	272,956
Liabilities directly associated with the assets classified as held for sale	148	71	201	-
Total current liabilities	**169,123**	**181,000**	**248,155**	**272,956**
Total liabilities	**171,099**	**183,681**	**262,773**	**292,449**
Total equity and liabilities	**303,109**	**334,221**	**434,568**	**495,826**

12.2 CAPITALISATION AND INDEBTEDNESS

Our capitalisation and indebtedness based on the latest audited financial information as at 27 May 2024 and after adjusting for the effects of the Pre-IPO Restructuring, Public Issue and utilisation of proceeds are summarised in the table below:

		I	II
	Unaudited as at 27 May 2024	After I and Public Issue	After II and utilisation of proceeds
	RM'000	RM'000	RM'000
Capitalisation			
Shareholders' equity	171,647	344,147	339,305
Total capitalisation	**171,647**	**344,147**	**339,305**
Indebtedness			
Current			
Secured and guaranteed			
- Term loans	122	122	122
- Bank overdrafts	22,786	22,786	22,786
- Revolving credit	170,500	170,500	170,500
	193,408	**193,408**	**193,408**

	Unaudited as at 27 May 2024	I After I and Public Issue	II After II and utilisation of proceeds
	RM'000	**RM'000**	**RM'000**
Unsecured and unguaranteed			
- Loans from related parties	43,744	43,744	43,744
- Loan from directors	13,184	13,184	13,184
- Loans from shareholders	15,116	15,116	15,116
- Lease liabilities	2,135	2,135	2,135
	74,179	**74,179**	**74,179**
Non-current			
Secured and guaranteed			
- Term loans	3,791	3,791	3,791
Unsecured and unguaranteed			
- Lease liabilities	15,723	15,723	15,723
Total indebtedness	**287,101**	**287,101**	**287,101**
Total capitalisation and indebtedness	**458,748**	**631,248**	**626,406**
Gearing ratio (times) (1)	1.57	0.78	0.79

Notes:

(1) Computed based on total indebtedness (excluding lease liabilities) divided by total capitalisation. Lease liabilities of our Group comprise of tenancy agreements entered with the landlords in relation to the lease of pawnshops and retail outlets, which are recognised in accordance with MFRS 16 Leases. Pursuant thereto, lease liabilities are excluded from the calculation of gearing ratio in view that these lease liabilities are not related to the borrowings by our Group.

As at the LPD, we do not have any contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our financial condition and results of operations for the Period Under Review should be read in conjunction with the Accountant's Report as set out in **Section 13** of this Prospectus.

This discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ significantly from those anticipated in these forward-looking statements. The factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed in **Section 12.3.2** and elsewhere in this Prospectus, particularly the risk factors as set out in **Section 9** of this Prospectus.

12.3.1 Overview of our operations

Our Company is an investment holding company and through our subsidiaries, we are principally involved in the provision of pawnbroking services and business of retail and trading of jewellery and gold.

Please refer to **Section 7** of this Prospectus for an overview of our businesses.

(i) Revenue

Our revenue is derived from the following:

(a) Pawnbroking services:

(aa) Monthly interest charges earned from the pawn loan is recognised on time-proportion basis using the effective interest method. We recognise interest income based on the outstanding pawn loans receivable at the end of each month. We charge a monthly interest rate which ranges between 1.00% to 2.00% of the pawn loan amount; and

(bb) One-off administrative fees for our pawnbroking services are recognised at a point in time when the performance obligation is satisfied upon issuance of pawn ticket. We may charge a maximum one-off administrative fee of RM0.50 for the issuance of pawn tickets for any pawn loans of more than RM10.00.

(b) Retail and trading of jewellery and gold:

(aa) Sale of new as well as pre-owned jewellery and gold, and watches through our retail outlets, our websites and e-commerce platforms; and

(bb) Sale of scrap gold to scrap gold traders.

Revenue from our retail and trading of jewellery and gold segment is recognised at the point when the control of goods is passed to the customers, which is at the point of transfer of significant risk and rewards of ownership of our products to the customers. Revenue recognised usually upon the invoice price, net of returns and allowances, trade discounts and volume rebates given to customers.

Our revenue for the Period Under Review was derived from pawnbroking services and retail and trading of jewellery and gold business located in Johor, Malaysia. Our products and services sold are denominated in RM.

The table below set out our revenue by business segments for the Period Under Review:

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Pawnbroking services[1]								
- Interest income	51,848	42.6	51,618	50.7	59,266	37.5	72,965	35.8
- Administrative fees	192	0.1	187	0.1	232	0.1	268	0.1
	52,040	**42.7**	**51,805**	**50.8**	**59,498**	**37.6**	**73,233**	**35.9**
Retail and trading of jewellery and gold								
- Retail sales of jewellery and gold	10,040	8.3	11,078	10.9	22,713	14.4	21,535	10.6
- Sales of scrap gold	59,760	49.0	38,998	38.3	75,914	48.0	108,907	53.5
	69,800	**57.3**	**50,076**	**49.2**	**98,627**	**62.4**	**130,442**	**64.1**
Total	**121,840**	**100.0**	**101,881**	**100.0**	**158,125**	**100.0**	**203,675**	**100.0**

Note:

(1) Total pawn loans disbursed and default rates during the Period Under Review are as follows:

	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
Total pawn loans disbursed (RM'000)	508,271	531,979	710,341	990,638
Default rate (%)	7.0	7.8	10.1	9.1

Comparison between FYE 2020 and FYE 2021

Our revenue decreased by RM19.96 million or approximately 16.4% from RM121.84 million in FYE 2020 to RM101.88 million in FYE 2021, was mainly due to the decrease in revenue from our retail and trading of jewellery and gold segment by RM19.72 million or approximately 28.3% in FYE 2021.

Pawnbroking services

Revenue from our pawnbroking services segment decreased by RM0.23 million or approximately 0.4% from RM52.04 million in FYE 2020 to RM51.81 million in FYE 2021, despite the increase in total pawn loans disbursed by RM23.71 million or approximately 4.7% from RM508.27 million in FYE 2020 to RM531.98 million in FYE 2021. The decrease in revenue from our pawnbroking services segment mainly due to the marginal increase in default rate from 7.0% in FYE 2020 to 7.8% in FYE 2021, which has resulted in the reduction of interest income earned on pawn loans.

Retail and trading of jewellery and gold

Revenue from our retail and trading of jewellery and gold segment decreased by RM19.72 million or approximately 28.3% from RM69.80 million in FYE 2020 to RM50.08 million in FYE 2021, mainly due to the decrease in sales of scrap gold by RM20.76 million or 34.7% in FYE 2021. The revenue was affected by the COVID-19 pandemic as our retail outlets were temporarily closed due to the implementation of FMCO for approximately 3.5 months during the FYE 2021 (from 12 May 2021 to 31 August 2021), as compared to the FYE 2020 whereby our retail outlets were temporarily closed due to the implementation of MCO 1.0 for approximately 1.5 months (from 18 March 2020 to 4 May 2020).

Comparison between FYE 2021 and FYE 2022

Our revenue increased by RM56.25 million or approximately 55.2% from RM101.88 million in FYE 2021 to RM158.13 million in FYE 2022, due to the increase in revenue from both our pawnbroking services segment as well as retail and trading of jewellery and gold segment.

Pawnbroking services

Revenue from our pawnbroking services segment increased by RM7.69 million or approximately 14.8% from RM51.81 million in FYE 2021 to RM59.50 million in FYE 2022, mainly due to the increase in total pawn loans disbursed by RM178.36 million or approximately 33.5% from RM531.98 million in FYE 2021 to RM710.34 million in FYE 2022. The increase in pawn loans disbursed resulted in higher interest income earned from the outstanding pawn loans. The increase in total pawn loans disbursed was generally due to the economic recovery pursuant to the upliftment of FMCO as well as the cessation of government financial aids provided during the FYE 2021. The increase in revenue from our pawnbroking services segment is partially offset by the increase in default rate from 7.8% in FYE 2021 to 10.1% in FYE 2022.

In FYE 2021, there were no public auctions in the months of February, March, June, July, August, September and October. During these periods, we have extended the redemption period of the pawn loans until the time when public auctions were allowed to resume in April, May, November and December. This has resulted in the lower default rate in FYE 2021 vis-à-vis FYE 2022, where public auctions had resumed in full and no extensions of redemption period were given.

Retail and trading of jewellery and gold

Revenue from our retail and trading of jewellery and gold segment increased by RM48.55 million or approximately 96.9% from RM50.08 million in FYE 2021 to RM98.63 million in FYE 2022, mainly due to:

(a) higher sales volume of jewellery and gold products at our retail outlets where retail sales of jewellery and gold increased by RM11.63 million or approximately 105.0% from RM11.08 million in FYE 2021 to RM22.71 million in FYE 2022. This was attributed to all our retail outlets being able to operate for the entire year without any operation disruptions as compared to FYE 2021, whereby our retail outlets were temporarily closed due to the implementation of FMCO for approximately 3.5 months (from 12 May 2021 to 31 August 2021); and

(b) higher sales volume of scrap gold pursuant to the upliftment of FMCO, whereby we were able to sell our scrap gold for the entire year without any operational disruptions. Our sales of scrap gold increased by RM36.92 million or approximately 94.7% from RM39.00 million in FYE 2021 to RM75.91 million in FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our revenue increased by RM45.55 million or approximately 28.8% from RM158.13 million in FYE 2022 to RM203.68 million in FYE 2023, mainly due to the increase in revenue from both our pawnbroking services segment as well as retail and trading of jewellery and gold segment.

Pawnbroking services

Revenue from our pawnbroking services segment increased by RM13.73 million or approximately 23.1% from RM59.50 million in FYE 2022 to RM73.23 million in FYE 2023, which was mainly due to the increase in total pawn loans disbursed by RM280.30 million or approximately 39.5% from RM710.34 million in the FYE 2022 to RM990.64 million in the FYE 2023. The increase in pawn loans disbursed resulted in higher interest income earned from the outstanding pawn loans. The increase in total pawn loans disbursed was generally due to:

(a) increase in average gold price by RM30.38 per gram or approximately 11.9% during the financial year, from RM254.37 per gram to RM284.75 per gram. As the loan margin is based on the prevailing market value of the pledges (calculated as net weight of gold multiplied by spot gold price), an increase in gold price would result in higher pawn loan amount offered to customers; and

(b) more pawn loans disbursed in conjunction with the opening of 3 new pawnshops in FYE 2023.

Further, the default rate has decreased from 10.1% in FYE 2022 to 9.1% in FYE 2023, which has resulted in the increase in interest income earned on pawn loans.

Retail and trading of jewellery and gold

Revenue from our retail and trading of jewellery and gold segment increased by RM31.81 million or approximately 32.3% from RM98.63 million in FYE 2022 to RM130.44 million in FYE 2023, mainly due to higher sales volume of scrap gold whereby the sales of scrap gold increased by RM33.00 million or approximately 43.5% from RM75.91 million in FYE 2022 to RM108.91 million in the FYE 2023. The increase in sales volume of scrap gold in FYE 2023 is mainly attributed to the increase in unredeemed and bid pledges, as a result of increase in pawn loan disbursed.

The increase in revenue from sales of scrap gold is partially offset by the lower sales volume of jewellery and gold products at our retail outlets where retail sales of jewellery and gold decreased marginally by RM1.17 million or approximately 5.2% from RM22.71 million in FYE 2022 to RM21.54 million in the FYE 2023. The lower sales volume of jewellery and gold products is mainly attributable to the increase in gold price during FYE 2023 which have deterred customers from purchasing jewellery and gold products.

(ii) Cost of sales

Our cost of sales comprises finance costs incurred in our pawnbroking services segment and acquisition costs incurred in our retail and trading of jewellery and gold segment.

The cost of sales for our pawnbroking services are finance costs derived from interest charged on the loans and borrowings as well as Related Parties Loans. We require Cash Capital for the disbursement of pawn loans for our pawnbroking services segment which were mainly financed by our bank borrowings, Related Parties Loans and internally generated funds.

The cost of sales for our retail and trading of jewellery and gold business comprise:

(a) cost of purchase of new gold and gold jewellery from manufacturers and/or wholesalers; and

(b) cost of purchase of pre-owned gold, gold jewellery and watches comprising:

 (aa) cost of purchase for unredeemed pledges of defaulted pawn loans not exceeding RM200, at the defaulted pawn loans amount plus accrued interest;

 (bb) cost of purchase for bid pledges of defaulted pawn loans exceeding RM200 at public auctions; and

 (cc) cost of purchase of pre-owned gold, gold jewellery and watches from walk-in individuals at our retail outlets.

The table below set out our cost of sales by business segments for the Period Under Review:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pawnbroking services [1]	9,802	16.6	8,155	16.5	10,564	11.1	14,992	11.9
Retail and trading of jewellery and gold	49,084	83.4	41,235	83.5	85,028	88.9	111,251	88.1
Total	**58,886**	**100.0**	**49,390**	**100.0**	**95,592**	**100.0**	**126,243**	**100.0**

Note:

(1) Finance costs consist of interest payments for our banking facilities which include bank overdrafts and revolving credit, as well as Related Parties Loans.

Comparison between FYE 2020 and FYE 2021

Our cost of sales decreased by RM9.50 million or approximately 16.1% from RM58.89 million in FYE 2020 to RM49.39 million in FYE 2021, mainly due to the decrease in cost of sales for our retail and trading of jewellery and gold segment.

Pawnbroking services

Cost of sales for our pawnbroking services segment decreased by RM1.64 million or approximately 16.7% from RM9.80 in FYE 2020 to RM8.16 million in FYE 2021 due to:

(a) decrease in interest rates for our revolving credits and bank overdrafts, as a result of the decrease in overnight policy rate ("**OPR**") by BNM from 2.75% since 22 January 2020 to 2.50% since 3 March 2020, 2.00% since 5 May 2020 and 1.75% since 7 July 2020. The OPR remained at 1.75% throughout the FYE 2021; and

(b) the decrease in interest rates for our loans from ValueMax Group Limited from 8.00% in 2020 to 6.00% in 2021, which is in line with the decrease in OPR by BNM within the same period.

Retail and trading of jewellery and gold

Cost of sales for our retail and trading of jewellery and gold segment decreased by RM7.84 million or approximately 16.0% from RM49.08 million in FYE 2020 to RM41.24 million in FYE 2021, which was in line with the decrease in our revenue from this segment.

Comparison between FYE 2021 and FYE 2022

Our cost of sales increased by RM46.20 million or approximately 93.5% from RM49.39 million in FYE 2021 to RM95.59 million in FYE 2022, mainly due to the increase in cost of sales of retail and trading of jewellery and gold segment.

Pawnbroking services

Cost of sales for our pawnbroking services segment increased by RM2.41 million or approximately 29.5% from RM8.15 million in FYE 2021 to RM10.56 million in FYE 2022 due to increase in finance costs as a result of:

(a) progressive increase in OPR by BNM from 1.75% throughout FYE 2021 to 2.00% since 11 May 2022, 2.25% since 6 July 2022, 2.50% since 8 September 2022, and 2.75% since 3 November 2022; and

(b) increase in drawdown of our revolving credits and bank overdrafts as well as Related Parties Loans.

Retail and trading of jewellery and gold

Cost of sales for our retail and trading of jewellery and gold segment increased by RM43.79 million or approximately 106.2% from 41.24 million in FYE 2021 to RM85.03 million in FYE 2022, which was in line with the increase in our revenue from this segment.

Comparison between FYE 2022 and FYE 2023

Our cost of sales increased by RM30.65 million or approximately 32.1% from RM95.59 million in FYE 2022 to RM126.24 million in FYE 2023, mainly contributed by the increase in cost of sales for the retail and trading of jewellery and gold segment.

Pawnbroking services

Cost of sales for our pawnbroking services segment increased by RM4.43 million or approximately 42.0% from RM10.56 million in FYE 2022 to RM14.99 million in FYE 2023 due to increase in finance costs as a result of:

(a) increase in interest rates for our revolving credit and bank overdrafts, as a result of the progressive increase in OPR by BNM from 2.00% since 11 May 2022, 2.25% since 6 July 2022, 2.50% since 8 September 2022, and 2.75% since 3 November 2022 to 3.00% since 3 May 2023; and

(b) increase in drawdown of our revolving credits and bank overdrafts.

Retail and trading of jewellery and gold

Cost of sales for our retail and trading of jewellery and gold segment increased by RM26.22 million or approximately 30.8% from RM85.03 million in FYE 2022 to RM111.25 million in FYE 2023, which was in line with the increase in our revenue from this segment.

(iii) GP and GP margin

	Audited											
	FYE 2020			FYE 2021			FYE 2022			FYE 2023		
	GP		GP margin	GP		GP margin	GP		GP margin	GP		GP margin
	RM'000	%	%	RM'000	%	%	RM'000	%	%	RM'000	%	%
Pawnbroking services	42,238	67.1	81.2	43,649	83.2	84.3	48,934	78.3	82.2	58,241	75.2	79.5
Retail and trading of jewellery and gold	20,716	32.9	29.7	8,842	16.8	17.7	13,599	21.7	13.8	19,191	24.8	14.7
Total GP / Overall GP margin	**62,954**	**100.0**	**51.7**	**52,491**	**100.0**	**51.5**	**62,533**	**100.0**	**39.5**	**77,432**	**100.0**	**38.0**

Comparison between FYE 2020 and FYE 2021

Our GP decreased by RM10.46 million or approximately 16.6% from RM62.95 million in FYE 2020 to RM52.49 million in FYE 2021, which was in line with the decrease in our revenue. The decrease in GP was mainly attributed to the decrease in GP from our retail and trading of jewellery and gold segment.

Our overall GP margin decreased marginally from 51.7% in FYE 2020 to 51.5% in FYE 2021, mainly due to decrease in GP margin for our retail and trading of jewellery and gold segment from 29.7% in FYE 2020 to 17.7% in FYE 2021. The decrease in GP margin was partially offset by increase in GP margin for our pawnbroking services segment from 81.2% in FYE 2021 to 84.3% in FYE 2022.

Pawnbroking services

GP from our pawnbroking services segment increased by RM1.41 million or approximately 3.3% from RM42.24 million in FYE 2020 to RM43.65 million in FYE 2021, mainly due to the decrease in interest rates for our banking facilities and our loans from ValueMax Group Limited.

As a result, GP margin for our pawnbroking services segment improved from 81.2% in FYE 2020 to 84.3% in FYE 2021.

Retail and trading of jewellery and gold

GP from our retail and trading of jewellery and gold segment decreased by RM11.88 million or approximately 57.3% from RM20.72 million in FYE 2020 to RM8.84 million in FYE 2021 mainly due to the implementation of FMCO during the year 2021, resulting in the temporary closure of our retail outlets for approximately 3.5 months, resulting in no revenue derived from retail and trading of jewellery and gold segment during the said period.

Our GP margin for our retail and trading of jewellery and gold segment decreased from 29.7% in FYE 2020 to 17.7% in FYE 2021. The surge in average gold price in 2020 resulted in higher selling price compared with relatively lower cost of inventory that were carried forward from prior year, which resulted in higher GP margin for FYE 2020. Meanwhile, there is no significant increase in average gold prices between FYE 2020 and FYE 2021. Hence, the selling price and the cost of inventory remained fairly stable, which result in the lower GP margin for FYE 2021 (2019: RM184.55 per gram; 2020: RM238.91 per gram; 2021: RM239.60 per gram).

Comparison between FYE 2021 and FYE 2022

Our overall GP increased by RM10.04 million or approximately 19.1% from RM52.49 million in FYE 2021 to RM62.53 million in FYE 2022, which was in tandem with the increase in our revenue. The increase in GP was mainly attributed to the increase in GP from our retail and trading of jewellery and gold segment.

Our overall GP margin further decreased from 51.5% in FYE 2021 to 39.5% in FYE 2022, mainly due to the decrease in GP margin of our pawnbroking services segment from 84.3% in FYE 2021 to 82.2% in FYE 2022 and retail and trading of jewellery and gold segment from 17.7% in FYE 2021 to 13.8% in FYE 2022.

Pawnbroking services

GP from our pawnbroking services segment increased by RM5.28 million or approximately 12.1% from RM43.65 million in FYE 2021 to RM48.93 million in FYE 2022, mainly due to the increase in pawn loans disbursed by RM178.36 million or 33.5%, from RM531.98 million in FYE 2021 to RM710.34 million in FYE 2022.

The GP margin for our pawnbroking services segment decreased from 84.3% in FYE 2021 to 82.2% in FYE 2022, mainly due to the increase in interest rates for our banking facilities.

Retail and trading of jewellery and gold

GP from our retail and trading of jewellery and gold segment increased by RM4.76 million or approximately 53.8% from RM8.84 million in FYE 2021 to RM13.60 million in FYE 2022, which was mainly due to the higher sales volume of scrap gold as well as jewellery and gold products at our retail outlets.

However, GP margin for our retail and trading of jewellery and gold segment decreased from 17.7% in FYE 2021 to 13.8% in FYE 2022. This was mainly due to the higher sales volume of scrap gold which fetch lower GP margin compared to retail sales of jewellery and golds at our retail outlets (2021: RM239.60 per gram; 2022: RM254.37 per gram).

Comparison between FYE 2022 and FYE 2023

Our overall GP increased by RM14.90 million or approximately 23.8%, from RM62.53 million in FYE 2022 to RM77.43 million in FYE 2023, which was reflected in the increase in our revenue. The increase in GP was mainly attributed to the increase in GP from our pawnbroking services segment.

Our overall GP margin further decreased from 39.5% in FYE 2022 to 38.0% in FYE 2023, mainly due to the decrease in GP margin of our pawnbroking services segment from 82.2% in FYE 2022 to 79.5% in FYE 2023 but partially offset by the increase in GP margin of our retail and trading of jewellery and gold segment from 13.8% in FYE 2022 to 14.7% in FYE 2023.

Pawnbroking services

GP from our pawnbroking services segment increased by RM9.31 million or approximately 19.0% from RM48.93 million in FYE 2022 to RM58.24 million in FYE 2023, mainly due to the increase in total pawn loans disbursed by RM280.30 million or approximately 39.5% from RM710.34 million in the FYE 2022 to RM990.64 million in the FYE 2023.

The GP margin for our pawnbroking services segment decreased from 82.2% in FYE 2022 to 79.5% in FYE 2023, mainly due to the increase in interest rate for our banking facilities.

Retail and trading of jewellery and gold

GP from our retail and trading of jewellery and gold segment increased by RM5.59 million or approximately 41.1% from RM13.60 million in FYE 2022 to RM19.19 million in FYE 2023, which was mainly due to the higher sales volume of scrap gold albeit the lower sales volume of jewellery and gold at our retail outlets.

GP margin for our retail and trading of jewellery and gold segment improved from 13.8% in FYE 2022 to 14.7% in FYE 2023 mainly due to the increase in average gold price in FYE 2023.

(iv) Other income

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Management fee	473	51.5	1,151	80.1	1,103	86.6	-	-
Government grants received – wages subsidy program	367	39.9	196	13.6	37	2.9	-	-
Interest income	-	-	-	-	-	-	130	43.5
Others(1)	79	8.6	90	6.3	134	10.5	169	56.5
Total	**919**	**100.0**	**1,437**	**100.0**	**1,274**	**100.0**	**299**	**100.0**

Note:

(1) Others include gain on disposal of property, plant and equipment, service income, rental income and miscellaneous income.

Comparison between FYE 2020 and FYE 2021

Other income increased by RM0.52 million or approximately 56.5%, from RM0.92 million in FYE 2020 to RM1.44 million in FYE 2021, mainly due to the following:

(a) increase in management fee received from ValueMax Properties Pte. Ltd. by RM0.68 million or approximately 144.7% from RM0.47 million in FYE 2020 to RM1.15 million in FYE 2021. Please see item (4) of **Section 10.2.1** of this Prospectus for detail of the transaction; and

(b) decrease in government grants received pursuant to wages subsidy program by RM0.17 million or approximately 45.9% from RM0.37 million in FYE 2020 to RM0.20 million in FYE 2021 due to the decrease in the number approved applications for the wage subsidy programme.

Comparison between FYE 2021 and FYE 2022

Other income decreased by RM0.17 million or approximately 11.8% from RM1.44 million in FYE 2021 to RM1.27 million in FYE 2022, mainly due to the cessation of government grants received pursuant to wages subsidy program in FYE 2022 (FYE 2021: RM0.20 million).

Comparison between FYE 2022 and FYE 2023

Other income decreased by RM0.97 million or approximately 76.4%, from RM1.27 million in FYE 2022 to RM0.30 million in FYE 2023, mainly due to the termination of services provided to ValueMax Group Limited and we no longer receive management fee from ValueMax Group Limited (FYE 2022: RM1.10 million). Please see item (4) of **Section 10.2.1** of this Prospectus for detail of the transaction.

The decrease in other income was partially offset by interest income amounting to RM0.13 million (FYE 2022: nil) due to an interest charge on loans from SYT Pavilion to Swift Paragon, which was billed and received after the completion of the Disposal of Swift Paragon. The Disposal of Swift Paragon was completed on 28 June 2023.

(v) Administrative expenses

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff cost(1)	9,367	53.4	11,275	53.7	12,722	47.6	13,871	50.7
Depreciation of property, plant and equipment	1,069	6.1	1,054	5.0	1,284	4.8	1,667	6.1
Depreciation of right-of-use assets	1,378	7.8	1,540	7.3	1,689	6.3	2,033	7.4
Directors' allowances, fee and remuneration	60	0.3	68	0.3	76	0.3	323	1.2
Professional and legal fee	359	2.0	523	2.5	1,118	4.2	959	3.5
Utilities	293	1.7	319	1.5	456	1.7	544	2.0
Management fees	1,589	9.1	2,020	9.6	2,055	7.7	517	1.9
Corporate guarantee fees	941	5.4	1,016	4.9	1,062	4.0	1,514	5.5
Insurance premium	454	2.6	508	2.4	575	2.1	717	2.6
License fees	308	1.8	400	1.9	466	1.7	473	1.7
Foreign exchange loss	107	0.6	346	1.7	2,292	8.6	2,230	8.2
Loan receivables written off	-	-	-	-	902	3.4	50	0.2
Others(2)	1,615	9.2	1,937	9.2	2,029	7.6	2,462	9.0
Total	**17,540**	**100.0**	**21,006**	**100.0**	**26,726**	**100.0**	**27,360**	**100.0**

Notes:

(1) Staff cost include salaries, wages and allowances, bonuses, EPF contributions, social security contributions, EIS contributions and other staff-related costs.

(2) Others mainly include secretarial fees, bank charges, sundry consumables, printing, stationeries and postage.

Comparison between FYE 2020 and FYE 2021

Administrative expenses increased by RM3.47 million or approximately 19.8% from RM17.54 million in FYE 2020 to RM21.01 million in FYE 2021, mainly due to the following:

(a) increase in staff costs by RM1.91 million or approximately 20.4% from RM9.37 million in FYE 2020 to RM11.28 million in FYE 2021, mainly due to increase in number of employees from 139 to 159 arising from opening of 3 new pawnshops and 1 new retail outlet as well as annual salary adjustment;

(b) increase in other expenses by RM0.32 million or approximately 19.8% from RM1.62 million in FYE 2020 to RM1.94 million in FYE 2021, in line with the opening of 3 new pawnshops and 1 new retail outlet;

(c) increase in management fee by RM0.43 million or approximately 27.0% from RM1.59 million in FYE 2020 to RM2.02 million in FYE 2021, mainly due to additional general operation and marketing services as well as general accounting and IT services provided by ValueMax Corporate Services Pte. Ltd. and ValueMax Management Pte. Ltd., as a result of opening of 3 new pawnshops and 1 new retail outlet. Please see items (1) and (5) of **Section 10.2.1** of this Prospectus for detail of the transactions; and

(d) increase in the depreciation of right-of-use assets by RM0.16 million or approximately 11.6% from RM1.38 million in FYE 2020 to RM1.54 million in FYE 2021, due to new lease arrangements for our 3 new pawnshops and 1 new retail outlet.

Comparison between FYE 2021 and FYE 2022

Administrative expenses increased by RM5.72 million or approximately 27.2% from RM21.01 million in FYE 2021 to RM26.73 million in FYE 2022, mainly due to the following:

(a) increase in staff costs by RM1.44 million or approximately 12.8% from RM11.28 million in FYE 2021 to RM12.72 million in FYE 2022, mainly due to increase in the number of employees from 159 to 168 arising from opening of 2 new pawnshops, as well as expansion of our management team, whereby we have appointed, amongst others, our Chief Financial Officer, a Chief Operation Officer (who has resigned in November 2022), 2 area managers and a group accountant;

(b) increase in foreign exchange loss by RM1.95 million or approximately 562% from RM0.34 million in FYE 2021 to RM2.29 million in FYE 2022 due to the increase in exchange rate arising from SGD denominated loans; and

(c) write-off in pledge receivables of RM0.90 million for pledges that were confiscated by police for investigations accumulated since the commencement of our pawnbroking operation.

Comparison between FYE 2022 and FYE 2023

Administrative expenses increased by RM0.63 million or approximately 2.4% from RM26.73 million in FYE 2022 to RM27.36 million in FYE 2023, mainly due to the following:

(a) increase in staff costs by RM1.15 million or approximately 9.0% from RM12.72 million in FYE 2022 to RM13.87 million in FYE 2023, mainly due to increase in the headcount in line with the opening of 3 new pawnshops as well as annual salary adjustment;

(b) increase in annual fees payable to ValueMax Group Limited and Yeah Holdings in relation to corporate guarantees provided by ValueMax Group Limited and Yeah Holdings in favour of the respective financiers, by RM0.45 million or approximately 42.5% from RM1.06 million in FYE 2022 to RM1.51 million in FYE 2023, due to the additional facilities of RM71.00 million granted by the respective financiers; and

(c) increase in depreciation of property, plant and equipment by RM0.39 million or approximately 30.5% from RM1.28 million in FYE 2022 to RM1.67 million in FYE 2023 due to the additional depreciation incurred for the renovations and other fixed assets in our 3 new pawnshops.

The increase in administrative expenses was partially offset by the decrease in management fees by RM1.54 million or approximately 74.8% from RM2.06 million in FYE 2022 to RM0.52 million in FYE 2023 due to the termination of services provided by ValueMax Corporate Services Pte. Ltd. and ValueMax Management Pte. Ltd. as set out in items (1) and (5) of **Section 10.2.1** of this Prospectus.

(vi) Finance costs

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:								
- Lease liabilities[(1)]	128	74.0	137	77.8	177	58.4	207	54.8
- Term loan[(2)]	45	26.0	39	22.2	126	41.6	171	45.2
Total	**173**	**100.0**	**176**	**100.0**	**303**	**100.0**	**378**	**100.0**

Notes:

(1) Being interest expenses on lease liabilities for lease of properties as pawnshops and retail outlets, which are recognised in accordance with MFRS 16 Leases.

(2) Being interest expenses in relation to term loans from licensed banks, which were drawn down as part financing of acquisition of 3 properties used for our pawnbroking services.

Comparison between FYE 2020 and FYE 2021

Our finance costs have been consistent for FYE 2020 and FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our finance costs increased by RM0.12 million or approximately 66.7% from RM0.18 million in FYE 2021 to RM0.30 million in FYE 2022 mainly due to higher interest expense on term loan undertaken to finance the acquisition and opening of 2 new pawnshops in FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our finance costs increased by RM0.08 million or approximately 26.7% from RM0.30 in FYE 2022 to RM0.38 in FYE 2023, mainly due to higher interest expenses on lease liabilities due to the additional lease liabilities pertaining to renewal of tenancy agreement for our pawnshops and retail outlet.

(vii) PBT and PBT margin

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	46,160	32,746	36,778	49,993
PBT margin (%)	37.9	32.1	23.3	24.5

Comparison between FYE 2020 and FYE 2021

Our PBT decreased by RM13.41 million or approximately 29.1% from RM46.16 million in FYE 2020 to RM32.75 million in FYE 2021, mainly due to lower GP generated from the retail and trading of jewellery and gold segment, as well as higher administrative expenses incurred from the opening of 3 new pawnshops and 1 new retail outlet.

As a result, our PBT margin decreased from 37.9% in FYE 2020 to 32.1% in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our PBT increased by RM4.03 million or approximately 12.3% from RM32.75 million in FYE 2021 to RM36.78 million in FYE 2022, mainly due to higher GP generated from both the pawnbroking services and retail and trading of jewellery and gold segment which offset the higher administrative expenses incurred from the opening of 2 new pawnshops.

However, our PBT margin has decreased from 32.1% in FYE 2021 to 23.3% in FYE 2022, mainly due to lower GP margin generated from the retail and trading of jewellery and gold segment coupled with higher administrative expenses incurred.

Comparison between FYE 2022 and FYE 2023

Our PBT increased by RM13.21 million or approximately 35.9% from RM36.78 million in FYE 2022 to RM49.99 million in FYE 2023, due to higher GP generated from both the pawnbroking services and retail and trading of jewellery and gold segment which offset the higher administrative expenses incurred from the opening of 3 new pawnshops and higher finance costs.

Our PBT margin has increased from 23.3% in FYE 2022 to 24.5% in FYE 2023, mainly due to higher GP margin from the retail and trading of jewellery and gold segment.

(viii) Income tax expense

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Tax expenses	12,478	8,965	11,621	14,672
Effective tax rate (%)	27.0	27.4	31.6	29.3
Statutory tax rate (%)	24.0	24.0	24.0	24.0

Comparison between FYE 2020 and FYE 2021

Our tax expenses decreased by RM3.51 million or approximately 28.1% from RM12.48 million in FYE 2020 to RM8.97 million in FYE 2021, mainly due to decrease in PBT in FYE 2021.

For FYE 2020, our effective tax rate was higher than the statutory tax rate of 24.0%, mainly due to the tax effect from non-allowable expenses of RM1.23 million, which mainly comprise depreciation of property, plant and equipment and non-allowable expenses for investment holding company (mainly comprising foreign exchange loss, legal fee and professional fee) and under provision of income tax in prior years of RM0.19 million.

For FYE 2021, our effective tax rate was higher than the statutory tax rate of 24.0%, mainly due to the tax effect from non-allowable expenses of RM1.25 million, which mainly comprise depreciation of property, plant and equipment and non-allowable expenses (mainly comprising foreign exchange loss, legal fee and professional fee) for investment holding company.

Comparison between FYE 2021 and FYE 2022

Our tax expenses increased by RM2.65 million or approximately 29.5% from RM8.97 million in FYE 2021 to RM11.62 million in FYE 2022, mainly due to increase in PBT in FYE 2022.

For FYE 2022, our effective tax rate was higher than the statutory tax rate of 24.0%, mainly due to tax effect from non-allowable expenses of RM2.70 million, which mainly comprise depreciation of property, plant and equipment, provision of loss on loan receivable written off, other non-allowable expenses for investment holding company (mainly comprising foreign exchange loss), and under provision of income tax in prior years of RM0.26 million.

Comparison between FYE 2022 and FYE 2023

Our tax expenses increased by RM3.05 million or approximately 26.2% from RM11.62 million in FYE 2022 to RM14.67 million in FYE 2023, mainly due to increase in PBT in FYE 2023.

For FYE 2023, our effective tax rate was higher than the statutory tax rate of 24.0%, mainly due to tax effect from non-allowable expenses of RM3.04 million, which mainly comprise of depreciation of property, plant and equipment, provision of loss on loan receivable written off and other non-allowable expenses for investment holding company (mainly comprising foreign exchange loss), as well as deferred tax asset not recognised on temporary differences of RM0.15 million.

12.3.2 Significant factors affecting our operations and financial results

The significant factors affecting our operations and financial results are set out below:

(i) Availability of Cash Capital to fund and/or grow our pawnbroking business

Our pawnbroking business requires Cash Capital to draw on for the disbursement of pawn loans to our pawnbroking customers. Such Cash Capital requirements will increase as we grow our number of pawnshops and/or disburse more pawn loans. As such, our growth as well as our profitability, in large part, is dependent upon our timely access to, and the costs associated with, securing additional funding for our Cash Capital.

Since we commenced our pawnbroking business, we have been relying on bank borrowings, Related Parties Loans and internally generated funds to finance our Cash Capital requirements for our existing and new pawnshops.

During the Period Under Review, we have funded our Cash Capital requirements from the following sources:

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
Source of Cash Capital	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
As at end of the relevant financial years								
Bank borrowings	86,752	44.1	89,084	47.1	146,934	58.9	192,496	62.6
Related Parties Loans	73,726	37.5	85,650	45.3	95,680	38.3	75,695	24.7
As at end of the relevant financial years								
Internally generated funds	36,161	18.4	26,410	14.0	29,073	11.6	39,077	12.7
Subtotal	**196,639**	**100.0**	**201,144**	**106.4**	**271,687**	**108.8**	**307,268**	**100.0**
Less:								
Loans provided to Swift Paragon(1)	-	-	(12,182)	(6.4)	(22,118)	(8.8)	-	-
Total Cash Capital	**196,639**	**100.0**	**188,962**	**100.0**	**249,569**	**100.0**	**307,268**	**100.0**

Note:

(1) The sources of funds for the loans provided to Swift Paragon are from a combination of Related Parties Loans and our internally generated funds.

As Swift Paragon's principal activity is in the business of money-lending, the loan from SYT Pavilion to Swift Paragon has been deducted to reflect only the Cash Capital used for the pawnbroking business of Well Chip Group. Swift Paragon was a wholly-owned subsidiary of SYT Pavilion prior to the Disposal of Swift Paragon, which was completed on 28 June 2023. The outstanding amount owed by Swift Paragon to SYT Pavilion was fully settled upon the completion of the Disposal of Swift Paragon.

Due to an increase in the usage of bank borrowings and Related Parties Loans to fund the growth of our Group, our Group had recorded negative cash flow from operating activities for the FYE 2021, FYE 2022 and FYE 2023 as set out below:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash generated from/(used in) operating activities	26,548	(6,182)	(60,502)	(38,646)

Pursuant to MFRS 107 Statement of Cash Flows, the issuance of pawn loans is recorded as a cash outflow from operating activities as the pawn loans are the principal revenue producing activity of our Group, whereas the corresponding funding (cash inflow to our Group) for the disbursement of pawn loans are captured in cash flow from financing activities.

As such, in our Group's pawnbroking business operations, the continuous disbursement of pawn loans at an increasing rate would result in higher negative cash flows from operating activities for our Group.

Since February 2023, our Group will no longer relies on additional loans from related parties. We will pare down the principal amount of the existing Related Parties Loans on a fixed repayment term in 4 quarterly instalments each year within a period of 120 months, which shall commence from the date of the successful implementation of our Listing.

Within 24 months from the date of our Listing, we intend to utilise part of the proceeds from Public Issue of RM160.40 million (representing approximately 93.0% of the gross proceeds to be raised from our Public Issue) to fund our Cash Capital for our existing pawnshops and new pawnshops. Thereafter, as and when required, we may raise funds from the capital market and/or bank borrowings to finance our Cash Capital requirements. In the event we issue new shares/securities as part of our fund raising exercise, the issuance of additional shares may result in dilution to the shareholdings of our shareholders.

In the event that we are unable to obtain funds from the capital market and/or bank borrowings on terms which are favourable to our Group, we may not be able to implement our business and operational strategies as there would be insufficient funds available to grow our number of pawnshops and/or disburse more pawn loans. As such, we may be required to reduce our pawn loan offerings to customers. This may affect our ability to generate more revenue in terms of interest charges and/or sale of unredeemed and bid pledges, which will have a material adverse impact to our business operations and financial condition.

(ii) Our business is exposed to unlawful and suspicious pawn transactions

We are subject to the risk of people using our pawnbroking services and retail trading of jewellery and gold for money laundering or terrorists financing purposes. For the Period Under Review and up to the LPD, while there has been no incidence of breaches against the AMLA 2001, there can be no assurance that the measures taken by us to prevent the use of our pawnbroking services and retail trading of jewellery and gold for money laundering or terrorists financing purposes are sufficient to fully eliminate unlawful and suspicious transactions.

In the event of transactions involving stolen gold, jewellery or watches, we are exposed to the risk of losing the pledges if such items are subsequently confiscated by the police. As a result, we may not be able to recover the pawn loans disbursed for such confiscated pledges.

Since incorporation up to the LPD, there were a total of 301 occurrences across different pawnshops of our Group where our pledges were confiscated by the police. For the FYE 2022, we have written off pledge receivables of RM0.90 million for pledges that were confiscated by police for investigations. The aforementioned write-off was an accumulation of pledges confiscated by police since we commenced our business, which were not material in its respective years. In FYE 2023, we have written off pledge receivables of RM0.05 million that were confiscated by police for investigations.

(iii) We are exposed to risk in meeting our daily cash requirements

It is crucial for our Group to meet the daily cash requirements of our pawnbroking business which includes cash to fulfill our customer's demand for pawn loans as well as to defray other operating costs and expenses such as staff costs, utilities and rental payments. Hence, our ability to meet the daily cash requirements of our pawnbroking business is dependent on our ability to secure funding in a timely manner to fulfill our daily cash needs.

Our cash and cash equivalents (after taking into consideration of bank overdrafts) for the Period Under Review as follows:

	Audited as at 31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and balances	14,551	14,369	8,606	12,466
Less: Bank overdrafts	(15,021)	(14,402)	(43,440)	(21,944)
Total cash and cash equivalents	**(470)**	**(33)**	**(34,834)**	**(9,478)**

Our Group had recorded negative total cash and cash equivalents as at 31 December 2020, 2021, 2022 and 2023. This is due to the draw down of bank overdrafts, for which was provided by the banks for disbursement of pawn loans, while some of the pawnbroking customers had not redeemed their pledges as at the respective financial year end, as the said pawn loans were not due to be redeemed, were renewed and/or were in default. The amount of defaulted pawn loans as at 31 December 2023 is RM90.10 million.

In the event we experience an increase in demand for pawn loans from customers, a decrease in pawn loan repayment from our customers, as well as a delay in the sale of unredeemed or bid pledges, our funds available to meet our daily cash requirements may be adversely affected. In such event, it is crucial for our Group to secure sufficient funding, which may be via bank borrowings, in a timely manner to finance our Cash Capital and/or other operating expense requirements.

If we are unable to secure funding in a timely manner to meet daily cash requirements of our pawnbroking business, our business operations and financial performance may be adversely affected.

(iv) Exposure to termination and/or non-renewal of lease or rental agreement

Our pawnshops and retails outlets are strategically located at convenient locations in close proximity to residential housing or commercial areas. As at the LPD, all of our existing and new pawnshops and retail outlets are tenanted from independent third parties and our related parties. While there have not been any instances of failure to renew our tenancies for the existing and new pawnshops and retail outlets, there is no assurance that we are able to renew each of our tenancies for existing and new pawnshops and retail outlets upon expiry or on similar favourable terms and conditions moving forward.

In the event that any of our tenancies for our existing or new pawnshops and retail outlets are unable to be renewed upon expiry or on favourable terms and conditions, we may be required to relocate the affected pawnshops and retail outlets, which may incur additional costs for relocation and/or increased rental expenses. Further, we may lose existing and potential customers if the new locations are less convenient and accessible as compared to the existing locations, which may adversely affect our financial performance.

Any significant increase in rental costs for existing and new pawnshops and retail outlets in the future may have adverse and material impact on our financial position as well as to our business operations. Nevertheless, there has not been any significant increase in rental rates for our existing outlets for the Period Under Review and up to the LPD.

(v) Adequacy of insurance coverage

We need to maintain adequate insurance coverage in order to protect us against losses such as burglary, theft, robbery and/or fire that may arise in connection with our operations, especially for our pawnbroking as well as retail and trading of jewellery and gold businesses which involve cash and valuable items.

As at the LPD, we maintain jeweller's block insurance policy from third party insurance providers for all our pawnshops and retail outlets with a total insured sum of RM548.75 million. While we believe that our insurance coverage commensurate with our business nature and risk profile, there can be no assurance that our insurance coverage will be adequate to cover all risks or losses or liabilities that might arise in the course of our business operations and that our insurance coverage will sufficiently protect against all potential claims and liabilities.

In addition, some of our insurance policies are subject to periodic review by our insurers. Thus, there can be no assurance that we are able to renew these policies on similar terms and amount desired at reasonable premiums. The outcome of any claim is subject to negotiations among the relevant parties and the result of claims may be unfavourable to us. If an insurer disclaims liability or we are held liable for uninsured losses or the amount of claims for insured losses exceeds the limit of our insurance coverage, our business and financial condition may be adversely affected.

During the Period Under Review and up to the LPD, we have not encountered any events or incidences that have resulted in any insurance claims of a material nature that would significantly affect our operations and financial condition.

(vi) Impact of Government, economic, fiscal or monetary policies

Our pawnbroking business is governed under the PA 1972 which sets out, amongst others, the maximum monthly interest rate, pawn loan period and administrative fee that are chargeable to our pawnbroking customers as well as the administrative procedures for unredeemed pledges.

Our ability to maintain and renew our pawnbroking licenses is subject to our continued compliance with the PA 1972. In the event of non-compliance with the PA 1972, the affected pawnshop's pawnbroking licences may be suspended, revoked or may not be renewed upon expiry. As a result, the affected pawnshop would not be allowed to process new pawn transactions until the validity of the pawnbroking licence is extended following a successful appeal with the KPKT. In such circumstance, our pawnbroking business would be adversely affected as we would lose the revenue contribution from the affected pawnshop.

Further, if there are any changes in the PA 1972 which result in stricter operating standards and/or compliance requirements, our pawnbroking business may need to incur additional operating costs to comply with the new standards/ requirements. In the event that such increased operating costs cannot be passed on to our pawnbroking customers, we will have to absorb the additional cost incurred, which may adversely impact the profitability of our pawnbroking business.

There is no assurance that our financial performance will not be adversely affected by the impact of changes in government, economic, fiscal or monetary policies moving forward.

(vii) Impact of inflation

Our financial performance for the Period Under Review was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward. Any significant increase in the pawnbroking operating costs in the future may adversely affect our operations and performance in the event that we are unable to generate adequate pawnbroking revenue to cover the said increase.

(viii) Impact of foreign exchange rates

Some of our Related Parties Loans, which are used to fund our Cash Capital, are denominated in SGD, as set out below:

	As at 31 December				As at the
	2020	**2021**	**2022**	**2023**	**LPD**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**
Loans from ValueMax Group Limited	8,175	10,583	12,174	4,969	5,035

Any significant fluctuations in the SGD exchange rate against the RM would have an impact on the profit or loss of our Group. As our revenue is generated in RM, there is no natural hedging for the SGD denominated Related Parties Loans.

For the Period Under Review, our gains and losses from fluctuations in foreign exchange are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Realised gain / (loss) on foreign exchange	55	(14)	(97)	(1,355)
Unrealised loss on foreign exchange	(162)	(333)	(2,195)	(875)
Net loss on foreign exchange	**(107)**	**(347)**	**(2,292)**	**(2,230)**

In the event of a material depreciation in the RM against the SGD, we would incur higher finance costs and repayment amount for the said SGD denominated Related Parties Loans. Save for the loss on foreign exchange amounting to RM2.29 million in FYE 2022 and RM2.23 million in the FYE 2023, our financial performance during the Period Under Review was not materially affected by fluctuations in foreign exchange rates. Please refer to note 28(b)(iii)(b) of the Accountants' Report as set out in **Section 13** of this Prospectus for the sensitivity of our Group's PAT for the Period Under Review against an estimated change in exchange rate.

(ix) Impact of interest rates

As at 31 December 2023, our Group's total interest-bearing loans and borrowings stood at RM268.19 million, comprising RM192.49 million bank borrowings and RM75.70 million Related Parties Loans. Please refer to **Section 12.4.3** of this Prospectus for the breakdown of our loans and borrowings.

For the Period Under Review, our interest expense (comprising cost of sales and finance costs) are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost of sales				
- Bank overdraft	717	298	1,235	1,939
- Revolving credits	3,228	2,795	3,563	7,231
- Related Parties Loans	5,857	5,062	5,766	5,822
Finance cost				
- Term loan	45	39	126	171
	9,847	**8,194**	**10,690**	**15,163**

Our Group's financial performance for the Period Under Review were not materially affected by the fluctuation in interest rates. Following the supplemental loan agreements entered into by our Group on 22 September 2023, the applicable interest rates for the Related Parties Loans are fixed between 6% to 7% per annum. Pursuant thereto, the Related Parties Loans are not subject to the impact of fluctuations of interest rates. However, as our Group's bank borrowings are based on floating rates, a significant increase in interest rates would increase our finance costs, which in turn may have an adverse impact on our financial performance. Please refer to note 28(b)(iii)(a) of the Accountants' Report as set out in **Section 13** of this Prospectus for the sensitivity of our PAT for the Period Under Review against an estimated change in interest rates.

(x) Volatility in gold prices

Our Group's pawnbroking business involves sales of unredeemed pledges of gold and gold jewellery as part of our cash recovery process. For defaulted pawn loans of amount not exceeding RM200, we will take possession of the unredeemed pledges whereas for defaulted pawn loans of amount exceeding RM200, we will send the unredeemed pledges to public auctions. We participate in public auctions and bid for the unredeemed pledges. These unredeemed and bid pledges will be sold to KE Well Chip for retail sale as well as sale to scrap gold traders. In addition, we also sell new and pre-owned jewellery and gold through our retail outlets.

In the event there is a sudden and/or prolonged downward movements, the value of our unredeemed pledges (i.e., gold and gold jewellery) from our pawnbroking business and/or gold and gold jewellery purchased from public auctions and walk-in customers will decline accordingly.

If we need to sell these unredeemed pledges (i.e., gold and gold jewellery) and/or purchased items for cash requirement when there is a significant decline in the gold prices, we would incur a loss upon the sales of these unredeemed pledges and/or purchased items, and may adversely affect our profitability and financial performance. In addition, the proceeds from the sales of such unredeemed pledges and/or purchased items may be insufficient to recover the defaulted pawn loans, which in turn may adversely impact our cash recovery process.

12.4 LIQUIDITY AND CAPITAL RESOURCES

12.4.1 Working capital

We finance our operations through cash generated from operations, banking facilities from financial institutions and Related Parties Loans. The decision to utilise either internally generated funds or loans and borrowings for our business operations depends on, amongst others, our cash and cash equivalents, expected cash inflows, future working capital requirements, future capital expenditure requirements and the interest rates on loans and borrowings.

Our Group had recorded negative cash and cash equivalents of RM34.83 million as at 31 December 2022 and RM9.48 million as at 31 December 2023. This is due to our pawnbroking customers had not redeemed their pledges as at 31 December 2022 and 31 December 2023, thus we had to draw down on bank overdrafts to fund our Cash Capital.

As at the LPD, we do not foresee any circumstances which may materially affect our liquidity. Due to the nature of the pawnbroking business, our Group does not have any dispute or material pledged receivables written-off, as the pawn loans are secured by pledges which have been agreed upfront with the customers at the point of pawning. In the event customers do not redeem the pledges and have no intention to redeem the pledges upon the expiration of pawn tickets and grace period provided, as part of our cash recovery process, we will take possession of the pledges (for unredeemed pledges items with defaulted pawn loans amount not exceeding RM200) and bid for the unredeemed pledges from public auctions (for unredeemed pledges with defaulted pawn loans amount exceeding RM200). These unredeemed and bid pledges will then be sold to KE Well Chip for its onward sales as set out in **Section 7.2.2** of this Prospectus.

Since February 2023, our Group no longer relies on additional Related Parties Loans to fund our Cash Capital requirements. As at the LPD, the outstanding amount of Related Parties Loans is RM72.04 million.

On 22 September 2023, we have entered into supplemental loan agreements, the salient terms of which are as follows:

Principal repayment:	(i)	The principal amount of the Related Parties Loans shall be repayable in full by our Group (as the borrower) to the lender in 4 quarterly instalments each calendar year ("**Quarterly Instalment**") within a period of 120 months ("**Repayment Term**") from the date of the successful implementation of our Listing ("**Listing Date**").
	(ii)	Each Quarterly Instalment shall become due and payable and be paid by the borrower the lender on 31 March, 30 June, 30 September and 31 December respectively (each a "**Due Date**") in each of the calendar year within the Repayment Term. For avoidance of doubt, the repayment of the first Quarterly Instalment shall commence on the first Due Date following the Listing Date or such other date as may be mutually agreed by the parties.
	(iii)	The lender and the borrower may mutually agree on the amount of each Quarterly Instalment payable on the respective Due Date, taking into consideration the principal sum outstanding of the Related Parties Loans and such interest chargeable or accrued, so as to ensure that the Related Parties Loans together with any interest chargeable or accrued thereon shall be progressively repaid in full in compliance with the provisions under the supplemental loan agreements. In the absence of any such agreement, each Quarterly Instalment shall be repaid in equal instalment amounts.

	(iv) The borrower may at any time repay the whole or any part of the Related Parties Loans together with accrued interest up to the date of the repayment by giving 30 days' notice to the lender.
Interest repayment:	The borrower shall pay to the lender an interest rate of 6% or 7% per annum (as the case may be) on the principal amount outstanding on the Related Parties Loans. The interest shall be calculated on a daily basis and payable on the last day of each calendar year. Any overdue interest shall be capitalised and added to the principal sum of the Related Parties Loans then owing and shall bear the aforementioned interest rates of 6% or 7% (as the case may be) and be subject to all such terms and conditions contained in the supplemental loan agreement. An interest shall be also applied to such capitalised interest.
Default interest:	In the event that the borrower fails to repay any of the Quarterly Instalment on the respective Due Date, the lender shall be entitled to impose on the borrower, an interest at the rate of 5% per annum calculated on a daily basis on that outstanding Quarterly Instalment from the relevant Due Date of the said Quarterly Instalment up to the date of actual payment.

Following the aforementioned supplemental loan agreements, we will pare down the principal amount of the outstanding Related Parties Loans together with the applicable interests via internally generated funds on a fixed repayment term, which was agreed after taking into consideration the internal budgeting process of our Group which is being prepared on a quarterly basis. We expect to repay approximately RM10.62 million of the Related Parties Loans within 12 months from the Listing Date.

Within 24 months from the date of our Listing, we intend to utilise part of the proceeds from our Public Issue to fund the Cash Capital for our existing pawnshops and new pawnshops as well as the initial setup costs for our new pawnshops. Thereafter, as and when required, we may raise funds from the capital market and/or bank borrowings to finance the cash requirements of our pawnbroking business (i.e. operating costs and expenses as well as Cash Capital). In the event we issue new shares/securities as part of our fund raising exercise, the issuance of additional shares may result in dilution to the shareholdings of our shareholders.

As at 31 December 2023, our total bank borrowings payable within 1 year stood at RM188.67 million, mainly consisting of bank overdrafts of RM21.94 million and revolving credits of RM166.60 million. We have continuously drawn down on our bank overdrafts and rolled over our revolving credit facilities for disbursement of pawn loans. We will repay the outstanding bank overdrafts and/or replenish our revolving credit facilities, as and when required, via cash received from our pawnbroking customers when they redeem their pledges and/or repay interests. For the Period Under Review, we have not had difficulty in drawing down the bank overdrafts and revolving credit facilities granted by the banks.

Premised on the above, we do not foresee any circumstances which may affect our ability to declare and pay dividends, fund our business operations, which include Cash Capital, in the future as well as to pare down the Related Parties Loans.

Our Board is of the opinion that our working capital is sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

(i) Our expected future cash inflows to be generated from redemption of pledges, collection of interest income and sale of jewellery and gold;

(ii) Our expected future cash outflows for the grant of pawn loans, interest expenses incurred for bank borrowings and Related Parties Loans, purchase of jewellery and gold, and operating expenses;

(iii) Our total credit facilities of RM225.00 million available to our Group, of which our total unutilised banking facilities as at the LPD is RM31.72 million. Our plan is to continuously draw down on bank overdrafts and roll over the revolving credit facilities;

(iv) Our pro forma gearing level of 0.79 times, based on our pro forma statements of financial position as at 27 May 2024 after the Pre-IPO Restructuring, Public Issue and utilisation of proceeds;

(v) The expected net proceeds to be raised from our Public Issue;

(vi) Repayment of RM10.62 million of the Related Parties Loans;

(vii) Repayment of term loans and replenishment of revolving credits due within next 12 months of RM0.29 million (inclusive of interest expenses) and RM21.53 million respectively, amounting to RM21.82 million. The remaining amount of outstanding revolving credit as at 31 December 2023 will be rolled over for disbursement of pawn loans; and

(viii) Funding of RM3.90 million for our expected capital expenditures in relation to our expansion plan.

12.4.2 Cash flows summary

The following table sets out the summary of the combined statements of cash flow for the Period Under Review which should be read in conjunction with the Accountants' Report in **Section 13** of this Prospectus.

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash generated from/(used in) operating activities	26,548	(6,182)	(60,502)	(38,646)
Net cash used in investing activities	(1,893)	(892)	(3,372)	(673)
Net cash (used in)/generated from financing activities	(7,042)	7,711	29,016	64,675
Net increase/(decrease) of cash and cash equivalents from continuing operations	**17,613**	**637**	**(34,858)**	**25,356**
Net increase/(decrease) of cash and cash equivalents from discontinued operations	39	(200)	57	-
Cash and cash equivalents at beginning of the financial year	(18,122)	(470)	(33)	(34,834)
Cash and cash equivalents at the end of the financial year[(1)]	**(470)**	**(33)**	**(34,834)**	**(9,478)**

Note:

(1) Cash and cash equivalents comprise the following:

	Audited as at 31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	14,551	14,369	8,606	12,466
Less: Bank overdrafts	(15,021)	(14,402)	(43,440)	(21,944)
Total cash and cash equivalents	**(470)**	**(33)**	**(34,834)**	**(9,478)**

As tabulated above, our Group recorded negative cash flows from operating activities for the FYE 2021, FYE 2022 and FYE 2023.

To further analyse the negative net cash used in operating activities of our Group during the Period Under Review, the breakdown of the cash flows from operating activities are summarised as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
PBT/(Loss before taxation) from:				
Continuing operations	46,160	32,746	36,778	49,993
Discontinuing operations	(47)	221	1,208	1,226
Adjustments for:				
Depreciation of:				
- Property, plant and equipment	1,079	1,079	1,320	1,684
- Right-of-use assets	1,400	1,551	1,689	2,033
Impairment loss on loan receivables	-	-	1,246	-
Interest expenses	9,977	8,331	10,867	15,370
Gain on disposal of property, plant and equipment	*	(1)	(1)	*
Pledge receivables written off	-	-	902	50
Property, plant and equipment written off	-	-	6	6
Operating profit before working capital changes	**58,569**	**43,927**	**54,015**	**70,362**
Decrease/(Increase) in inventories	3,129	(8,468)	(1,795)	2,924
Increase in loan receivable	-	(14,002)	(11,111)	(4,206)
Increase in trade and other receivables	(14,958)	(7,595)	(80,972)	(77,092)
Increase/(Decrease) in other payables	629	834	991	(2,082)
	(11,200)	(29,231)	(92,887)	(80,456)
Cash generated from/(used in) operations	47,369	14,696	(38,872)	(10,094)
Interest paid	(9,802)	(8,155)	(10,564)	(14,992)
Tax paid	(11,019)	(12,819)	(11,364)	(13,560)
Tax refunded	-	96	298	-
Net cash generated from/(used in) operating activities	**26,548**	**(6,182)**	**(60,502)**	**(38,646)**

Note:

* Amount is less than RM1,000

As tabulated above, our Group recorded positive operating profit before changes in working capital during the Period Under Review. This indicates that our Group is able to generate sufficient profit from the operations of our core business after fulfilling all related operating expenses.

However, our Group had recorded negative cash flow from operating activities for the FYE 2021, FYE 2022 and FYE 2023. This was due to an increase in the usage of external borrowings such as loans from related parties and bank borrowings to fund the growth of our Group. Pursuant to MFRS 107 Statement of Cash Flows, cash flows from operating activities are primarily derived from the principal revenue producing activities of the entity as well as other activities that are neither considered as investing or financing. Therefore, the issuance of pawn loans is recorded as a cash outflow from operating activities as the pawn loans are the principal revenue producing activity of our Group, whereas the corresponding funding (cash inflow to our Group) for the disbursement of pawn loans are captured in cash flow from financing activities. The objective of presenting cash flow arising from financing activities is to facilitate the prediction of claims of future cash flows by providers of capital to the entity, and to reflect the source of funds. Therefore, the cash proceeds from short-term and long-term borrowings are classified under financing activities.

Due to difference in accounting treatment of the disbursement and funding of the pawn loans, the negative operating cash flow as a result of pawn loans disbursed were not offset by the external borrowings. As such, in our Group's pawnbroking business operations, the continuous disbursement of pawn loans at an increasing rate would result in higher negative cash flows from operating activities for our Group.

In FYE 2021, our Group recorded net cash used in operating activities of RM6.18 million mainly due to:

(i) increase in inventories which was a result of:

(a) higher purchase of bid pledges from public auctions in FYE 2021 due to the backlog of defaulted pawn loans accumulated in FYE 2020 when public auction activities were limited during the MCO 1.0 period, which were carried over to FYE 2021; and

(b) lower turnover following the closure of our retail outlets during the FMCO period from 12 May 2021 to 31 August 2021; and

(ii) increase in pawn loans disbursed by RM23.71 million or approximately 4.7% from RM508.27 million in FYE 2020 to RM531.98 million in FYE 2021.

In FYE 2022, our Group recorded net cash used in operating activities of RM60.50 million mainly due to increase in trade receivables, whereby total pawn loans disbursed increased by RM178.36 million or approximately 33.5% from RM531.98 million in FYE 2021 to RM710.34 million in FYE 2022.

In FYE 2023, our Group recorded net cash used in operating activities of RM38.65 million mainly due to increase in trade receivable, whereby total pawn loans disbursed increased by RM280.30 million or approximately 39.5% from RM710.34 million in the FYE 2022 to RM990.64 million in the FYE 2023.

As our Group's business entails the provision of pawnbroking services, the increase in trade and other receivables during the Period Under Review demonstrates that our Group's pawnbroking business was able to disburse more pawn loans to earn interest income.

For illustration purposes, after adjusting for the net proceeds from loans and borrowings and drawdown of bank overdrafts, our Group would have recorded positive net cash flow from operating activities for FYE 2021, FYE 2022 and FYE 2023:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash generated from/(used in) operating activities	26,548	(6,182)	(60,502)	(38,646)
Adjustments for:				
- Net proceeds from loans and borrowings (adjusted for repayment of loans and borrowings)[(1)]	2,000	2,951	26,007	65,800
- Drawdown of bank overdrafts	15,021	14,402	43,440	21,944
Adjusted net cash generated from operating activities	**43,569**	**11,171**	**8,945**	**49,098**

Note:

(1) As the Related Parties Loans will be repaid and our Group will not rely on additional Related Parties Loans to fund and grow our Group's business, the Related Parties Loans were not included as cash inflow.

The changes in working capital, which attributed to the negative cash flow from operating activities for the FYE 2021, FYE 2022 and FYE 2023 were mainly due to:

(i) increase in trade and other receivables mainly attributed to more pawn loans disbursed; and

(ii) increase in loan receivables pursuant to Swift Paragon's money lending business.

The increase in pawn loans disbursed (as evident from the increase in trade and other receivables which include pledge receivables and accrued interest receivables) demonstrates that our Group's pawnbroking business was able to disburse more pawn loans to earn higher interest income.

As illustrated above, had the drawdown of bank borrowings been classified as part of working capital, our Group would have recorded positive net cash flow from operating activities for the Period Under Review.

(i) Net cash flows from operating activities

FYE 2020

In FYE 2020, our net cash generated from operating activities was RM26.55 million. We collected cash payment mainly from the following:

(a) RM546.92 million received from redemptions of pawn loans by our pawnbroking customers;

(b) RM69.80 million received from retail sales and trading of jewellery and gold; and

(c) RM0.45 million received from other income, mainly from management fees received from ValueMax Properties Pte. Ltd. (please see item (4) of **Section 10.2.1** of this Prospectus), government grants from wages subsidy program and services income (consisting ancillary services provided by our retail outlets such as polishing and repairing jewellery).

The above collections were offset by cash payment mainly for the following:

(a) RM508.09 million for disbursement of pawn loans to our pawnbroking customers;

(b) RM25.82 million for payment of staff costs, operating and administrative expenses;

(c) RM45.96 million for purchase of new and pre-owned jewellery and gold; and

(d) RM11.02 million for tax payment.

FYE 2021

In FYE 2021, our net cash used in operating activities was RM6.18 million. We collected cash payment mainly from the following:

(a) RM577.14 million received from redemptions of pawn loans by our pawnbroking customers;

(b) RM50.08 million received from retail sales and trading of jewellery and gold; and

(c) RM0.76 million received from other income, mainly from management fees (please see item (4) of **Section 10.2.1** of this Prospectus), government grants from wages subsidy program and services income (consisting ancillary services provided by our retail outlets such as polishing and repairing jewellery).

The above collections were offset by cash payment mainly for the following:

(a) RM531.70 million for disbursement of pawn loans to our pawnbroking customers;

(b) RM25.85 million for payment of staff costs, operating and administrative expenses;

(c) RM49.70 million for purchase of new and pre-owned jewellery and gold;

(d) RM14.00 million for disbursement of loan to money lending customers; and

(e) RM12.82 million for tax payment.

FYE 2022

In FYE 2022, our net cash used in operating activities was RM60.50 million. We collected cash payment mainly comprising from the following:

(a) RM688.40 million received from redemptions of pawn loans by our pawnbroking customers;

(b) RM98.63 million received from retail sales and trading of jewellery and gold;

(c) RM1.32 million received from other income, mainly from management fees (please see item (4) of **Section 10.2.1** of this Prospectus) and services income (consisting ancillary services provided by our retail outlets such as polishing and repairing jewellery); and

(d) RM0.30 million received from tax refund.

The above collections were offset by cash payment mainly for the following:

(a) RM710.34 million for disbursement of pawn loans to our pawnbroking customers;

(b) RM30.74 million for payment of staff costs, operating and administrative expenses;

(c) RM86.82 million for purchase of new and pre-owned jewellery and gold;

(d) RM11.11 million for disbursement of loan to money lending customers; and

(e) RM11.36 million for tax payment.

FYE 2023

In FYE 2023, our net cash used in operating activities was RM38.65 million. We collected cash payment mainly comprising from the following:

(a) RM988.44 million received from redemptions of pawn loans by our pawnbroking customers;

(b) RM130.44 million received from retail sales and trading of jewellery and gold; and

(c) RM0.30 million received from other income, mainly from management fees (please see item (4) of **Section 10.2.1** of this Prospectus) and services income (consisting ancillary services provided by our retail outlets such as polishing and repairing jewellery).

The above collections were offset by cash payment mainly for the following:

(a) RM990.64 million for disbursement of pawn loans to our pawnbroking customers;

(b) RM39.92 million for payment of staff costs, operating and administrative expenses;

(c) RM108.33 million for purchase of new and pre-owned jewellery and gold;

(d) RM4.21 million for disbursement of loan to money lending customers; and

(e) RM13.56 million for tax payment.

(ii) Net cash from investing activities

FYE 2020

For FYE 2020, our net cash used in investing activities was RM1.89 million, which was attributed to purchase of property, plant and equipment, i.e. computers, furniture and fittings, office equipment and renovations.

FYE 2021

For FYE 2021, our net cash used in investing activities was RM0.89 million which was attributed to purchase of property, plant and equipment, i.e. computers, furniture and fittings, office equipment and renovations.

FYE 2022

For FYE 2022, our net cash used in investing activities was RM3.37 million. This was mainly due to the following:

(a) RM2.71 million used for purchase of plant, property and equipment, i.e. computers, furniture and fittings, office equipment and renovations; and

(b) RM0.70 million used for purchase of leasehold properties, being a 4-storey corner shop house for PG Jubli Intan's pawnbroking business and a double storey corner shop house for PG Well Chip (3)'s pawnbroking business.

FYE 2023

For FYE 2023, our net cash used in investing activities was RM0.67 million. This was mainly due to the following:

(a) RM2.96 million used for purchase of plant, property and equipment, i.e. computers, furniture and fittings, office equipment and renovations; and

(b) RM0.22 million used for purchase of leasehold properties, being a 4-storey intermediate shop house for use as KE Well Chip's retail outlet.

The above net cash payment was partially offset by RM2.48 million proceeds received from disposal of discontinued operations and RM0.03 million proceeds received from disposal of computers owned by Swift Paragon pursuant to the Disposal of Swift Paragon.

(iii) Net cash used in financing activities

FYE 2020

For FYE 2020, our net cash used in financing activities was RM7.04 million. This was mainly due to the following:

(a) RM2.00 million from net drawdown of loans and borrowings, utilised as Cash Capital;

(b) RM2.38 million for repayment of Related Parties Loans;

(c) RM1.39 million for payment of lease liabilities in relation to rental for our pawnshops and retail outlets;

(d) RM0.18 million for interest payment for lease liabilities and term loans; and

(e) RM5.10 million of dividends paid to our shareholders.

FYE 2021

For FYE 2021, our net cash generated from financing activities was RM7.71 million. This was mainly due to the following:

(a) RM2.95 million from net drawdown of loans and borrowings, utilised as Cash Capital;

(b) RM11.92 million from drawdown of Related Parties Loans, utilised as Cash Capital;

(c) RM1.55 million for payment of lease liabilities in relation to rental for our pawnshops and retail outlets;

(d) RM0.18 million for interest payment for lease liabilities and term loans; and

(e) RM5.44 million of dividends paid to our shareholders.

FYE 2022

For FYE 2022, our net cash generated from financing activities was RM29.02 million. This was mainly due to the following:

(a) RM26.01 million from net drawdown of loans and borrowings, utilised as Cash Capital;

(b) RM10.03 million from drawdown of Related Parties Loans, utilised as Cash Capital;

(c) RM1.62 million for payment of lease liabilities in relation to rental for our pawnshops and retail outlets;

(d) RM0.30 million for interest payment for lease liabilities and term loans; and

(e) RM5.10 million of dividends paid to our shareholders.

FYE 2023

In FYE 2023, our net cash generated from financing activities was RM64.68 million. This was mainly due to the following:

(a) RM65.80 million from net drawdown of loans and borrowings, utilised as Cash Capital;

(b) RM6.06 million from drawdown of Related Parties Loans, utilised as Cash Capital;

(c) RM1.95 million for payment of lease liabilities in relation to rental for our pawnshops and retail outlets; and

(d) RM0.38 million for interest payment for lease liabilities and term loans; and

(e) RM4.85 million of dividends paid to our shareholders.

12.4.3 Loans and borrowings

As at 31 December 2023, our total loans and borrowings was RM268.19 million, as set below:

	As at 31 December 2023					
	(1) Term loans	(2) Bank overdrafts	(2) Revolving credits	Subtotal	Related Parties Loans	Total loans and borrowings
Maturity profile	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Less than 1 year	121	21,944	166,600	188,665	75,695	264,360
More than 1 year but less than 2 years	126	-	-	126	-	126
More than 2 years but less than 5 years	412	-	-	412	-	412
More than 5 years	3,293	-	-	3,293	-	3,293
Total	**3,952**	**21,944**	**166,600**	**192,496**	**(3) 75,695**	**268,191**
Effective interest rate (%)	4.12 – 5.58	6.35 - 7.07	5.03 - 6.23	-	6.00 - 7.00	**-**
Gearing ratio(4)						**1.32**

Notes:

(1) Term loans were mainly utilised to fund purchase of business premises.

(2) Bank overdrafts and revolving credits were utilised for Cash Capital and working capital for our business operations.

(3) Out of the RM75.70 million of the Related Parties Loans, a total of RM17.32 million is denominated in SGD.

(4) Calculated based on total borrowings divided by total equity.

Our Group has not defaulted on any payment of either principal sum and/or interest in relation to loans and borrowings for the Period Under Review and up to the LPD.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or loans, which can materially affect the financial position and results of business operations or investments by holders of our Shares.

12.4.4 Financial instruments, treasury policies and objectives

From an accounting perspective, financial instruments may include trade and other receivables, other payables as well as loans and borrowings as shown in our combined statements of financial position. These financial instruments are used in our ordinary course of business.

Our Group's operations have been mainly funded through bank borrowings, Related Parties Loans and internally generated funds. As at the LPD, we have not issued any financial instruments such as bonds or other debt instruments which requires us to obtain credit rating.

As at the LPD, our Group's banking facilities from financial institutions mainly consists of revolving credits and bank overdrafts for our Cash Capital.

The interest rates for our bank borrowings are based on the market rates prevailing at the dates of the respective transaction. As at the LPD, our Group has available banking facilities amounting to RM225.00 million, of which RM31.72 million has yet to be utilised.

The main objective of our capital management is to ensure we maintain a healthy credit rating and capital ratio in order to support our business to maximise shareholders' value. We manage our capital structure to maintain our gearing ratio at an optimal level based on our business requirements and prevailing economic conditions.

12.4.5 Material capital commitments

As at the LPD, our Group does not have any material capital commitments.

12.4.6 Material litigation

Our Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and proceedings pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our position or profitability, in the 12 months immediately preceding the date of this Prospectus.

12.4.7 Contingent liabilities

As at the LPD, we do not have any material contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

12.4.8 Material investment and divestiture

Saved as disclosed in **Section 6.3** of this Prospectus, we have not undertaken any material investments or divestitures during the Period Under Review and up to and including the LPD.

12.4.9 Key financial ratios

Our key financial ratios for the Period Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Trade receivables turnover period (days) (1)	160	161	142	130
Inventory turnover (days) (2)	196	257	146	110
Current ratio (times) (3)	1.75	1.72	1.56	1.70
Gearing ratio (times) (4)	1.22	1.16	1.41	1.32
Return on Cash Capital (%) (5)	26.4	27.3	23.8	23.7

Notes:

(1) Due to the nature of the pawnbroking business of our Group, our trade receivables comprise of pawn loans outstanding and interest receivable from pawnbroking services. Therefore, to reflect more meaningful trade receivables turnover, the computation is based on the average trade receivables over the aggregate of total pawn loans and interest income from pawnbroking services for the respective financial years multiplied by 365 days for each financial year.

(2) Computed based on average inventory over cost of sales the respective financial years multiplied by 365 days for each financial year.

(3) Computed based on current assets over current liabilities.

(4) Computed based on total loans and borrowings (including Related Parties Loans but excluding lease liabilities) over total equity.

(5) Computed based on interest income over cash capital for the respective financial years.

(i) Trade receivables turnover period

A summary of our trade receivables for the Period Under Review is set out below:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables				
- Pawn loans outstanding	228,103	241,669	249,366	325,893
- Interest receivables	10,659	11,975	10,478	14,268
	238,762	**253,644**	**259,844**	**340,161**
Closing trade receivables				
- Pawn loans outstanding	241,669	249,366	325,893	399,296
- Interest receivables	11,975	10,478	14,268	16,291
	253,644	**259,844**	**340,161**	**415,587**
Average trade receivables				
- Pawn loans outstanding	234,886	245,517	287,630	362,595
- Interest receivables	11,317	11,227	12,373	15,280
	246,203	**256,744**	**300,003**	**377,875**

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total pawn loans disbursed	508,271	531,979	710,341	990,638
Interest income from pawnbroking services	51,848	51,618	59,266	72,965
	560,119	**583,597**	**769,607**	**1,063,603**
Trade receivables turnover period				
- Pawn loans outstanding (days)	169	168	148	134
- Interest receivables (days)	80	79	76	76
- Overall (days)	160	161	142	130

For our pawnbroking services segment, we offer pawn loans with loan periods of up to 6 months to our pawnbroking customers. We charge a monthly interest rate which ranges between 1.00% to 2.00% of the pawn loan amount.

Upon expiry of the pawn ticket, customers who choose to renew their pawn loans are required to settle the outstanding accrued interest on the existing pawn loans before they can pawn their pledges to obtain new pawn tickets with a new pawn loan period.

If our pawnbroking customers do not redeem their pledges, renew their pawn loans or pay the interest charges upon expiration of pawn tickets, we will provide a grace period, at our discretion, of up to 3 months as set out below for customers to redeem the pledges or renew the pawn tickets:

(a) for loans which are granted on the 1st of the month, the grace period will expire at the end of the 3rd month from the expiration of pawn tickets; or

(b) for loans which are granted on any day other than the 1st of the month, the grace period will expire at the end of the 2nd month from the expiration of pawn tickets,

such that the grace period given will not exceed 3 months.

On the day immediately after the expiration of the grace period, their pawn loans will be categorised as defaulted pawn loans. In such event:

(a) For defaulted pawn loans not exceeding RM200, our customers will be notified of the expiration of the pawn tickets via SMS texts in the first month after the expiry date of the pawn tickets. If our customers do not redeem the pledges or renew the pawn loan within the grace period given, the pledges will be deemed our possession.

(b) For defaulted pawn loans exceeding RM200, our customers will be notified of the expiration of the pawn tickets via SMS texts in the first month after the expiry date of the pawn tickets, and then via registered letters in the second month after the expiry date of the pawn tickets.

    The unredeemed pledges will then be sent for public auction, which typically takes place in the month immediately after the expiration of the grace period given.

If the customers return to our pawnshops to redeem the pledges or renew their pawn loans after we have submitted the pre-auction list to the KPKT at any time within the grace period provided, we can still perform the redemption and charge the accrued interest up to the month that the pledges are redeemed.

Our Group has not encountered any circumstances in the past and up to the LPD where proceeds from the sale of bid pledges were less than defaulted pawn loans.

For our retail and trading of jewellery and gold segment, our transactions with customers are settled immediately in cash, through financial institutions providing credit services such as credit cards, or through third party online payment channels. Financial institutions providing credit services typically release payment within 2 days from the point of sale.

Our average trade receivables turnover periods for the Period Under Review are within the maximum pawn loan tickets validity of 6 months. The fluctuations in the average trade receivables turnover periods for the Period Under Review is due to the timing of redemption by our pawnbroking customers.

In FYE 2020, there were no public auctions in the months of April, May and June; whilst in FYE 2021, there were no public auctions in the months of February, March, June, July, August, September and October. During these periods, we have extended the redemption period of the pawn loans until the last day of the month immediately before the public auctions were allowed to resume in the respective years. This has resulted in the longer redemption/renewal period by our customers for the FYE 2020 and FYE 2021, which in turn resulted in higher average trade receivables turnover period for those years as compared to FYE 2022, when public auctions had resumed in full.

The average trade receivables turnover period for the FYE 2023 is lower than the average trade receivables turnover period for the FYE 2022 was due to faster redemptions by our pawnbroking customers.

Our Group has no significant concentration of credit risk from our trade receivables. Our Group minimises credit risk by requiring pledges from customers. As such, we do not make provision for impairment losses in respect of these balances when they are past due as they are secured by pledges.

In FYE 2022, we had written-off RM0.90 million for pledges that were confiscated by police for investigations accumulated since the commencement of our pawnbroking operation. The write-off was not material in its respective years. In FYE 2023, we have written off pledge receivables of RM0.05 million that were confiscated by police for investigations.

The table below sets out the ageing analysis for our trade receivables as at 31 December 2023:

	Not past due					
As at 31 December 2023	**Within 6 months**	**6 – 7 months**	**7 – 8 months**	**8 – 9 months**	**Past due**	**Total**
Trade receivables (RM'000)	363,807	26,520	16,490	8,770	-	415,587
% of total trade receivables (%)	87.5	6.4	4.0	2.1	-	100.0
As at the LPD						
Trade receivables settled (RM'000)	270,533	26,520	16,490	8,770	-	322,313
Trade receivables settled (% of total trade receivables) (%)	65.1	6.4	4.0	2.1	-	77.6
Trade receivable outstanding (RM'000)	93,274	-	-	-	-	93,274

(ii) Inventory turnover period

Our inventory comprises:

(a) new gold and gold jewellery purchased from manufacturers and/or wholesalers; and

(b) pre-owned gold, gold jewellery and watches from unredeemed and bid pledges from our pawnbroking services segment, as well as purchased from walk-in individuals at our retail outlets.

Our inventory for the Period Under Review by products is set out below:

	Audited as at 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
New gold and gold jewellery	4,074	4,954	4,718	5,314
Pre-owned gold, gold jewellery and watches	20,684	28,272	30,303	26,783
Total	**24,758**	**33,226**	**35,021**	**32,097**

Our inventory turnover days during the Period Under Review were as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Opening inventories	27,887	24,758	33,226	35,021
Closing inventories	24,758	33,226	35,021	32,097
Average inventories	26,323	28,992	34,124	33,559
Cost of sales	49,085	41,235	85,028	111,251
Inventories turnover period (days)	196	257	146	110

Our average inventory turnover periods for the Period Under Review are 196, 257, 146 and 110 days respectively.

Our inventory turnover period increased by 61 days from 196 days in FYE 2020 to 257 days in FYE 2021 mainly due to:

(a) increase in average inventory in FYE 2021 due to higher purchase of bid pledges from public auctions in FYE 2021. This is attributed to the backlog of defaulted pawn loans accumulated in FYE 2020 when public auction activities were limited during MCO 1.0 period in FYE 2020, which were carried over to FYE 2021. For the avoidance of doubt, once the Group purchases the bid pledges at public auctions, the pledges will then be recorded in inventory; and

(b) decrease in sales volume of jewellery and gold products as our retail outlets were temporarily closed for approximately 3.5 months from 12 May 2021 to 31 August 2021.

Subsequently, our inventory turnover period decreased by 111 days from 257 days in FYE 2021 to 146 days in FYE 2022 due to significant increase in sales volume of jewellery and gold as well as scrap gold has increased after the upliftment of FMCO.

Our average inventory turnover period decreased by 36 days from 146 days in FYE 2022 to 110 days in FYE 2023 which attributed to increase in sales volume of jewellery and gold products.

There was no inventory written off for the Period Under Review.

(iii) Current ratio

A summary of our current ratio for the Period Under Review is set out below:

	Audited as at 31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	295,576	311,615	387,468	465,332
Current liabilities	168,975	180,929	247,954	272,956
Current ratio(1) (times)	1.75	1.72	1.56	1.70

Note:

(1) Computed on current assets over current liabilities.

Our current ratio ranged from 1.56 times to 1.75 times throughout the Period Under Review. This indicates that our Group is capable of meeting our current obligations as our current assets are enough to meet our current liabilities.

Our current ratio as at 31 December 2020 and as at 31 December 2021 have remained relatively constant.

Our current ratio decreased from 1.72 times as at 31 December 2021 to 1.56 times as at 31 December 2022. This was mainly due to the increase in our trade and other receivables by RM80.07 million or approximately 30.4% from RM263.34 million in FYE 2021 to RM343.41 million in FYE 2022, attributed to the increase in pawn loans disbursed.

Nevertheless, we also recorded an increase in loans and borrowings of RM57.85 million or approximately 64.9% from RM89.08 million in FYE 2021 to RM146.93 million in FYE 2022, which were used mainly for Cash Capital and working capital.

Our current ratio increased from 1.56 times as at 31 December 2022 to 1.70 times as at 31 December 2023, mainly due to:

(a) increase in trade and other receivables by RM77.06 million or approximately 22.4% from RM343.41 million in FYE 2022 to RM420.47 million in FYE 2023, attributed to the increase in pawn loans disbursed; and

(b) decrease in our trade and other payables by RM22.01 million or approximately 21.6% from RM101.92 million in FYE 2022 to RM79.91 million in FYE 2023, mainly attributed to decrease in loans from related parties of RM21.15 million or approximately 33.1% from RM63.94 million in FYE 2022 to RM42.79 million in FYE 2023 and decrease in amount due to related parties of RM2.51 million or approximately 77.2% from RM3.25 million in FYE 2022 to RM0.74 million in FYE 2023.

(iv) Gearing ratio

	Audited as at 31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans and borrowings	86,752	89,084	146,934	192,496
Related Parties Loans	73,726	85,650	95,680	75,695
Total loans and borrowings (including Related Parties Loans)	**160,478**	**174,734**	**242,614**	**268,191**
Total equity	132,010	150,540	171,795	203,377
Gearing ratio (times)	1.22	1.16	1.41	1.32

Our gearing ratio decreased from 1.22 times as at 31 December 2020 to 1.16 times as at 31 December 2021, mainly due to increase on our retained profits by RM18.53 million or approximately 17.8% from RM104.33 million as at 31 December 2020 to RM122.86 million as at 31 December 2021. The increase in retained profits is partially offset by increase in our loans and borrowings (including Related Parties Loans) by RM14.25 million or approximately 8.9% from RM160.48 million as at 31 December 2020 to RM174.73 million as at 31 December 2021 mainly for Cash Capital and working capital purposes.

Our gearing ratio increased from 1.16 times as at 31 December 2021 to 1.41 times as at 31 December 2022, mainly due to increase in our loans and borrowings (including Related Parties Loans) by RM67.88 million or approximately 38.8% from RM174.73 million as at 31 December 2021 to RM242.61 million as at 31 December 2022 mainly for Cash Capital and working capital purposes. The increase in loans and borrowings (including Related Parties Loans) is partially offset by increase in our retained profits by RM21.25 million or approximately 17.3% from RM122.86 million as at 31 December 2021 to RM144.11 million as at 31 December 2022.

Our gearing ratio decreased from 1.41 times as at 31 December 2022 to 1.32 times as at 31 December 2023, mainly due to increase in our retained profits by RM31.58 million or approximately 21.9% from RM144.11 million as at 31 December 2022 to RM175.69 million as at 31 December 2023. The increase in retained profits is partially offset by increase in our loans and borrowings (including Related Parties Loans) by RM25.58 million or approximately 10.5% from RM242.61 million as at 31 December 2022 to RM268.19 million as at 31 December 2023 mainly for Cash Capital and working capital purposes.

During the Period Under Review, we have funded our Cash Capital requirements from the following sources:

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
Source of Cash Capital	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
As at end of the relevant financial years								
Bank borrowings	86,752	44.1	89,084	47.1	146,934	58.9	192,496	62.6
Related Parties Loans	73,726	37.5	85,650	45.3	95,680	38.3	75,695	24.7
For the relevant financial years								
Internally generated funds	36,161	18.4	26,410	14.0	29,073	11.6	39,077	12.7
Subtotal	**196,639**	**100.0**	**201,144**	**106.4**	**271,687**	**108.8**	**307,268**	**100.0**
Less:								
Loans provided to Swift Paragon[1]	-	-	(12,182)	(6.4)	(22,118)	(8.8)	-	-
Total Cash Capital	**196,639**	**100.0**	**188,962**	**100.0**	**249,569**	**100.0**	**307,268**	**100.0**

Note:

(1) The sources of funds for the loans provided to Swift Paragon are from a combination of Related Parties Loans and our internally generated funds.

As Swift Paragon's principal activity is in the business of money-lending, the loan from SYT Pavilion to Swift Paragon has been deducted to reflect only the Cash Capital used for the pawnbroking business of Well Chip Group. Swift Paragon was a wholly-owned subsidiary of SYT Pavilion prior to the Disposal of Swift Paragon, which was completed on 28 June 2023. The outstanding amount owed by Swift Paragon to SYT Pavilion was fully settled upon the completion of the Disposal of Swift Paragon.

In view that we have been relying on external funding, i.e. bank borrowings and Related Parties Loans, in larger proportion compared to internally generated funds to expand our business, for both expansion of pawnshops and disbursement of new pawn loans, our gearing ratio is higher than 1. Nevertheless, our gearing ratio is within the range of gearing ratios of comparable companies of 0.16 times to 4.78 times as set out in Section 4.2 of the IMR Report.

(v) Return on Cash Capital

Return on Cash Capital is a financial ratio analysis used to indicate the financial performance of our pawnbroking business. The said ratio is computed based on total interest income generated from our pawnbroking business divided by our Cash Capital over the Period Under Review as summarised below:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income	51,848	51,618	59,266	72,965
Cash Capital	196,639	188,962	249,569	307,268
Return on Cash Capital[(1)] (%)	26.4	27.3	23.8	23.7

Note:

(1) Computed based on interest income over Cash Capital for the respective financial years.

Our return on Cash Capital increased from 26.4% for the FYE 2020 to 27.3% for the FYE 2021 due to decrease in Cash Capital by RM7.68 million or approximately 3.9% from RM196.64 million for the FYE 2020 to RM188.96 million for the FYE 2021.

Our return on Cash Capital declined from 27.3% for the FYE 2021 to 23.8% for the FYE 2022 mainly due to:

(a) increase in Cash Capital by RM60.61 million or approximately 32.1% from RM188.96 million for the FYE 2021 to RM249.57 million for the FYE 2022 as total pawn loans disbursed increased in FYE 2022; and

(b) lower growth in interest income vis-à-vis the growth in Cash Capital. Interest income increased by RM7.65 million or approximately 14.8% from RM51.62 million in FYE 2021 to RM59.27 million in FYE 2022, due to a larger proportion of our pawn loans were disbursed towards the later part of the year. The loan periods for pawn loans disbursed towards the later part of the year stretched beyond 31 December 2022, resulting in a part of monthly interest income being recognised in the FYE 2022. The interest income from the remaining loan period after 31 December 2022 was recognised in FYE 2023.

Our return on Cash Capital has been relatively consistent for the FYE 2022 and FYE 2023.

12.5 ORDER BOOK

Due to the nature of our pawnbroking business and retail and trading of jewellery and gold business, we do not have any order book.

12.6 TREND INFORMATION

As at the LPD, save as disclosed in this Prospectus, our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and risk factors in **Section 9** of this Prospectus;

(ii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and risk factors in **Section 9** of this Prospectus;

(iii) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits save for the interruptions to business and operations as set out in **Section 7.23** of this Prospectus and our future plans and business strategies as set out in **Section 7.24** of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and risk factors in **Section 9** of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources.

12.7 SIGNIFICANT CHANGES/EVENTS

Save for the Acquisition, there are no significant changes that has occurred which may have a material effect on our financial position and results of operation since 31 December 2023 up to the LPD.

12.8 DIVIDEND POLICY

It is our Board's intention to recommend and distribute dividends of at least 35.0% of our consolidated PAT attributable to our shareholders for first 3 financial years after our Listing. This will allow our shareholders to participate in the profits of our Group while leaving adequate reserves for the future growth of our Group.

Our Group's ability to distribute dividends to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for the working capital of our business. Our ability to declare and pay dividends is subject to the discretion of our Board and compliance with the provisions of the Act. Our Directors will take into consideration, amongst others, the following factors when recommending or declaring any dividends:

(i) our level of cash, gearing, return on equity and retained earnings;

(ii) our expected financial performance;

(iii) our projected levels of capital expenditure and other investment plans;

(iv) our operating cash flow and working capital requirements; and

(v) any contractual restrictions and/or commitments.

As at the LPD, save for the financial covenants as set out below and the Act, and subject to the availability of distributable profits and reserves, there are no dividend restrictions imposed on us or our subsidiaries:

	Our subsidiaries	Restrictive covenants on dividends
1.	KP Well Chip, PG Cahaya Damai, PG Grand Chip, PG Mutiara Pesona, PG Delima, PG Nilam	Prior written consent of United Overseas Bank (Malaysia) Bhd ("**UOB**") to declare dividends in excess of 50.0% of its PAT to our Company provided always any permitted dividend may only be made if the borrower is not in arrears or default
2.	PG Berlian, PG Shinegold	Prior written consent of CIMB Bank Berhad to declare dividends to our Company
3.	PG Bintang, PG Rubi Kristal, Thye Shing Pawnshop, PG Jubli Intan, PG Well Chip (1), PG Well Chip (2), PG Well Chip (3)	Prior written consent of OCBC Bank Malaysia Berhad to declare dividends in excess of 50.0% of its PAT to our Company
4.	PG Cahaya Damai	Prior written consent of Ambank (M) Berhad to declare dividends exceeding 50% of its yearly PAT to our Company

The existing financial covenants would not affect the future dividend payments of our Company.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries. Distribution by our subsidiaries will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors, which may include restrictive covenants relating to declaration of dividends which are applicable to loans obtained by our subsidiaries.

The dividends declared and paid by our Group for the Period Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Dividends declared/paid	5,099	5,435	5,097	4,848

The dividends above were funded via internally generated funds of our Group after taking into consideration the funding requirements of our business operations.

Investors should note that this dividend policy merely describes our present intention and shall not constitute any legally binding statements in respect of our future dividends which are subject to modification (including non-declaration) thereof at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that further dividends declared by our Board, if any, will not differ materially from historical dividend levels.

Our Company has no intention to declare any further dividends up to the completion of Listing.

12.9 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF WELL CHIP

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The Board of Directors
Well Chip Group Berhad
Suite 9D, Level 9 Menara Ansar
65, Jalan Trus
80000 Johor Bahru, Johor

Date: 05 June 2024

Dear Sirs,

WELL CHIP GROUP BERHAD

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of Well Chip Group Berhad ("Well Chip" or the "Company") and its subsidiaries, namely Kedai Pajak Well Chip Sdn. Bhd., Kedai Emas Well Chip Sdn. Bhd., Thye Shing Pawnshop Sdn. Bhd., SYT Pavilion Sdn. Bhd., Pajak Gadai Bintang Sdn. Bhd., Pajak Gadai Shinegold Sdn. Bhd., Pajak Gadai Berlian Sdn. Bhd., Pajak Gadai Grand Chip Sdn. Bhd., Pajak Gadai Cahaya Damai Sdn. Bhd., Pajak Gadai Mutiara Pesona Sdn. Bhd., Pajak Gadai Rubi Kristal Sdn. Bhd., Pajak Gadai Jubli Intan Sdn. Bhd., Pajak Gadai Fajar Tebrau Sdn. Bhd., Pajak Gadai Nilam Sdn. Bhd., Pajak Gadai Delima Sdn. Bhd., Pajak Gadai Well Chip (1) Sdn. Bhd., Pajak Gadai Well Chip (2) Sdn. Bhd., Pajak Gadai Well Chip (3) Sdn. Bhd., Pajak Gadai Well Chip (4) Sdn. Bhd., Pajak Gadai Well Chip (5) Sdn. Bhd., Pajak Gadai Well Chip (6) Sdn. Bhd., Well Chip (7) Sdn. Bhd., Well Chip (8) Sdn. Bhd., Well Chip (9) Sdn. Bhd., Well Chip (10) Sdn. Bhd., Well Chip (11) Sdn. Bhd., Well Chip (12) Sdn. Bhd. and Well Chip (13) Sdn. Bhd. (collectively referred to as the "Group").

The Proforma Combined Statements of Financial Position have been prepared by the Board of Directors of Well Chip for inclusion in the prospectus of Well Chip ("Prospectus") in connection with its Initial Public Offering ("IPO") in conjunction with the listing of and quotation for the entire enlarged issued share capital of Well Chip on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

The pro forma combined statements of financial position consist of the pro forma combined statements of financial position as at 31 December 2023 together with the accompanying notes thereon, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Board of Directors of Well Chip have compiled the pro forma combined statements of financial position are as described in Note 2 to the pro forma combined statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma combined statements of financial position of the Group have been compiled by the Board of Directors of Well Chip, for illustrative purposes only to illustrate the impact of the events or transactions as set out in the notes thereon to the Proforma Combined Statements of Financial Position as of 31 December 2023.

As part of this process, information about the Group's financial position has been extracted by the Board of Directors of Well Chip from the audited combined financial statements of the Group.

The audited combined financial statements of the Group for the Financial Year Ended ("FYE") 31 December 2023 were reported by us to their respective members without any modifications.

Board of Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The Board of Directors of Well Chip are responsible for compiling the pro forma combined statements of financial position on the basis as described in the notes thereon to the proforma combined statements of financial position and in accordance with the Application Criteria.

Our Independence and Quality Control

We are independent in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board of Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our firm applies *International Standard on Quality Management 1 ("ISQM 1"), Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma combined statements of financial position has been compiled, in all material respects, by the Board of Directors of Well Chip on the basis as described in the notes thereon to the proforma combined statements of financial position and in accordance with the Application Criteria.

RSM

Reporting Accountants' Responsibilities (cont'd)

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of Well Chip have compiled, in all material respects, the pro forma combined statements of financial position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or re-issuing any reports or opinions on any historical financial information used in compiling the pro forma combined statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma combined statements of financial position.

The purpose of the pro forma combined statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position has been compiled, in all material respects, on the basis as described in the notes thereon and in accordance with the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Board of Directors of Well Chip in the compilation of the pro forma combined statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the events and transactions, and to obtain sufficient appropriate evidence about whether:

(a) The related pro forma adjustments give appropriate effect to those criteria; and

(b) The proforma combined statements of financial position reflects the proper application of those adjustments to the audited financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma combined statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RSM

Our opinion

In our opinion, the pro forma combined statements of financial position of the Group have been compiled on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position and in accordance with the requirements of the Prospectus Guidelines.

Other matter

This report has been prepared for inclusion in the Prospectus of Well Chip in connection with the Listing. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

RSM Malaysia PLT	wcp
RSM Malaysia PLT	**Wong Cheng Pin**
202206000002 (LLP0030276-LCA) & AF: 0768	03611/11/2025 J
Chartered Accountants	Chartered Accountant

Johor Bahru

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The Pro Forma Combined Statements Of Financial Position of Well Chip Group Berhad ("Well Chip" or the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been compiled for inclusion in the prospectus of Well Chip in connection with its Initial Public Offering ("IPO") in conjunction with the listing of and quotation for the entire enlarged issued share capital of Well Chip on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

1.1 In conjunction with the Listing, Well Chip had undertaken the following transactions as disclosed in Note 1.2.

1.2 Listing scheme

1.2.1 Pre-IPO Reorganisation

(a) Acquisitions of SYT Pavilion Sdn. Bhd., Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd. and Kedai Emas Well Chip Sdn. Bhd.

On 9 November 2023, Well Chip had entered into a share purchase agreement with the shareholders of SYT Pavilion Sdn. Bhd. ("SYT Pavilion"), Thye Shing Pawnshop Sdn. Bhd. ("Thye Shing Pawnshop"), Kedai Pajak Well Chip Sdn. Bhd. ("KP Well Chip") and Kedai Emas Well Chip Sdn. Bhd. ("KE Well Chip") to acquire the following companies for a total purchase consideration of RM171,646,606 to be satisfied via the issuance of 449,999,999 new ordinary shares in Well Chip ("Shares"). The acquisition has been completed on 20 May 2024.

Combined net assets of:	Net asset as at 31 December 2022 (RM'000)	Purchase consideration (RM'000)	No. of ordinary shares issued ('000)	Issue price of the Shares (RM)	Shareholdings to be held in companies (%)
SYT Pavilion #	39,908	39,908	104,610	0.38	100
Thye Shing Pawnshop	34,776	34,776	91,180	0.38	100
KP Well Chip	47,373	47,373	124,200	0.38	100
KE Well Chip	49,590	49,590	130,010	0.38	100
	171,647	171,647	450,000		

 # Adjusted combined net assets of SYT Pavilion as at 31 December 2022

The combined net assets of SYT Pavilion as at 31 December 2022 as set out above, had taken in the effects of the disposal of Swift Paragon (which have not been completed as at 31 December 2022) on the assumption that these transactions were completed on 31 December 2022.

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PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (CONTINUED)

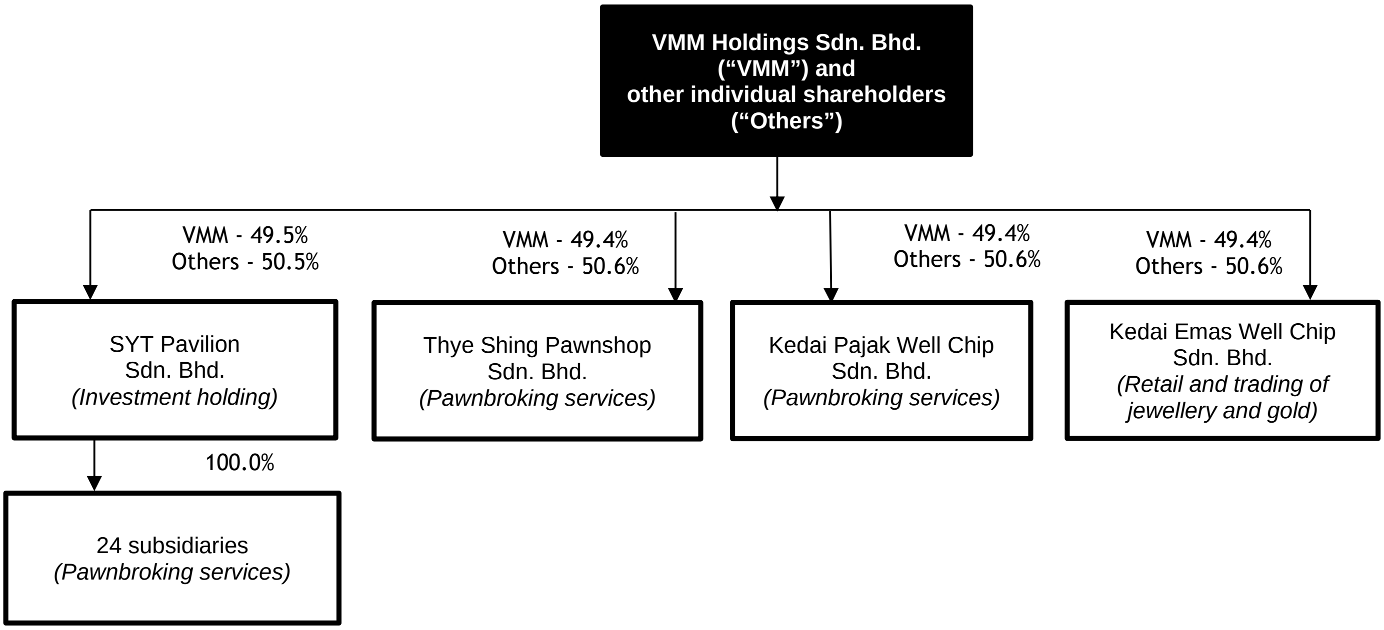
1.2 (CONTINUED)

1.2.1 (CONTINUED)

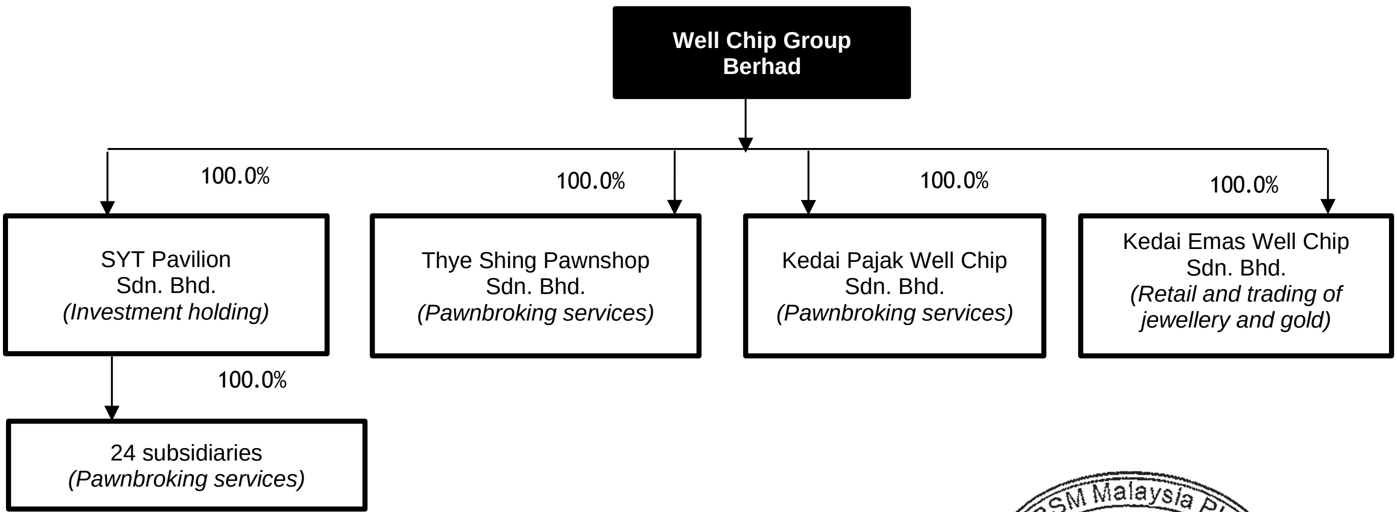
(a) Acquisitions of SYT Pavilion Sdn. Bhd., Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd. and Kedai Emas Well Chip Sdn. Bhd. (continued)

The Group structure before and after the Pre-IPO Reorganisation is illustrated below:

Before the Pre-IPO Reorganisation



After the Pre-IPO Reorganisation



PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (CONTINUED)

1.2 (CONTINUED)

1.2.1 (CONTINUED)

(a) Acquisitions of SYT Pavilion Sdn. Bhd., Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd. and Kedai Emas Well Chip Sdn. Bhd. (continued)

SYT Pavilion Sdn. Bhd. subsidiaries:

Business activity: Pawnbroking activity		
1	*Pajak Gadai Bintang Sdn. Bhd.*	
2	*Pajak Gadai Shinegold Sdn. Bhd.*	
3	*Pajak Gadai Grand Chip Sdn. Bhd.*	
4	*Pajak Gadai Berlian Sdn. Bhd.*	
5	*Pajak Gadai Cahaya Damai Sdn. Bhd.*	
6	*Pajak Gadai Jubli Intan Sdn. Bhd.*	
7	*Pajak Gadai Mutiara Pesona Sdn. Bhd.*	
8	*Pajak Gadai Rubi Kristal Sdn. Bhd.*	
9	*Pajak Gadai Fajar Tebrau Sdn. Bhd.*	
10	*Pajak Gadai Nilam Sdn. Bhd.*	
11	*Pajak Gadai Delima Sdn. Bhd.*	
12	*Pajak Gadai Well Chip (1) Sdn. Bhd.*	^
13	*Pajak Gadai Well Chip (2) Sdn. Bhd.*	
14	*Pajak Gadai Well Chip (3) Sdn. Bhd.*	
15	*Pajak Gadai Well Chip (4) Sdn. Bhd.*	^^
16	*Pajak Gadai Well Chip (5) Sdn. Bhd.*	^^^^
17	*Pajak Gadai Well Chip (6) Sdn. Bhd.*	^^^
18	*Well Chip (7) Sdn. Bhd.*	*
19	*Well Chip (8) Sdn. Bhd.*	*
20	*Well Chip (9) Sdn. Bhd.*	*
21	*Well Chip (10) Sdn. Bhd.*	*
22	*Well Chip (11) Sdn. Bhd.*	*
23	*Well Chip (12) Sdn. Bhd.*	*
24	*Well Chip (13) Sdn. Bhd.*	*

^ The Company changed its name from Well Chip (1) Sdn. Bhd. to Pajak Gadai Well Chip (1) Sdn. Bhd., effective on 2 May 2023.

^^ The Company changed its name from Well Chip (4) Sdn. Bhd. to Pajak Gadai Well Chip (4) Sdn. Bhd., effective on 15 August 2023.

^^^ The Company changed its name from Well Chip (6) Sdn. Bhd. to Pajak Gadai Well Chip (6) Sdn. Bhd., effective on 2 October 2023.

^^^^ The Company changed its name from Well Chip (5) Sdn. Bhd. to Pajak Gadai Well Chip (5) Sdn. Bhd., effective on 31 January 2024.

* The principal activities stated above are the intended principal activities as the subsidiaries have yet to commence their businesses as at the date of this Report.

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (CONTINUED)

1.2 (CONTINUED)

1.2.2 Public issue

The public issue of 150,000,000 Shares representing 25.0% of the enlarged issue share capital, at the IPO price of RM1.15 for each Share. The IPO Shares be allocated in the following manner:

(i) 30,000,000 new Shares, representing 5.0% of the enlarged number of shares of Well Chip, available for application by the Malaysian public through a balloting process, of which 50.00% will be set aside for Bumiputera public investors;

(ii) 45,000,000 new Shares, representing 7.5% of the enlarged number of shares of Well Chip, by way of private placement to other institutional and selected investors; and

(iii) 75,000,000 new Shares, representing 12.5% of the enlarged number of shares of Well Chip, by way of private placement to identified selected Bumiputera investors approved by the Ministry of Investment, Trade and Industry Malaysia.

(Collectively hereinafter referred to as "Public Issue").

The gross proceeds from the Public Issue are expected to be utilised in the following manner:

Details of use of proceeds	RM ('000)	%	Estimated time frame for utilisation from the date of listing
Expansion of pawnbroking outlets [(1)]	40,000	23.19%	Within 24 months
Cash capital for existing twenty-three ("23") pawn shops	124,300	72.06%	Within 24 months
Estimated listing expenses [(2)]	8,200	4.75%	Immediate
	172,500	100.00%	

(1) As at the latest practicable date of 27 May 2024, the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the expansion of pawnbroking outlets. Accordingly, the use of proceeds earmarked for the expansion of pawnbroking outlets is not reflected in this pro forma combined statements of financial position.

(2) The estimated listing expenses of RM4,841,000 arising from the issuance of new Shares pursuant to the Listing are to be offset against the share capital whilst the remaining estimated listing expense of RM3,359,000 will be expensed off to profit or loss. The remaining balances represent one-off expenditure in conjunction with the IPO.

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PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (CONTINUED)

1.2 (CONTINUED)

1.2.3 Listing on Bursa Securities

Upon completion of the IPO, Well Chip's entire enlarged issue share capital approximately RM344,146,607 comprising 600,000,000 shares will be listed on the Main Market of Bursa Securities.

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2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

2.1 The Pro Forma Combined Statements of Financial Position have been prepared to illustrate the pro forma combined financial position of the Group as at 31 December 2023, adjusted for the Public Issue and the use of proceeds as described in Notes 1.2.1 and 1.2.2 respectively.

2.2 The Pro Forma Combined Statements of Financial Position have been prepared based on the audited financial statements of the Group for the financial year ended 31 December 2023 ("FYE 2023") as set out in the Accountants' Report of the Group as at 31 December 2023 in accordance with Malaysia Financial Reporting Standards and International Financial Reporting Standards, in a manner consistent with the format of financial statements and accounting policies of the Group.

2.3 The Audited Combined Financial Statements of Well Chip for the financial year 31 December 2023 under review were reported by the auditors to its members without any modifications.

2.4 The Pro Forma Combined Statements of Financial Position of Well Chip have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.

2.5 The Pro Forma Combined Statements of Financial Position of Well Chip have been properly prepared on the basis and assumptions set out in the accompanying notes to the Pro Forma Combined Statements of Financial Position of Well Chip, based on the Accountants' Report of Well Chip for the FYE 2023 which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

2.6 The Pro Forma Combined Statements of Financial Position of the Group have been prepared in a manner consistent with both the format of the audited financial statements and accounting policies adopted by the Group in the preparation of its audited financial statements for the FYE 2023 and the adoption of the following new accounting policies, which had been adopted by the Group as the group's accounting policies.

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2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED FINANCIAL STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.6 (CONTINUED)

Merger accounting

The subsidiaries are accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to reorganisation reserve/(deficit).

Entities under a reorganisation do not result in any change in economic substance.

Accordingly, the Group is a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the difference arising from the change in equity structure of the Group will be accounted for in reorganisation reserve/(deficit).

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF WELL CHIP

3.1 The Pro Forma Combined Statements of Financial Position of Well Chip as set out below, for which the Board of Directors of Well Chip are solely responsible, have been prepared for illustrative purposes only, to show the effects of the Audited Combined Statements of Financial Position of Well Chip as at 31 December 2023, had the Public Issue and the use of proceeds as described in the Notes 1.2.1 and 1.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

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3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF WELL CHIP (CONTINUED)

3.1 (CONTINUED)

	Audited Statement of Financial Position as at 31 December 2023 RM ('000)	Pro Forma I After the Pre-IPO Reorganisation RM ('000)	Pro Forma II After Pro Forma I and the Public Issue RM ('000)	Pro Forma III After Pro Forma II and the use of proceeds RM ('000)
ASSETS				
NON-CURRENT ASSETS				
Property, plant, and equipment	-	7,585	7,585	7,585
Right-of-use assets	-	22,484	22,484	22,484
Goodwill	-	425	425	425
Total non-current assets	-	30,494	30,494	30,494
CURRENT ASSETS				
Inventories	-	32,097	32,097	32,097
Trade and other receivables	534	420,470	420,470	417,995
Current tax assets	-	299	299	299
Cash and bank balances	220	12,466	184,966	179,241
Total current assets	754	465,332	637,832	629,632
TOTAL ASSETS	754	495,826	668,326	660,126
EQUITY AND LIABILITIES				
EQUITY				
Share capital	*	171,647	344,147	339,305
Reorganisation deficit	-	(143,964)	(143,964)	(143,964)
(Accumulated losses)/Retained earnings	(331)	175,694	175,694	172,336
TOTAL EQUITY	(331)	203,377	375,877	367,677
NON-CURRENT LIABILITIES				
Lease liabilities	-	15,604	15,604	15,604
Loans and borrowings	-	3,831	3,831	3,831
Deferred tax liabilities	-	58	58	58
Total non-current liabilities	-	19,493	19,493	19,493
CURRENT LIABILITIES				
Lease liabilities	-	2,110	2,110	2,110
Loans and borrowings	-	188,665	188,665	188,665
Trade and other payables	1,085	79,911	79,911	79,911
Current tax liabilities	-	2,270	2,270	2,270
Total current liabilities	1,085	272,956	272,956	272,956
TOTAL LIABILITIES	1,085	292,449	292,449	292,449
TOTAL EQUITY AND LIABILITIES	754	495,826	668,326	660,126
Number of ordinary shares assumed to be issued	*	450,000	600,000	600,000
Net assets attributable to owners of the Group ("RM'000")	(331)	203,377	375,877	367,677
Net assets per ordinary shares (RM)	**-**	**0.45**	**0.63**	**0.61**

*Amount is less than RM1,000

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3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF WELL CHIP (CONTINUED)

3.2 Notes to the Pro Forma Combined Statements of Financial Position are as follows:

3.2.1 The Pro Forma Combined Statements of Financial Position of the Group, for which the Board of Directors of the Group are solely responsible, have been prepared for illustrative purposes only, to show the effects on the Combined Audited Statements of Financial Position of Well Chip as at 31 December 2023, had the transactions as described in Note 1.2.1 and the use of proceeds as described in Note 1.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.2.2 The Pro Forma Combined Statements of Financial Position of Well Chip should be read in conjunction with the notes below:

(a) Pro Forma I

Pro Forma I incorporate the effects of the Pre-IPO Reorganisation as described in Note 1.2.1 on the Pro Forma Combined Statements of Financial Position of Well Chip as at 31 December 2023.

Acquisition of SYT Pavilion, Thye Shing Pawnshop, KP Well Chip and KE Well Chip

The reorganisation deficit arising from the Acquistion of SYT Pavilion, Thye Shing Pawnshop, KP Well Chip and KE Well Chip are below:

	RM ('000)
Purchase consideration	171,647
Less: Share capital of SYT Pavilion, Thye Shing Pawnshop, KP Well Chip and KE Well Chip	(27,683)
Reorganisation deficit	143,964

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3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF WELL CHIP (CONTINUED)

3.2 (CONTINUED)

3.2.2 (CONTINUED)

(a) Pro Forma I (continued)

The Pre-IPO Reorganistion had the following impact on the Pro Forma Combined Statements of Financial Position of Well Chip as at 31 December 2023:

	Increase/(Decrease) in Effects on	
	Total Assets RM ('000)	**Total Equity/ Liabilities RM ('000)**
Property, plant and equipment	7,585	-
Right-of-use assets	22,484	-
Goodwill	425	-
Inventories	32,097	-
Trade and other receivables	419,936	-
Current tax assets	299	-
Cash and bank balances	12,246	-
Share capital	-	171,647
Reorganisation deficit	-	(143,964)
Retained earnings	-	176,025
Lease liabilities		
- non-current	-	15,604
- current	-	2,110
Loans and borrowings		
- non-current	-	3,831
- current	-	188,665
Deferred tax liabilities	-	58
Trade and other payables	-	78,826
Current tax liabilities	-	2,270
	495,072	495,072

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3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF WELL CHIP (CONTINUED)

3.2 (CONTINUED)

3.2.2 (CONTINUED)

(b) Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I and the Public Issue as described in Note 1.2.2.

The Public Issue will have the following impact on the Pro Forma Combined Statements of Financial Position of Well Chip as at 31 December 2023:

	Increase/(Decrease) in Effects on	
	Total Assets RM ('000)	**Total Equity RM ('000)**
Cash and bank balances	172,500	-
Share capital	-	172,500
	172,500	172,500

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF WELL CHIP (CONTINUED)

3.2 (CONTINUED)

3.2.2 (CONTINUED)

(c) Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and the use of proceeds from the Public Issue of RM172.5 million after netting off RM8.2 million for estimated listing expenses.

The remaining proceeds expected from the Public Issue of RM164.3 million will be utilised in the manner as described in Note 1.2.2.

The proceeds arising from the Public Issue earmarked for the expansion of pawnbroking outlets and cash capital for existing 23 pawnbroking outlets of RM164.3 million will be included in the Cash and Bank Balances account.

As at 31 December 2023, out of the RM8.2 million estimated listing expenses, RM2.5 million has already been incurred and recognised as prepayment. The RM2.5 million are expenses directly attributable to the new issuance of shares and will be capitalised under Share Capital account upon listing. Besides that, the RM3.4 million from the estimated listing expenses will be charged to Retained Earnings account.

The use of proceeds will have the following impact on the Pro Forma Combined Statements of Financial Position of Well Chip as at 31 December 2023:

	Increase/(Decrease) in Effects on	
	Total Assets RM ('000)	**Total Equity RM ('000)**
Cash and bank balances	(5,725)	-
Prepayment	(2,475)	-
Share capital	-	(4,841)
Retained earnings	-	(3,359)
	(8,200)	(8,200)

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF WELL CHIP (CONTINUED)

3.2 (CONTINUED)

3.2.3 Movements in share capital and reserves are as follows:

	Share Capital RM ('000)	Reorganisation Deficit RM ('000)	Retained Earnings RM ('000)
Combined Statements of Financial Position of Well Chip as at 31 December 2023	*	-	(331)
Arising from the Pre-IPO Reorganisation	171,647	(143,964)	176,025
Per Pro Forma I	171,647	(143,964)	175,694
Arising from the Public Issue	172,500	-	-
Per Pro Forma II	344,147	(143,964)	175,694
Arising from the defrayment of estimated listing expenses in relation to the Listing	(4,841)	-	(3,359)
Per Pro Forma III	339,306	(143,964)	172,335

*Amount is less than RM1,000

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3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF WELL CHIP (CONTINUED)

3.2 (CONTINUED)

3.2.4 Movements in cash and bank balances are as follows:

	RM ('000)
Combined Statements of Financial Position of Well Chip as at 31 December 2023	220
Arising from the Pre-IPO Reorganisation	12,246
Per Pro Forma I	12,466
Arising from the Public Issue	172,500
Per Pro Forma II	184,966
Arising from the defrayment of estimated listing expenses in relation to the Listing	(5,725)
Per Pro Forma III	179,241

3.2.5 Movements in trade and other receivables are as follows:

	RM ('000)
Combined Statements of Financial Position of Well Chip as at 31 December 2023	534
Arising from the Pre-IPO Reorganisation	419,936
Per Pro Forma I	420,470
Arising from the Public Issue	-
Per Pro Forma II	420,470
Arising from the defrayment of estimated listing expenses in relation to the Listing	(2,475)
Per Pro Forma III	417,995

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APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted on behalf of the Board of Directors of Well Chip Group Berhad in accordance with a resolution dated 31 May 2024.

Ng Hooi Lang Director	**Tang Soo Yen** Director

RSM Malaysia PLT
202206000002 (LLP0030276-LCA) & AF 0768

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The Board of Directors
Well Chip Group Berhad
Suite 9D, Level 9 Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor

Date: 05 June 2024

Dear Sirs,

Reporting Accountants' Opinion on the combined financial statements contained in the Accountants' Report of Well Chip Group Berhad

We have audited the accompanying combined financial statements of Well Chip Group Berhad and its subsidiaries (collectively "the Group"), which comprise the combined statements of financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and a summary of significant accounting policies as set out on pages 4 to 74.

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and of its financial performance and cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Directors' responsibilities for the Combined Financial Statements

The directors of the Company are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with MFRS and IFRS. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing 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 combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, 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.

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Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

- 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 reporting accountants' report to the related disclosures in the combined financial statements of the Group 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 reporting accountants' 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 combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the directors 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.

Restriction on distribution and use

This report has been prepared solely to comply with the Prospectus Guideline – Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of Well Chip Group Berhad in connection with the listing of and quotation for the entire enlarged issued share capital of Well Chip Group Berhad on the Main Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this opinion.

RSM Malaysia PLT
202206000002 (LLP0030276-LCA) & AF: 0768
Chartered Accountants

Wong Cheng Pin
03611/11/2025 J
Chartered Accountant

Johor Bahru

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being two of the directors of WELL CHIP GROUP BERHAD, do hereby state that, in the opinion of the directors, the combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 and of their financial performance and cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 31 May 2024.

NG HOOI LANG

TANG SOO YEN

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
		Audited as at			
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	5,191	4,971	6,344	7,585
Right-of-use assets	6	1,750	2,818	15,863	22,484
Goodwill	7	425	425	425	425
Total non-current assets		7,366	8,214	22,632	30,494
CURRENT ASSETS					
Inventories	8	24,758	33,226	35,021	32,097
Trade and other receivables	9	255,751	263,346	343,411	420,470
Current tax assets		516	674	430	299
Cash and bank balances	10	14,551	14,369	8,606	12,466
		295,576	311,615	387,468	465,332
Assets classified as held for sale	11	167	14,392	24,468	-
Total current assets		295,743	326,007	411,936	465,332
TOTAL ASSETS		303,109	334,221	434,568	495,826
EQUITY AND LIABILITIES					
EQUITY					
Invested equity	12	27,683	27,683	27,683	27,683
Retained profits		104,327	122,857	144,112	175,694
TOTAL EQUITY		132,010	150,540	171,795	203,377
NON-CURRENT LIABILITIES					
Lease liabilities	6	745	1,543	10,794	15,604
Loans and borrowings	13	1,177	1,126	3,750	3,831
Deferred tax liabilities	14	54	12	74	58
Total non-current liabilities		1,976	2,681	14,618	19,493
CURRENT LIABILITIES					
Lease liabilities	6	1,071	1,340	1,702	2,110
Loans and borrowings	13	85,575	87,958	143,184	188,665
Other payables	15	78,119	90,926	101,921	79,911
Current tax liabilities		4,210	705	1,147	2,270
		168,975	180,929	247,954	272,956
Liabilities directly associated with the assets classified as held for sale	11	148	71	201	-
Total current liabilities		169,123	181,000	248,155	272,956
TOTAL LIABILITIES		171,099	183,681	262,773	292,449
TOTAL EQUITY AND LIABILITIES		303,109	334,221	434,568	495,826

The accompanying notes form an integral part of these combined financial statements.

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
		Audited FYE 31 December			
Continuing operations					
Revenue	16	121,840	101,881	158,125	203,675
Cost of sales		(58,886)	(49,390)	(95,592)	(126,243)
Gross profit		62,954	52,491	62,533	77,432
Other income	17	919	1,437	1,274	299
Administrative expenses		(17,540)	(21,006)	(26,726)	(27,360)
Finance costs	18	(173)	(176)	(303)	(378)
Profit before taxation from continuing operations	19	46,160	32,746	36,778	49,993
Taxation	20	(12,478)	(8,965)	(11,621)	(14,672)
Net profit and total comprehensive income for the financial year from continuing operations		33,682	23,781	25,157	35,321
Discontinued operations					
Net (loss)/profit and total comprehensive (expense)/income for the financial year from discontinued operations	21	(74)	184	1,195	1,109
Net profit and total comprehensive income for the financial year		33,608	23,965	26,352	36,430
Earnings per share (RM)					
- Basic and diluted	22	1.41	1.00	1.05	1.48

The accompanying notes form an integral part of these combined financial statements.

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY

		← Attributable to owners of the Group		→
	Note	Invested equity RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2020		27,683	75,818	103,501
Dividends	24	-	(5,099)	(5,099)
Total comprehensive income for the financial year		-	33,608	33,608
Balance as at 31 December 2020/ 1 January 2021		27,683	104,327	132,010
Dividends	24	-	(5,435)	(5,435)
Total comprehensive income for the financial year		-	23,965	23,965
Balance as at 31 December 2021/ 1 January 2022		27,683	122,857	150,540
Dividends	24	-	(5,097)	(5,097)
Total comprehensive income for the financial year		-	26,352	26,352
Balance as at 31 December 2022/1 January 2023		27,683	144,112	171,795
Issuance of shares	12	*	-	-
Dividends	24	-	(4,848)	(4,848)
Total comprehensive income for the financial year		-	36,430	36,430
Balance as at 31 December 2023		27,683	175,694	203,377

* Amount is less than RM1,000.

The accompanying notes form an integral part of these combined financial statements.

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS

	Note	Audited FYE 31 December 2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation from:					
- Continuing operations		46,160	32,746	36,778	49,993
- Discontinuing operations		(47)	221	1,208	1,226
Adjustments for:					
Depreciation of:					
- Property, plant, and equipment	(a)	1,079	1,079	1,320	1,684
- Right-of-use assets	(a)	1,400	1,551	1,689	2,033
Impairment loss on loan receivables	(a)	-	-	1,246	-
Interest expenses	(a)	9,977	8,331	10,867	15,370
Loss/(Gain) on disposal of property, plant and equipment		*	(1)	(1)	*
Pledged receivables written off		-	-	902	50
Property, plant and equipment written off		-	-	6	6
Operating profit before working capital changes		58,569	43,927	54,015	70,362
Decrease/(Increase) in inventories		3,129	(8,468)	(1,795)	2,924
Increase in loan receivables	(a)	-	(14,002)	(11,111)	(4,206)
Increase in trade and other receivables	(a)	(14,958)	(7,595)	(80,972)	(77,092)
Increase/(decrease) in other payables	(a)	629	834	991	(2,082)
		(11,200)	(29,231)	(92,887)	(80,456)
Cash generated from/(used in) operations		47,369	14,696	(38,872)	(10,094)
Interest paid		(9,802)	(8,155)	(10,564)	(14,992)
Tax paid	(a)	(11,019)	(12,819)	(11,364)	(13,560)
Tax refunded		-	96	298	-
Net cash generated from/(used in) operating activities		26,548	(6,182)	(60,502)	(38,646)

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

		Audited			
		FYE 31 December			
		2020	2021	2022	2023
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries		(9)	-	-	-
Proceeds from disposal of discontinued operations	(a)	-	-	-	2,480
Purchase of property, plant and equipment	(a)	(1,885)	(893)	(2,709)	(2,958)
Purchase of right-of-use assets	(b)	-	-	(695)	(222)
Proceeds from disposal of property, plant and equipment		1	1	32	27
Net cash used in investing activities		(1,893)	(892)	(3,372)	(673)
CASH FLOWS FROM FINANCING ACTIVITIES					
Movement of loans and borrowings	(c)	2,000	2,951	26,007	65,800
Movement of loans from related parties, shareholders, and directors	(c)	(2,377)	11,924	10,030	6,057
Payment of lease liabilities	(a)	(1,391)	(1,553)	(1,621)	(1,956)
Dividends paid		(5,099)	(5,435)	(5,097)	(4,848)
Interest paid	(a)	(175)	(176)	(303)	(378)
Proceeds from issuance of shares		-	-	-	*
Net cash (used in)/generated from financing activities		(7,042)	7,711	29,016	64,675
NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS		17,613	637	(34,858)	25,356
NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS		39	(200)	57	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		(18,122)	(470)	(33)	(34,834)
CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 10)		(470)	(33)	(34,834)	(9,478)

*Amount is less than RM1,000

The accompanying notes form an integral part of these combined financial statements.

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(a) Details of cash flows are analysed as follows:

	Audited			
	FYE 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
(Operating activities)				
Depreciation of property, plant and equipment				
- Continuing operations	1,069	1,054	1,284	1,667
- Discontinued operations	10	25	36	17
	1,079	1,079	1,320	1,684
Depreciation of right-of-use assets				
- Continuing operations	1,378	1,540	1,689	2,033
- Discontinued operations	22	11	-	-
	1,400	1,551	1,689	2,033
Impairment loss on loan receivables				
- Continuing operations	-	-	-	-
- Discontinued operations	-	-	1,246	-
	-	-	1,246	-
Interest expenses				
- Continuing operations	9,975	8,331	10,867	15,370
- Discontinued operations	2	*	-	-
	9,977	8,331	10,867	15,370
Increase in loan receivables				
- Continuing operations	-	-	-	-
- Discontinued operations	-	(14,002)	(11,111)	(4,206)
	-	(14,002)	(11,111)	(4,206)
Increase in trade and other receivables				
- Continuing operations	(14,957)	(7,595)	(80,967)	(77,093)
- Discontinued operations	(1)	*	(5)	1
	(14,958)	(7,595)	(80,972)	(77,092)
Increase/(Decrease) in other payables				
- Continuing operations	546	883	965	(2,025)
- Discontinued operations	83	(49)	26	(58)
	629	834	991	(2,083)
Tax paid				
- Continuing operations	(11,019)	(12,766)	(11,171)	(13,435)
- Discontinued operations	-	(53)	(193)	(125)
	(11,019)	(12,819)	(11,364)	(13,560)

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(a) Details of cash flows are analysed as follows: (continued)

	Audited FYE 31 December 2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
(Investing activities)				
Proceeds from disposal of discontinued operations				
- Continuing operations	-	-	-	-
- Discontinued operations	-	-	-	2,480
	-	-	-	2,480
Purchase of property, plant and equipment				
- Continuing operations	(1,800)	(834)	(2,694)	(2,957)
- Discontinued operations	(85)	(59)	(15)	(1)
	(1,885)	(893)	(2,709)	(2,958)
(Financing activities)				
Payment of lease liabilities				
- Continuing operations	(1,369)	(1,541)	(1,621)	(1,956)
- Discontinued operations	(22)	(12)	-	-
	(1,391)	(1,553)	(1,621)	(1,956)
Interest paid				
- Continuing operations	(173)	(176)	(303)	(378)
- Discontinued operations	(2)	*	-	-
	(175)	(176)	(303)	(378)

(b) Details for right-of-use assets acquired during the financial years are as follows:

	Audited FYE 31 December 2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Additions of right-of-use assets				
Non-cash acquisition	1,143	2,608	11,234	7,171
Cash acquisition of leasehold lands and buildings	-	-	3,500	1,480
	1,143	2,608	14,734	8,651
Non-cash changes				
Non-cash acquisition	(1,143)	(2,608)	(11,234)	(7,171)
Cash changes				
Amount financed by term loans	-	-	(2,805)	(1,258)
Cash disbursed to acquire leasehold lands and buildings	-	-	695	222

* Amount is less than RM1,000.

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities:

	Lease liabilities RM'000	Term loans RM'000	Revolving credits RM'000	Loan from shareholders, directors and related parties RM'000	Total debts RM'000
As at 31.12.2020					
At beginning of year	2,042	1,231	68,500	76,103	147,876
Inflows from external borrowings	-	-	5,000	-	5,000
Net inflow and outflow with inter-related parties	-	-	-	(2,377)	(2,377)
Outflows of repayments	-	*	(3,000)	-	(3,000)
Payment of rental expense	(1,369)	-	-	-	(1,369)
Interest paid	(128)	(45)	-	-	(173)
<u>Non-cash changes</u>					
Additions in lease liabilities	1,143	-	-	-	1,143
Interest expenses	128	45	-	-	173
At end of year	1,816	1,231	70,500	73,726	147,273

* Amount is less than RM1,000.

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities: (continued)

	Lease liabilities RM'000	Term loans RM'000	Revolving credits RM'000	Loan from shareholders, directors and related parties RM'000	Total debts RM'000
As at 31.12.2021					
At beginning of year	1,816	1,231	70,500	73,726	147,273
Inflows from external borrowings	-	-	3,000	-	3,000
Net inflow and outflow with inter-related parties	-	-	-	11,924	11,924
Outflows of repayments	-	(49)	-	-	(49)
Payment of rental expense	(1,541)	-	-	-	(1,541)
Interest paid	(137)	(39)	-	-	(176)
Non-cash changes					
Additions in lease liabilities	2,608	-	-	-	2,608
Interest expenses	137	39	-	-	176
At end of year	2,883	1,182	73,500	85,650	163,215

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities: (continued)

	Lease liabilities RM'000	Term loans RM'000	Revolving credits RM'000	Loan from shareholders, directors and related parties RM'000	Total debts RM'000
As at 31.12.2022					
At beginning of year	2,883	1,182	73,500	85,650	163,215
Inflows from external borrowings	-	-	26,100	-	26,100
Inflows from external loans	-	2,805	-	-	2,805
Net inflow and outflow with inter-related parties	-	-	-	10,030	10,030
Outflows of repayments	-	(93)	-	-	(93)
Payment of rental expense	(1,621)	-	-	-	(1,621)
Interest paid	(177)	(126)	-	-	(303)
Non-cash changes					
Additions in lease liabilities	11,234	-	-	-	11,234
Interest expenses	177	126	-	-	303
At end of year	12,496	3,894	99,600	95,680	211,670

WELL CHIP GROUP BERHAD
Registration No. 202301014119 (1508041-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities: (continued)

	Lease liabilities RM'000	Term loans RM'000	Revolving credits RM'000	Loan from shareholders, directors and related parties RM'000	Total debts RM'000
As at 31.12.2023					
At beginning of year	12,496	3,894	99,600	95,680	211,670
Inflows from external borrowings	-	-	67,000	-	67,000
Inflows from external loans	-	1,258	-	-	1,258
Net inflow and outflow with inter-related parties	-	-	-	6,057	6,057
Outflows of repayments	-	(1,200)	-	-	(1,200)
Payment of rental expense	(1,956)	-	-	-	(1,956)
Interest paid	(207)	(171)	-	-	(378)
<u>Non-cash changes</u>					
Additions in lease liabilities	7,171	-	-	-	7,171
Lease modification	3	-	-	-	3
Settlement through contra of balances	-	-	-	(26,042)	(26,042)
Interest expenses	207	171	-	-	378
At end of year	17,714	3,952	166,600	75,695	263,961

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Introduction

This Report has been prepared solely to comply with the Prospectus Guidelines – Division 1 issued by the Securities Commission Malaysia and for inclusion in the prospectus of Well Chip Group Berhad ("Well Chip" or "the Company") in connection with the listing of and quotation for the entire enlarged issued share capital of Well Chip Group Berhad on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing") and should not be relied upon for any other purposes.

1.2 Background

The Company was incorporated on 12 April 2023 under the Companies Act, 2016 as a private limited company and domiciled in Malaysia. The registered office of the Company is located at Suite 9D, Level 9, Menara Ansar, 65, Jalan Trus 80000, Johor Bahru, Johor, Malaysia.

The principal place of business of the Company is located at No. 23-02, Jalan Harmonium 35/3, Taman Desa Tebrau, 81100 Johor Bahru, Johor.

On 13 November 2023, the Company converted from a private limited company to a public company limited by shares assumed its present name, Well Chip Group Berhad, to embark on the listing of and quotation for the entire enlarged share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad.

Well Chip Group Berhad, Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd., Kedai Emas Well Chip Sdn. Bhd. and SYT Pavilion Sdn. Bhd. and its subsidiaries, are collectively known as 'the Group' in the combined financial statements contained in this report.

The combined financial statements of the Group for the financial years ended ("FYE") 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 were prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute Accountants. None of the audited financial statements of the above-mentioned Companies (except Well Chip Group Berhad, which was incorporated on 12 April 2023 and yet to prepare its first audited financial statements for statutory requirement for FYE(s) 31 December 2020, 31 December 2021 and 31 December 2022) used in the preparation of this Report for the financial years under review were subject to any qualification.

1. GENERAL INFORMATION (CONTINUED)

1.3 Principal activities

The intended principal activity of Well Chip Group Berhad is investment holding.

Details of the Group as at the date of this Report are as follows:

Name of Company	Effective ownership	Principal activity	Date of incorporation	Country of incorporation
The Group				
Thye Shing Pawnshop Sdn. Bhd.	100%	Pawnbroking	18 February 2010	Malaysia
Kedai Pajak Well Chip Sdn. Bhd.	100%	Pawnbroking	15 February 2006	Malaysia
Kedai Emas Well Chip Sdn. Bhd.	100%	Trading and retail sale of jewellery and gold	18 September 2009	Malaysia
SYT Pavilion Sdn. Bhd.	100%	Investment holding	17 October 2011	Malaysia
Subsidiaries of SYT Pavilion Sdn. Bhd.				
Pajak Gadai Bintang Sdn. Bhd.	100%	Pawnbroking	4 October 2011	Malaysia
Pajak Gadai Shinegold Sdn. Bhd.	100%	Pawnbroking	12 November 2013	Malaysia
Pajak Gadai Berlian Sdn. Bhd.	100%	Pawnbroking	26 November 2013	Malaysia
Pajak Gadai Grand Chip Sdn. Bhd.	100%	Pawnbroking	26 November 2013	Malaysia
Pajak Gadai Cahaya Damai Sdn. Bhd.	100%	Pawnbroking	23 February 2018	Malaysia
Pajak Gadai Mutiara Pesona Sdn. Bhd.	100%	Pawnbroking	23 February 2018	Malaysia
Pajak Gadai Rubi Kristal Sdn. Bhd.	100%	Pawnbroking	5 February 2018	Malaysia
Pajak Gadai Jubli Intan Sdn. Bhd.	100%	Pawnbroking	5 February 2018	Malaysia
Pajak Gadai Fajar Tebrau Sdn. Bhd.	100%	Pawnbroking	10 August 2014	Malaysia
Pajak Gadai Nilam Sdn. Bhd.	100%	Pawnbroking	12 June 2019	Malaysia
Pajak Gadai Delima Sdn. Bhd.	100%	Pawnbroking	12 June 2019	Malaysia
Swift Paragon Sdn. Bhd.	#	Moneylending	16 October 2014	Malaysia

1. GENERAL INFORMATION (CONTINUED)

1.3 Principal activities (continued)

Details of the subsidiaries as at the date of this Report are as follows: (continued)

Name of Company	Effective ownership	Principal activity	Date of incorporation	Country of incorporation
The Group (continued)				
Subsidiaries of SYT Pavilion Sdn. Bhd. (continued)				
Pajak Gadai Well Chip (1) Sdn. Bhd. ^	100%	Pawnbroking	22 September 2020	Malaysia
Pajak Gadai Well Chip (2) Sdn. Bhd.	100%	Pawnbroking	22 September 2020	Malaysia
Pajak Gadai Well Chip (3) Sdn. Bhd.	100%	Pawnbroking	22 June 2020	Malaysia
Pajak Gadai Well Chip (4) Sdn. Bhd. ^^	100%	Pawnbroking	18 October 2021	Malaysia
Pajak Gadai Well Chip (5) Sdn. Bhd. ^^^^	100%	Pawnbroking	18 October 2021	Malaysia
Pajak Gadai Well Chip (6) Sdn. Bhd. ^^^	100%	Pawnbroking	18 October 2021	Malaysia
Well Chip (7) Sdn. Bhd. *	100%	Pawnbroking	9 September 2022	Malaysia
Well Chip (8) Sdn. Bhd. *	100%	Pawnbroking	9 September 2022	Malaysia
Well Chip (9) Sdn. Bhd. *	100%	Pawnbroking	9 September 2022	Malaysia
Well Chip (10) Sdn. Bhd. *	100%	Pawnbroking	9 September 2022	Malaysia
Well Chip (11) Sdn. Bhd. *	100%	Pawnbroking	9 September 2022	Malaysia
Well Chip (12) Sdn. Bhd. *	100%	Pawnbroking	18 May 2023	Malaysia
Well Chip (13) Sdn. Bhd. *	100%	Pawnbroking	18 May 2023	Malaysia

There was no significant change in the nature of the principal activities of the subsidiaries during the FYE(s) 31 December 2020, 31 December 2021, 31 December 2022, and 31 December 2023.

On 6 June 2023, SYT Pavilion Sdn. Bhd. (a subsidiary to be acquired by Well Chip) had entered into a share purchase agreement with VMM Holdings Sdn. Bhd. ("VMM Holdings") for the disposal of 2,000,000 ordinary shares in Swift Paragon Sdn. Bhd. ("Swift Paragon") ("Share Purchase Agreement"), representing the entire equity interest in Swift Paragon, for a cash consideration of RM2,508,219. The disposal was completed on 28 June 2023.

The management was of the opinion that decision for the disposal would be consistent with the Group's strategy to focus on its main core businesses in pawnbroking. Accordingly, the assets and liabilities of Swift Paragon under money lending segment for the FYE(s) 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are classified as disposal group classified as held for sales and the financial results of Swift Paragon are classified as discontinued operations.

^ The Company changed its name from Well Chip (1) Sdn. Bhd. to Pajak Gadai Well Chip (1) Sdn. Bhd., effective on 2 May 2023.

^^ The Company changed its name from Well Chip (4) Sdn. Bhd. to Pajak Gadai Well Chip (4) Sdn. Bhd., effective on 15 August 2023.

^^^ The Company changed its name from Well Chip (6) Sdn. Bhd. to Pajak Gadai Well Chip (6) Sdn. Bhd., effective on 2 October 2023.

^^^^ The Company changed its name from Well Chip (5) Sdn. Bhd. to Pajak Gadai Well Chip (5) Sdn. Bhd., effective on 31 January 2024.

* The principal activities stated above are the intended principal activities as the subsidiaries have yet to commence their businesses as at the date of this Report.

1. GENERAL INFORMATION (CONTINUED)

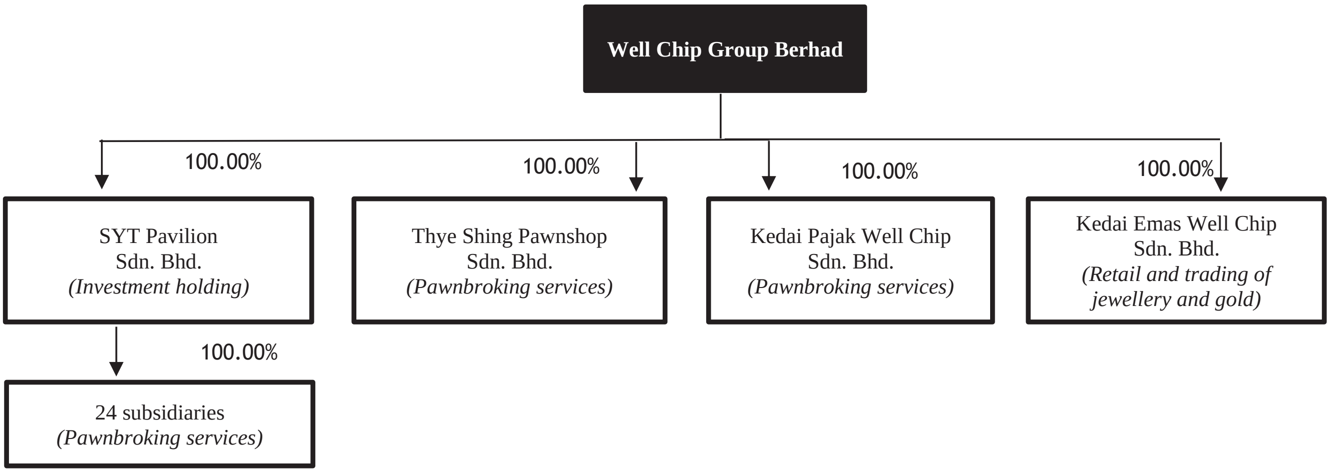
1.4 Acquisition

<u>Acquisition under Well Chip Group Berhad</u>

Well Chip Group Berhad had entered into a conditional share sale agreement on 9 November 2023 with the shareholders of Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd., Kedai Emas Well Chip Sdn. Bhd. and SYT Pavilion Sdn. Bhd. ("collectively, the Vendors") to acquire the entire issued share capital of Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd., Kedai Emas Well Chip Sdn. Bhd. and SYT Pavilion Sdn. Bhd. (collectively, the "Target companies") comprising 449,999,999 ordinary shares in aggregate ("Acquisition"). The acquisition has been completed on 20 May 2024.

The aggregate purchase consideration for the Acquisition shall be RM171,646,606, to be satisfied by the issuance of 449,999,999 new shares at an issuance of RM0.38 per share.

Following the completion of the Acquisition, the Group shall adopt the structure as follows:



Subsidiaries of SYT Pavilion Sdn. Bhd.:

* **Business activity: Pawnbroking services**	
1	*Pajak Gadai Bintang Sdn. Bhd.*
2	*Pajak Gadai Shinegold Sdn. Bhd.*
3	*Pajak Gadai Grand Chip Sdn. Bhd.*
4	*Pajak Gadai Berlian Sdn. Bhd.*
5	*Pajak Gadai Cahaya Damai Sdn. Bhd.*
6	*Pajak Gadai Jubli Intan Sdn. Bhd.*
7	*Pajak Gadai Mutiara Pesona Sdn. Bhd.*
8	*Pajak Gadai Rubi Kristal Sdn. Bhd.*
9	*Pajak Gadai Fajar Tebrau Sdn. Bhd.*
10	*Pajak Gadai Nilam Sdn. Bhd.*
11	*Pajak Gadai Delima Sdn. Bhd.*
12	*Pajak Gadai Well Chip (1) Sdn. Bhd.*
13	*Pajak Gadai Well Chip (2) Sdn. Bhd.*
14	*Pajak Gadai Well Chip (3) Sdn. Bhd.*
15	*Pajak Gadai Well Chip (4) Sdn. Bhd.*
16	*Pajak Gadai Well Chip (5) Sdn. Bhd.*
17	*Pajak Gadai Well Chip (6) Sdn. Bhd.*
18	*Well Chip (7) Sdn. Bhd.*
19	*Well Chip (8) Sdn. Bhd.*
20	*Well Chip (9) Sdn. Bhd.*
21	*Well Chip (10) Sdn. Bhd.*
22	*Well Chip (11) Sdn. Bhd.*
23	*Well Chip (12) Sdn. Bhd.*
24	*Well Chip (13) Sdn. Bhd.*

1. GENERAL INFORMATION (CONTINUED)

1.4 Acquisition (continued)

The Group is regarded as a continuing entity resulting from the Acquisition since the management of all the entities which took major part in the Acquisition were controlled substantially by the same major shareholders before and immediately after the Acquisition. Consequently, immediately after the Acquisition, there was a continuation of the control over the entities' financial and operating policy decisions and risk and benefits to the ultimate shareholders that existed prior to the Acquisition. The Acquisition has been accounted for as an acquisition under common control in a manner similar to pooling of interest. Accordingly, the financial information for the FYE(s) 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 have been prepared on the basis of merger accounting and comprise the financial statements of the subsidiaries which were under common control of the ultimate shareholders that existed prior to the Acquisition during the relevant periods or since their respective dates of incorporation.

No financial information of Well Chip Group Berhad was included for the FYE(s) 31 December 2020, 31 December 2021 and 31 December 2022 as Well Chip Group Berhad was only incorporated on 12 April 2023.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountants.

The combined financial statements consist of the financial statements of combining entities as disclosed in Note 1.3 and Note 1.4 to this report, which were under common control throughout the reporting years by virtue of common controlling shareholders.

The combined financial statements have been prepared using financial information obtained from the records of the combining entities during the reporting years.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the Company, as the combined financial statements reflect business combinations under common control for the purpose of the listing of and quotation of the Group entire enlarged share capital on the Main Market of Bursa Securities ("Listing"). Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting years.

2.2 Significant accounting policies

2.2.1 Basis of accounting

The combined financial statements have been prepared under the historical cost convention, unless otherwise stated in the combined financial statements.

The preparation of the combined financial statements requires the directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue, expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 4. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.2 Basis of combination/consolidation

The combined financial statements consist of the financial statements of the combining entities which are under common control as disclosed in Note 1.4 accordingly. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Entities under common control are entities which are ultimately controlled by the same parties for a reasonable period of time. Common control exists when the same parties have ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;
(b) Rights arising from other contractual agreements; and
(c) The voting rights of the Group and potential voting rights.

Intra-group balances, transactions, income and expenses are eliminated on combination. The combined financial statements reflect external transactions only.

(i) Common control entities

Business combination involving entities under common control are accounted for by applying the merger accounting principles. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the combined financial statements.

In a business combination involving entities under common control, any differences between the cost of the merger and the share capital of the "acquired" entity is reflected within equity as merger reserve.

The combined statements of profit or loss and other comprehensive income reflects the results of the combining entities for the full year and the comparatives are presented as if the entities had always been combined since the date for which the entities had come under common control.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.2 Basis of combination/consolidation (continued)

(ii) Non-common control entities

In a business combination accounted for by applying the acquisition method of accounting, the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 or MFRS 9 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139 or MFRS 9. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the Group net assets in the event of liquidation are initially measured at fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the combined statement of financial position.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.2 Basis of combination/consolidation (continued)

(ii) Non-common control entities (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Group, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to the owners, and is presented separately in the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the financial year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Changes in the Group owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, 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 interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the owners.

Changes in the Group owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, 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 interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the owners. If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(a) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in associate.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.3 Property, plant and equipment

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the cost of dismantling and removing the items and restoring the site on which they are located.

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Except for freehold land which is not depreciated, depreciation is calculated so as to write off the cost of the assets, less their estimated residual value, over their annual principal depreciation rates as follows:

Building	2%
Computers	33.33%
Furniture and fittings	20%
Office equipment	20%
Renovations	20%

Renovation in progress is not depreciated until the asset is ready for its intended use.

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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 from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.4 Leases

(i) Definition of lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on re-assessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Depreciation for the outlet premises is calculated over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group and entities use their incremental borrowing rate as the discount rate.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.4 Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not the recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.4 Leases (continued)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on straight-line basis over the lease term as part of "other income".

2.2.5 Inventories

Inventories principally comprise gold held for trading and inventories that form part of the Group's normal purchase, sale or usage requirements for its retailing activities.

All the inventories of the Group for its gold trading business are measured at fair value less costs to sell, with changes in fair value less costs to sell recognised in profit or loss in the period of the change.

All other inventories are stated at the lower of cost and net realisable value. Finished goods include costs of raw materials, labour and an attributable portion of overheads, determined on a specific identification basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank, which are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows only, cash and cash equivalents are presented net of bank overdrafts, if any.

2.2.7 Financial instruments

(i) Initial recognition and measurement

The Group recognises a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group becomes a party to the contractual provisions of the instruments.

If a contract is a host financial liability or a non-financial host contract that contains an embedded derivative, the Group assesses whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Group becomes a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Group does not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial liability out of the fair value through profit or loss category. Embedded derivatives in host financial assets are not separated.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables and government loans at below market interest rates) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(ii) Derecognition of financial instruments

For derecognition purposes, the Group first determines whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Group acts only as a collecting agent of the transferee, and retain no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.7 Financial instruments (continued)

(iii) Financial assets

For the purpose of subsequent measurement, the Group classifies financial assets into three measurement categories, namely: (i) financial assets at amortised cost ("AC"); (ii) financial assets at fair value through other comprehensive income ("FVOCI") and (iii) financial assets at fair value through profit or loss ("FVPL"). The classification is based on the Group business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Group measures financial assets, as follow:

(a) Financial assets at AC

A financial asset is measured at amortised cost if: (a) it is held within the Group business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(b) Financial assets at FVOCI

A financial asset is measured at FVOCI if: (a) it is held within the Group business objective to hold the asset both to collect contractual cash flows and selling the financial asset, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(c) Financial asset at FVPL

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

Other those financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 2.2.7(vii) to the financial statements.

(iv) Financial liabilities

After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method, except for:

(a) Financial liabilities at fair value through profit or loss (including derivatives that are liabilities) are measured at fair value.

(b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Paragraph 3.2.15 and 3.2.17 of MFRS 9 apply to the measurement of such financial liabilities.

(v) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 2.2.17 to the financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.7 Financial instruments (continued)

(vi) Recognition of gains and losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets mandatorily measured at FVOCI, interest income (calculated using the effective interest rate method), impairment losses, and exchange gains or loss are recognised in profit or loss. All other gains or losses are recognised in other comprehensive income and retained in a fair value reserve. On derecognition of the financial assets, the cumulative gain or loss recognised in OCI is reclassified to profit or loss as a reclassification adjustment.

For financial assets and financial liabilities carried at amortised, interest income and interest expense are recognised in profit or loss using the effective interest method. A gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

(vii) Impairment of financial assets

Trade receivables – Pawnbroking segment

The Group recognises an allowance for expected credit losses ("ECLs") for trade receivables from the pawnbroking segment. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

Trade receivables – Retail and trading of jewellery and gold segment

For trade receivables from the retail and trading of jewellery and gold segment, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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 Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.8 Impairment of non-financial assets

(i) Impairment of property, plant and equipment

The carrying amounts of such assets, other than contract assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs to sell of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit which impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(ii) Impairment of goodwill and of intangible assets with an indefinite useful life

Irrespective of whether there is any indication of impairment, such assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill impairment is not reversed in any circumstances.

2.2.9 Provisions

Where, at reporting date, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.10 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transactions cost.

Retained profits include all current and prior years retained profits. Cost directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits.

All transactions with owners of the parent are recorded separately within equity.

2.2.11 Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as trade discounts, and volume rebates), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient, the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

The Group's revenue comprises mainly sales of gold and jewelleries and interest income from pawnbroking.

(i) Pawnbroking business

Safeguarding interest and interest income on pawnbroking are recognised on a time-proportion basis using the effective interest method.

Handling income on pawnbroking is recognised at a point in time when the performance obligation is satisfied upon issuing of pawn ticket.

(ii) Retail and trading of jewellery and gold

Revenue from retail sales and trading is recognised at a point in time when control of the goods is passed to the customer, which is the point in time when the significant risks and rewards are transferred to the customer and the transaction has met the probability of inflows and measurement reliability requirements of MFRS 15.

The Group measures revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivables, which is usually the invoice price, net of returns and allowances, trade discounts and volume rebates given to the customer.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.12 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the statements of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of "other income", on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

The benefit derived from a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.2.13 Borrowing costs

Interest on borrowings to finance the purchase and development of a self-constructed qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) is included in the cost of the asset until such time as the assets are substantially ready for use or sale. Such borrowing costs are capitalised net of any investment income earned on the temporary investment of funds that are surplus pending such expenditure.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.2.14 Employees benefits

(i) Short-term benefits

Wages, salaries, social security contributions ("SOCSO"), paid annual leave, paid sick leave and bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short-term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in profit or loss in the period in which the employee render their services. Once the contributions have been paid, the Group has no further payment obligations.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.15 Income taxes

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of goodwill not deductible for tax purposes and temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised only to the extent that the Group consider that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination.

2.2.16 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

2.2.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.17 Fair value measurement (continued)

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group at the end of the reporting period during which the change occurred.

2.2.18 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition. Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

2.2.19 Segmental results

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

All operating segments' results are reviewed regularly by the Chief Operating Decision Maker ("CODM"), which in this case is Group Chief Executive Officer ("CEO"), to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

3.1 Amendments to MFRSs adopted

The Group has consistently applied the accounting policies set out in Note 2 to the combined financial statements to all periods presented in these combined financial statements.

The Group adopted new standards/amendments/improvements to MFRSs which have been applied using the full retrospective approach.

Initial application of the new standards/amendments/improvements to the standards did not have a material impact on the combined financial statements of the Group.

3.2 Amendments to MFRSs not yet effective

The following are amendments to the MFRSs that have been issued by the MASB up to the date of the issuance of the Group's combined financial statements but have not been adopted by the Group:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants*
- Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures – Supplier Finance Arrangements*

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

3. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

3.2 Amendments to MFRSs not yet effective (continued)

Amendments to MFRSs effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The directors anticipate that the above-mentioned amendments will be adopted by the Group when they become effective.

The initial application of amendments to MFRSs is not expected to have any significant impact on the combined financial statements of the Group.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing its financial statements, the Group has made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group periodically monitors such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Valuation of pledged articles for collateralised loans of pawnbroking segment

The Group has trade receivables that are in the form of collateralised loans to customers. These loans are extended to customers based on a portion of the individual values of the corresponding pledged articles, for which individual values are assigned to each article by the Group's appraisers. Estimating the values of the articles requires the Group to make certain estimates and assumptions, including assessing prevailing market conditions and gold prices. A 5% reduction in the prevailing market gold price is not expected to have a significant impact on the Group's financial statements subsidiaries as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

4.2 Net realisable value of inventories

The Group assesses periodically the allowance for inventories to record inventories at the lower of cost and net realisable value. When inventories are deemed obsolete or when the net realisable value falls below cost, the amount of obsolete inventories or fall in value is recognised as an allowance for inventories. To determine whether there is objective evidence of obsolescence or decline in net realisable value, the Group estimates future demand for the product and assesses prevailing market conditions and gold prices. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 8.

4.3 Measurement of lease liabilities and right-of-use assets

The measurement of a lease liability and the corresponding right-of-use asset includes in-substance fixed payments, variable lease payments linked to an inflation-related index or rate, estimates of lease term, option to purchase, payments under residual value guarantee and penalties for early termination. The actual payments may not coincide with these estimates. The Group reassesses the lease liability for any change in the estimates and a corresponding adjustment is made to the right-of-use asset.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Depreciation of property, plant and equipment and right-of-use assets

The cost of an item of property, plant and equipment and right-of-use asset is depreciated on a straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment and right-of-use asset may differ from the estimates applied.

4.5 Income tax and deferred tax estimation

Management's judgement is required in determining the provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. There are transactions and computations for which the ultimate tax determination may be different from the initial estimate.

The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Group making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

5. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Building RM'000	Computers RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovations RM'000	Renovation in progress RM'000	Total RM'000
Cost								
As at 1.1.2020	486	1,134	759	2,807	1,294	4,630	-	11,110
Additions	-	-	208	312	375	755	150	1,800
Disposals	-	-	-	-	(6)	-	-	(6)
As at 31.12.2020	486	1,134	967	3,119	1,663	5,385	150	12,904
Accumulated depreciation								
As at 1.1.2020	-	77	458	1,955	850	3,309	-	6,649
Depreciation for the year	-	23	149	257	163	477	-	1,069
Disposals	-	-	-	-	(5)	-	-	(5)
As at 31.12.2020	-	100	607	2,212	1,008	3,786	-	7,713
Net carrying amount								
As at 1.1.2020	486	1,057	301	852	444	1,321	-	4,461
As at 31.12.2020	486	1,034	360	907	655	1,599	150	5,191

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Freehold land RM'000	Building RM'000	Computers RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovations RM'000	Renovation in progress RM'000	Total RM'000
Cost								
As at 1.1.2021	486	1,134	967	3,119	1,663	5,385	150	12,904
Additions	-	-	112	225	130	337	30	834
Disposals	-	-	-	(4)	(6)	-	-	(10)
Reclassification	-	-	-	-	-	150	(150)	-
As at 31.12.2021	486	1,134	1,079	3,340	1,787	5,872	30	13,728
Accumulated depreciation								
As at 1.1.2021	-	100	607	2,212	1,008	3,786	-	7,713
Depreciation for the year	-	23	180	259	161	431	-	1,054
Disposals	-	-	-	(4)	(6)	-	-	(10)
As at 31.12.2021	-	123	787	2,467	1,163	4,217	-	8,757
Net carrying amount								
As at 1.1.2021	486	1,034	360	907	655	1,599	150	5,191
As at 31.12.2021	486	1,011	292	873	624	1,655	30	4,971

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Freehold land RM'000	Building RM'000	Computers RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovations RM'000	Renovation in progress RM'000	Total RM'000
Cost								
As at 1.1.2022	486	1,134	1,079	3,340	1,787	5,872	30	13,728
Additions	-	-	341	573	413	1,267	100	2,694
Disposals	-	-	(35)	(2)	(4)	-	-	(41)
Written off	-	-	(214)	(139)	(170)	-	-	(523)
Reclassification	-	-	-	-	-	30	(30)	-
As at 31.12.2022	486	1,134	1,171	3,772	2,026	7,169	100	15,858
Accumulated depreciation								
As at 1.1.2022	-	123	787	2,467	1,163	4,217	-	8,757
Depreciation for the year	-	23	205	302	200	554	-	1,284
Disposals	-	-	(7)	-	(3)	-	-	(10)
Written off	-	-	(213)	(137)	(167)	-	-	(517)
As at 31.12.2022	-	146	772	2,632	1,193	4,771	-	9,514
Net carrying amount								
As at 1.1.2022	486	1,011	292	873	624	1,655	30	4,971
As at 31.12.2022	486	988	399	1,140	833	2,398	100	6,344

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Freehold land RM'000	Building RM'000	Computers RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovations RM'000	Renovation in progress RM'000	Total RM'000
Cost								
As at 1.1.2023	486	1,134	1,171	3,772	2,026	7,169	100	15,858
Additions	-	-	671	476	556	1,254	-	2,957
Disposals	-	-	(52)	(90)	(21)	-	-	(163)
Written off	-	-	(76)	(25)	(47)	-	-	(148)
Reclassification	-	-	-	-	-	100	(100)	-
Adjustment	-	-	(49)	-	*	-	-	(49)
As at 31.12.2023	486	1,134	1,665	4,133	2,514	8,523	-	18,455
Accumulated depreciation								
As at 1.1.2023	-	146	772	2,632	1,193	4,771	-	9,514
Depreciation for the year	-	23	264	370	277	733	-	1,667
Disposals	-	-	(32)	(89)	(15)	-	-	(136)
Written off	-	-	(74)	(23)	(45)	-	-	(142)
Adjustment	-	-	(33)	-	*	-	-	(33)
As at 31.12.2023	-	169	897	2,890	1,410	5,504	-	10,870
Net carrying amount								
As at 1.1.2023	486	988	399	1,140	833	2,398	100	6,344
As at 31.12.2023	486	965	768	1,243	1,104	3,019	-	7,585

* Amount is less than RM1,000.

The freehold land and building of the Group have been pledged as security to secure loans and borrowings as disclosed in Note 13.

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

Information about leases for which the Group is a lessee is presented below:

	Leasehold lands RM'000	Buildings RM'000	Shop-lots RM'000	Total RM'000
Net carrying value				
As at 1.1.2020	-	-	1,985	1,985
Addition during the year	-	-	1,143	1,143
Depreciation for the year	-	-	(1,378)	(1,378)
As at 31.12.2020/1.1.2021	-	-	1,750	1,750
Addition during the year	-	-	2,608	2,608
Depreciation for the year	-	-	(1,540)	(1,540)
As at 31.12.2021/1.1.2022	-	-	2,818	2,818
Addition during the year	1,950	1,550	11,234	14,734
Depreciation for the year	(20)	(26)	(1,643)	(1,689)
As at 31.12.2022/1.1.2023	1,930	1,524	12,409	15,863
Addition during the year	847	633	7,171	8,651
Depreciation for the year	(24)	(32)	(1,977)	(2,033)
Lease modification	-	-	3	3
As at 31.12.2023	2,753	2,125	17,606	22,484

The leasehold lands and leasehold buildings ("three shop-lots") acquired during 2022 and 2023 are for pawnbroking activities and have remaining lease period of 72, 86 and 84 years respectively. The three shop-lots acquired during 2022 and 2023 have been pledged as security to secure loans and borrowings as disclosed in Note 13.

The Group leases shop-lots for pawnbroking services and for its retail and trading of jewellery and gold activities. The leases for shop-lots generally have lease terms between 1 to 15 years.

The Group acquired right-of-use assets with an aggregate cost of RM8,650,843 (31.12.2022: RM14,734,105; 31.12.2021: RM2,607,822 and 31.12.2020: RM1,143,243) of which RM7,170,843 (31.12.2022: RM11,234,105; 31.12.2021: RM2,607,822 and 31.12.2020: RM1,143,243) was non-cash acquisition in lease arrangements.

There were changes to the lease amount during the period due to renewal of tenancy agreements between the landlords with the Group. This resulted to the lease modification adjusted to the right-of-use assets and lease liabilities during the financial year.

(b) Lease liabilities

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
Lease liabilities				
- Non-current	745	1,543	10,794	15,604
- Current	1,071	1,340	1,702	2,110
Total lease liabilities	1,816	2,883	12,496	17,714

The lease liabilities bear effective interest rates ranging from 6.00% to 6.50% (31.12.2022: 6.00% to 6.50%; 31.12.2021: 6.50% and 31.12.2020: 6.50%) per annum.

7. GOODWILL

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
Balance at beginning of the financial year, as previously reported	434	425	425	425
Reclassification to assets classified as held for sale (Note 11)	(18)	-	-	-
Arising from acquisition of subsidiaries	9	-	-	-
Balance at end of the financial year	425	425	425	425

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. Each of those CGU represents the Group's investment in subsidiaries. The goodwill is allocated mainly to Pajak Gadai Fajar Tebrau Sdn. Bhd..

(a) Impairment test of goodwill

On an annual basis, the Group undertakes an impairment testing on goodwill. No impairment loss was identified on the carrying amount of goodwill assessed at the reporting date as their recoverable amounts were above of their carrying amounts.

(b) Recoverable amount based on value in use

The recoverable amounts of cash-generating units containing the above goodwill is determined based on value in use calculations. These calculations use pre-tax cash flow projections that have been projected to perpetuity based on a previous year financial budgets and projections prepared by the management and approved by the Board of Directors. The sales and price gap of the cash-generating units used in preparing the projected cash flows were determined based on past business performance and management's expectations on market development.

The key inputs to the calculation are described below:

Assumption	Rate
Revenue and pledged receivables growth rate	25% (FYE 31.12.2022: 25%, FYE 31.12.2021: 25% and FYE 31.12.2020: 25%)
Discount rate	6% (FYE 31.12.2022: 6%, FYE 31.12.2021: 6% and FYE 31.12.2020: 6%)

Impact of possible changes in key assumption

The management has considered and assessed reasonably possible changes of key assumptions and has not identified any instances that could cause the carrying amount of the goodwill to exceed its recoverable amount.

8. INVENTORIES

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
At cost				
Gold and jewelleries	24,758	33,226	35,021	32,097

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM111,250,944 (financial years ended 31.12.2022: RM85,028,097, 31.12.2021: RM41,234,893 and 31.12.2020: RM49,084,844).

9. TRADE AND OTHER RECEIVABLES

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
Trade				
Pledged receivables	241,669	249,366	325,893	399,296
Trade receivables	-	3	-	-
Accrued interest	11,975	10,478	14,268	16,291
	253,644	259,847	340,161	415,587
Non-trade				
Other receivables	114	134	167	234
Amount due from related parties	691	1,267	1,131	-
Deposits	476	1,216	596	727
Prepayments	826	882	1,356	3,922
	2,107	3,499	3,250	4,883
Total trade and other receivables	255,751	263,346	343,411	420,470
Trade and other receivables (excluding prepayments)	254,925	262,464	342,055	416,548
Add: Cash and bank balances (Note 10)	14,551	14,369	8,606	12,466
Total financial assets at amortised cost	269,476	276,833	350,661	429,014

Pledged receivables to customers are secured by pledges of goods. The quantum of loans granted to customers is based on a portion of the value of the articles pledged to the Group. In the event that a customer does not renew or redeem a pledged article within 6 months from the grant date of the loan, the pledged article will be disposed of by a sale by auction, in accordance with the requirements of the Pawnbrokers Act 1972 in Malaysia.

The pawn loans bear monthly interest ranging from 1.00% to 2.00% (31.12.2022: 1.00% to 2.00%; 31.12.2021: 2.00% and 31.12.2020: 2.00%) per month.

The amount due from related parties are unsecured, interest free and repayable on demand.

During the financial year, the pledged receivables written off against profit or loss amounted to RM49,660 (financial years ended 31.12.2022: RM901,500; 31.12.2021: RM Nil and 31.12.2020: RM Nil).

10. CASH AND BANK BALANCES

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
Cash in hand	3,794	5,081	5,321	6,453
Bank balances	10,757	9,288	3,285	6,013
Total cash and bank balances	14,551	14,369	8,606	12,466
Less: Bank overdrafts (Note 13)	(15,021)	(14,402)	(43,440)	(21,944)
Total cash and cash equivalents	(470)	(33)	(34,834)	(9,478)

11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Proposed disposal of Swift Paragon Sdn. Bhd. ("Swift Paragon") in 2022

A subsidiary of the Company, SYT Pavilion Sdn. Bhd. ("SYT Pavilion") is the registered and beneficial owner of 2,000,000 ordinary shares in the share capital of Swift Paragon, representing 100% of the share capital of Swift Paragon. Swift Paragon is principally involved in the business of licensed money lending.

As of 31 December 2022, the management was of the opinion that the proposed disposal is likely to proceed as Swift Paragon is involved in the provision of money lending. The proposed disposal of Swift Paragon was undertaken to streamline the principal activities of the Group to only include pawnbroking services as well as retail and trading of jewellery and gold.

Accordingly, the assets and liabilities of Swift Paragon under money lending segment for the FYE(s) 31 December 2020, 31 December 2021, and 31 December 2022 are classified as a disposal group reported under assets classified as held for sale.

The carrying value of property, plant and equipment of the disposal group is the same as its carrying value before it was being reclassified to assets classified as held for sale under current assets.

Cumulative income and expense recognised in other comprehensive income

The financial results of Swift Paragon are classified as discontinued operations. The cumulative income or expense recognised in other comprehensive income relating to the disposal group/discontinued operation is disclosed in Note 21.

11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

The assets and associated liabilities classified as held for sale as at 31 December 2020, 31 December 2021 and 31 December 2022 are as follows:

	Audited as at		
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000
Assets classified as held for sale			
Property, plant and equipment	75	109	88
Right-of-use assets	11	-	-
Deferred tax assets	-	-	284
Goodwill	18	18	18
Trade and other receivables	2	14,004	23,874
Cash and bank balances	61	261	204
	167	14,392	24,468
Liabilities directly associated with assets classified as held for sale			
Deferred tax liabilities	-	6	-
Lease liabilities	12	-	-
Trade and other payables	109	60	86
Current tax liabilities	27	5	115
	148	71	201

Included in the trade and other receivables are loans and receivables to third parties which are secured by pledge of properties. The average terms for loans and receivables range from 3 to 10 years (31.12.2021: 5 to 10 years and 31.12.2020: Nil) and the average effective interest rate on loans and receivables ranges from 7.5% to 9% (31.12.2021: 7.5% to 9% and 31.12.2020: Nil) per annum.

12. INVESTED EQUITY

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	31.12.2023
	Number of shares ('000)			
At 1 January	23,898	23,898	23,898	23,898
Incorporation of Well Chip Group Berhad	-	-	-	*
At 31 December	23,898	23,898	23,898	23,898

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
At 1 January	27,683	27,683	27,683	27,683
Incorporation of Well Chip Group Berhad	-	-	-	*
At 31 December	27,683	27,683	27,683	27,683

* Amount is less than RM1,000.

For the purpose of this report, the total number of shares as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 represent the aggregate number of issued shares of all entities within the Group except Well Chip Group Berhad which was incorporated on 12 April 2023.

13. LOANS AND BORROWINGS

	Audited as at 31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
Non-current				
Term loans (secured)	1,177	1,126	3,750	3,831
Current				
Term loans (secured)	54	56	144	121
Bank overdrafts (secured)	15,021	14,402	43,440	21,944
Revolving credits (secured)	70,500	73,500	99,600	166,600
	85,575	87,958	143,184	188,665
Total loans and borrowings				
Term loans (secured)	1,231	1,182	3,894	3,952
Bank overdrafts (secured)	15,021	14,402	43,440	21,944
Revolving credits (secured)	70,500	73,500	99,600	166,600
	86,752	89,084	146,934	192,496

Term loan 1 is repayable over 300 (31.12.2022: 300; 31.12.2021: 300 and 31.12.2020: 300) monthly instalments from the date of full drawdown. This term loan has been fully repaid as at 31.12.2023.

Term loan 2 is repayable over 300 (31.12.2022: 300; 31.12.2021: Nil and 31.12.2020: Nil) monthly instalments from the date of full drawdown.

Term loan 3 is repayable over 240 (31.12.2022: 240; 31.12.2021: Nil and 31.12.2020: Nil) monthly instalments from the date of full drawdown.

Term loan 4 is repayable over 240 (31.12.2022: Nil; 31.12.2021: Nil and 31.12.2020: Nil) monthly instalments from the date of full drawdown.

Term loans obtained from licensed banks are secured by way of:

(a) legal charges over the freehold land, leasehold land and buildings of the Group as disclosed in Note 5 and 6(a) to the financial statements respectively;

(b) joint and several guarantees issued by certain directors of the Group; and

(c) Corporate guarantees by SYT Pavilion Sdn. Bhd., Valuemax Group Limited and VMM Holdings Sdn. Bhd. (related parties).

The term loans bear effective interest rates ranging from 4.12% to 5.58% (31.12.2022: 3.27% to 4.27%; 31.12.2021: 3.27% and 31.12.2020: 3.27% to 4.52%) per annum.

The bank overdraft and revolving credits obtained from licensed banks are secured by way of:

(a) debenture over all the Group's fixed and floating assets;

(b) joint and several guarantees issued by certain directors of the Group; and

(c) corporate guarantees executed by Valuemax Group Limited and Yeah Holdings Pte Ltd (related parties).

13. LOANS AND BORROWINGS (CONTINUED)

The bank overdraft facilities are repayable on demand and bear effective interest rate of 6.35% to 7.07% (31.12.2022: 5.76% to 6.82%; 31.12.2021: 5.51% to 5.82% and 31.12.2020: 5.51% to 6.82%) per annum.

The revolving credits bear effective interest rates ranging from 5.03% to 6.23% (31.12.2022: 3.95% to 6.08%; 31.12.2021: 3.94% to 4.73% and 31.12.2020: 3.93% to 5.90%) per annum.

14. DEFERRED TAX LIABILITIES

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
Balance as at beginning of financial year	49	54	12	74
Recognised in/(from) profit or loss from continuing operations	5	(42)	62	(16)
Balance as at end of financial year	54	12	74	58

Deferred tax liabilities mainly arose from temporary differences from property, plant and equipment.

The balance in the deferred tax liabilities is made up of tax effects of temporary differences arising from:

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
Excess of net book value over tax written down value of property, plant and equipment	54	12	74	58

15. OTHER PAYABLES

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
Non-trade				
Loan from related parties	45,671	54,916	63,943	42,787
Loan from directors	11,931	12,983	13,127	13,644
Loan from shareholders	16,124	17,751	18,610	19,264
Amount due to related parties	2,315	2,777	3,250	740
Other payables	13	58	47	273
Accruals	2,065	2,441	2,944	3,203
Total other payables	78,119	90,926	101,921	79,911
Other payables	78,119	90,926	101,921	79,911
Add: Lease liabilities (Note 6)	1,816	2,883	12,496	17,714
Loans and borrowings (Note 13)	86,752	89,084	146,934	192,496
Total financial liabilities carried at amortised cost	166,687	182,893	261,351	290,121

The loans from related parties, directors and shareholders are unsecured and repayable on demand. The interest charged at the interest rates are ranging from 6.00% to 7.00% (31.12.2022: 6.00% to 7.00%; 31.12.2021: 6.00% to 7.00% and 31.12.2020: 6.00% to 7.00%) per annum.

The amount due to related parties is unsecured, interest free and repayable on demand.

16. REVENUE

	Audited FYE 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Pawnbroking				
Pawnbroking administrative fees	192	187	232	268
Interest income on pawnbroking	51,848	51,618	59,266	72,965
	52,040	51,805	59,498	73,233
Sales of jewellery and gold				
Sales of scrap gold	59,760	38,998	75,914	108,907
Retail sales of jewelleries and gold	10,040	11,078	22,713	21,535
	69,800	50,076	98,627	130,442
Total revenue	121,840	101,881	158,125	203,675

Revenue from sales of jewellery and gold and pawnbroking administrative fees are recognised at a point in time.

17. OTHER INCOME

	Audited FYE 31 December 2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Management fee	473	1,151	1,103	-
Government grants received - wages subsidy program	367	196	37	-
Gain on disposal of property, plant and equipment	-	1	1	*
Interest income	-	-	-	130
Service income	59	81	121	145
Rental income	-	-	5	21
Miscellaneous income	20	8	7	3
	919	1,437	1,274	299

* Amount is less than RM1,000

18. FINANCE COSTS

	Audited FYE 31 December 2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Interest expense on:				
- Term loans	45	39	126	171
- Bank overdrafts	717	298	1,235	1,939
- Revolving credits	3,228	2,795	3,563	7,231
- Loans from shareholders, directors, and related parties	5,857	5,062	5,766	5,822
- Lease liabilities	128	137	177	207
	9,975	8,331	10,867	15,370
Included in the combined statements of comprehensive income from continuing operations:				
- Cost of sales	9,802	8,155	10,564	14,992
- Finance costs	173	176	303	378
	9,975	8,331	10,867	15,370

19. PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

Profit before taxation from continuing operations is arrived after charging/(crediting):

	Audited			
	FYE 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration	86	108	142	152
Directors' remuneration (Note 23)	60	68	76	323
Depreciation of				
- property, plant and equipment	1,069	1,054	1,284	1,667
- right-of-use assets	1,378	1,540	1,689	2,033
Employee benefits expenses (Note 23)	9,367	11,275	12,722	13,871
Pledged receivables written off	-	-	902	50
Property, plant and equipment written off	-	-	6	6
Loss/(Gain) on disposal of property, plant and equipment	*	(1)	(1)	*
(Gain)/Loss on foreign exchange				
- realised	(55)	14	97	1,355
- unrealised	162	333	2,195	875

* Amount is less than RM1,000.

20. TAXATION

	Audited			
	FYE 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Current financial year				
- income tax expense	12,285	9,039	11,304	14,923
- deferred taxation	11	10	99	(16)
Under/(Over) provision in previous financial years				
- income tax expense	188	(32)	255	(235)
- deferred taxation	(6)	(52)	(37)	*
	12,478	8,965	11,621	14,672

20. TAXATION (CONTINUED)

A reconciliation of income tax expense on the profit before taxation from continuing operations with the applicable statutory income tax rate is as follows:

	Audited FYE 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Profit before taxation from continuing operations	46,160	32,746	36,778	49,993
Taxation at statutory tax rate of 24%	11,078	7,859	8,827	11,998
Tax effects in respect of:				
Non-allowable expenses	1,233	1,253	2,701	2,930
Non-taxable income	-	(138)	(179)	(168)
Deferred tax asset not recognised on temporary differences	-	75	54	147
Utilisation of unrecognised deferred tax assets	(15)	-	-	-
Under/(Over) provision in previous years				
- income tax expense	188	(32)	255	(235)
- deferred taxation	(6)	(52)	(37)	*
Total income tax expense	12,478	8,965	11,621	14,672

* Amount is less than RM1,000.

Subject to agreement with the tax authorities, unutilised tax losses (subject to time limit of utilisation of 10 years), unabsorbed capital allowances and deductible temporary differences (for which there are no expiry dates) available at the end of the reporting year for which no deferred tax assets are recognised are as follows:

	Audited FYE 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Unabsorbed capital allowances	49	31	99	169
Unutilised tax losses	63	-	74	162
Unutilised deductible temporary differences	(1)	24	(81)	(92)
	111	55	92	239

Deferred tax assets have not been recognised as it is not probable that these entities will be able to generate sufficient future profits for the realisation of the tax benefits as disclosed above.

20. TAXATION (CONTINUED)

The Group's unabsorbed capital allowances and unutilised tax losses that are available to set off against future chargeable income are as follows:

	Audited			
	FYE 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Unabsorbed capital allowances	204	130	412	705
Unutilised tax losses	263	-	308	674

The unabsorbed capital allowances do not expire under current tax legislation.

Unutilised tax losses for which no deferred tax assets were recognised expire as follows: -

	Audited			
	FYE 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
YA 2028	263	-	-	-
YA 2032	-	-	308	308
YA 2033	-	-	-	366
	263	-	308	674

21. DISCONTINUED OPERATIONS/DISPOSAL OF A SUBSIDIARY

SYT Pavilion had entered into a Share Transfer and Settlement Agreement ("SSA") on 6 June 2023 to dispose its entire interest in Swift Paragon (2,000,000 ordinary shares in Swift Paragon), representing the entire share capital of Swift Paragon, to VMM Holdings Sdn. Bhd. at a consideration of RM2,508,219. Management had recognised the disposal of Swift Paragon in June 2023 as the disposal has been completed on 28 June 2023.

The financial results of the disposed Swift Paragon were presented separately in the combined statements of profit or loss as "Profit from discontinued operations, net of tax". Profit attributable to the discontinued operations was as follows:

	Audited			
	FYE 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Results of discontinued operations				
Revenue	-	320	2,839	1,463
Other income	-	243	153	-
Administrative expenses	(45)	(342)	(1,784)	(237)
Finance costs	(2)	*	-	-
Results from operating activities	(47)	221	1,208	1,226
Taxation	(27)	(37)	(13)	-
Results from operating activities, net of tax	(74)	184	1,195	1,226
Loss on sale of discontinued operations	-	-	-	(117)
(Loss)/Profit for the year	(74)	184	1,195	1,109

*Amount is less than RM1,000.

21. DISCONTINUED OPERATIONS/DISPOSAL OF A SUBSIDIARY (CONTINUED)

Analysis of the cash flows of the discontinued operations for the FYE(s) 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are as follows:

	Audited			
	FYE 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Cash flows from/(used in) discontinued operations/ disposal of subsidiary				
Net cash generated from/(used in):				
- operating activities	68	(13,956)	(9,997)	(3,895)
- investing activities	(85)	(59)	(15)	(1)
- financing activities	(22)	14,215	9,955	3,924
Effects of cash flows	(39)	200	(57)	28

The effects of disposal of Swift Paragon to the financial position of the Group as at 31 December 2023:

	31.12.2023 RM'000
Property, plant and equipment	72
Goodwill	18
Deferred tax assets	284
Trade and other receivables	28,079
Cash and bank balances	232
Current tax assets	10
Other payables	(26,070)
Net assets and liabilities at date of disposal	2,625

Consideration	2,508
Less: Net assets and liabilities disposed off	(2,625)
Loss on disposal of discontinued operations	(117)
Profit for the year	1,226
Profit from discontinued operations	1,109

Consideration	2,508
Movement of cash and cash equivalents from discontinued operations	(28)
Net cash inflow for the group	2,480

22. EARNINGS PER SHARE

Basic earnings per ordinary share and diluted earnings per ordinary share

Basic earnings per ordinary share are based on the profit for the financial year attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per ordinary share are based on the profit for the financial year attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic earnings per ordinary share are computed as follows:

	Audited			
	FYE 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Profit attributable to owners of the Group	33,682	23,781	25,157	35,321
Weighted average number of ordinary shares for basic and diluted earnings per share	23,898	23,898	23,898	23,898
Basic earnings per ordinary share (RM)	1.41	1.00	1.05	1.48

Diluted earnings per share is not disclosed as there are no potentially dilutive ordinary shares.

23. EMPLOYEE BENEFITS EXPENSES

	Audited			
	FYE 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Salaries, allowances and bonus	8,296	9,933	11,191	12,357
EPF contributions	973	1,221	1,386	1,350
SOCSO contributions	98	121	145	164
	9,367	11,275	12,722	13,871
Directors' remuneration				
- Directors' allowances	-	-	-	12
- Directors' fee	60	68	76	311
	60	68	76	323

24. DIVIDENDS

	Dividend per share RM	Amount of dividend RM'000
In respect of the financial year ended 31 December 2020		
a) First interim single tier dividend declared on 2.9.2020 and paid on 15.9.2020	0.67	3,423
b) First interim single tier dividend declared on 2.9.2020 and paid on 15.9.2020	0.13	1,097
c) First interim single tier dividend declared on 2.9.2020 and paid on 2.9.2020	17.00	579
		5,099
In respect of the financial year ended 31 December 2021		
a) First interim single tier dividend declared on 10.11.2021 and paid on 3.12.2021	0.75	3,832
b) First interim single tier dividend declared on 25.11.2021 and paid on 3.12.2021	0.19	1,603
		5,435
In respect of the financial year ended 31 December 2022		
a) First interim single tier dividend declared on 15.12.2022 and paid on 30.12.2022	0.75	3,831
b) First interim single tier dividend declared on 15.12.2022 and paid on 30.12.2022	0.15	1,266
		5,097
In respect of the financial year ended 31 December 2023		
a) First interim single tier dividend declared on 4.9.2023 and paid on 14.9.2023	0.52	2,680
b) First interim single tier dividend declared on 4.9.2023 and paid on 14.9.2023	0.26	2,168
		4,848

Dividends comprise dividends paid by the respective subsidiaries to its shareholders outside of the Group.

25. CAPITAL COMMITMENTS

Capital commitments in respect of the purchase of property, plant and equipment not provided for in the financial statements are as follows:

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
Leasehold land and building				
Authorised and contracted for	-	3,275	-	-

26. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group.

The Group has related party relationship with its subsidiaries, related parties and directors.

Significant related party transactions

Disclosures that related party transactions were made on the terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated. The significant related party transactions of the Group are as follows:

	Audited			
	FYE 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Related parties				
- Management fee income	(473)	(1,151)	(1,103)	-
- Management fee expense	1,589	2,020	2,055	517
- Corporate guarantee fees	941	1,016	1,062	1,514
- Loan interest charged	3,672	3,118	3,636	3,552
- Rental income	(18)	(19)	(22)	(22)
- Rental expense	174	191	193	193
Shareholders				
- Loan interest charged	1,222	1,098	1,230	1,766
- Rental expense	-	-	-	94
- Retail sales of jewellery and gold	(195)	(301)	(185)	(17)
Directors				
- Loan interest charged	963	846	900	504
- Rental expense	44	44	61	174
- Retail sales of jewellery and gold	(8)	(103)	(3)	(36)

Key management personnel compensation

Key management personnel compensation consists of directors' remuneration as disclosed in Note 23.

27. OPERATING SEGMENTS

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the directors for the purpose of making decision about resource allocation and performance assessment.

All operating segments' results are reviewed regularly by the Chief Operating Decision Maker ("CODM"), which in this case is Group Chief Executive Officer ("CEO"), to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

27. OPERATING SEGMENTS (CONTINUED)

The two reportable operating segments are as follows:

Business segment	**Product and services**
Pawnbroking services	• Provision of pawn loans in exchange for pledges such as gold, jewellery, and watches.
Retail and trading of jewellery and gold	• Retail sale of new and pre-owned jewellery and gold. • Sale of scrap gold acquired from unredeemed and bid pledges, and pre-owned jewellery and gold from walk-in individuals.

Segment profits

Segment profits are used to measure performance as the Chief Financial Officer ("CFO") believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry.

Segment assets and segment liabilities

Segment assets and segment liabilities information are neither included in the internal management reports nor provided regularly to the CFO. Hence no disclosure is made on segment assets and segment liabilities.

Primary reporting format - by business segment

	Pawnbroking RM'000	Sales of jewellery and gold RM'000	Adjustments and eliminations RM'000	Total RM'000
31 December 2020				
Revenue:				
Revenue from external customers	52,040	69,800	-	121,840
Inter-segment revenue	39,081	-	(39,081)	-
Segment profit from continuing operations	42,238	20,716	-	62,954
Other income				919
Administrative expenses				(17,540)
Finance costs				(173)
Taxation				(12,478)
Profit for the financial year from continuing operations				33,682
Results				
Included in the measure of segment profits from continuing operations are:				
Employee benefit expenses				9,367
Depreciation				
- Property, plant and equipment				1,069
- Right-of-use assets				1,378

27. OPERATING SEGMENTS (CONTINUED)

Primary reporting format - by business segment (continued)

	Pawnbroking RM'000	Sales of jewellery and gold RM'000	Adjustments and eliminations RM'000	Total RM'000
31 December 2021				
Revenue:				
Revenue from external customers	51,805	50,076	-	101,881
Inter-segment revenue	45,709	-	(45,709)	-
Segment profit from continuing operations	43,649	8,842	-	52,491
Other income				1,437
Administrative expenses				(21,006)
Finance costs				(176)
Taxation				(8,965)
Profit for the financial year from continuing operations				23,781
Results				
Included in the measure of segment profits from continuing operations are:				
Employee benefit expenses				11,275
Depreciation				
- Property, plant and equipment				1,054
- Right-of-use assets				1,540

27. OPERATING SEGMENTS (CONTINUED)

Primary reporting format - by business segment (continued)

	Pawnbroking RM'000	Sales of jewellery and gold RM'000	Adjustments and eliminations RM'000	Total RM'000
31 December 2022				
Revenue:				
Revenue from external customers	59,498	98,627	-	158,125
Inter-segment revenue	79,034	-	(79,034)	-
Segment profit from continuing operations	48,934	13,599	-	62,533
Other income				1,274
Administrative expenses				(26,726)
Finance costs				(303)
Taxation				(11,621)
Profit for the financial year from continuing operations				25,157
Results				
Included in the measure of segment profits from continuing operations are:				
Employee benefit expenses				12,722
Depreciation				
- Property, plant and equipment				1,284
- Right-of-use assets				1,689

27. OPERATING SEGMENTS (CONTINUED)

Primary reporting format - by business segment (continued)

	Pawnbroking RM'000	Sales of jewellery and gold RM'000	Adjustments and eliminations RM'000	Total RM'000
31 December 2023				
Revenue:				
Revenue from external customers	73,233	130,442	-	203,675
Inter-segment revenue	99,108	-	(99,108)	-
Segment profit from continuing operations	58,241	19,191	-	77,432
Other income				299
Administrative expenses				(27,360)
Finance costs				(378)
Taxation				(14,672)
Profit for the financial year from continuing operations				35,321
Results				
Included in the measure of segment profits from continuing operations are:				
Employee benefit expenses				13,871
Depreciation				
- Property, plant and equipment				1,667
- Right-of-use assets				2,033

27. OPERATING SEGMENTS (CONTINUED)

Secondary reporting format - by geography

The Group's business segments are operated and managed in one (1) geographical area which is in Malaysia during the financial years.

The sales are generated and managed in Malaysia. Total assets and capital expenditure are located in Malaysia.

Third reporting format - by major customers

(i) Pawnbroking services

Customers of the pawnbroking services segment are walk-in individuals and the contribution from each customer as a percentage of the Group's total revenue is negligible.

(ii) Retail and trading of jewellery and gold

Customers of the retail and trading of jewellery and gold segment are scrap gold traders and individual customers.

The Group's major customers are scrap gold traders who purchase unredeemed and bid pledges that acquired by the Group as well as pre-owned gold jewellery from walk-in customer. The revenue contribution from each individual customer during the financial year of review was negligible.

Revenue from major scrap gold customers for the financial year under review are as follows:

	Audited FYE 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Customers				
- Customer A	16,192	17,658	40,670	44,266
- Customer B	12,897	10,797	25,695	6,944
- Customer C	3,388	6,217	9,548	57,697
- Customer D	14,296	-	-	-
- Customer E	12,967	4,314	-	-

The remaining customers are individual customers. Contribution from each individual customer as a percentage of the Group's total revenue is negligible.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Trade and other receivables (excluding prepayments) and cash and cash equivalents are categorised as financial assets at amortised cost (Note 9) while lease liabilities, loans and borrowings and other payables are categorised as financial liabilities carried at amortised cost (Note 15).

(b) Financial risk management objectives and policies

The Group's financial risk management objectives are to optimise value creation for shareholders whilst minimising the potential adverse effects on the performance of the Group.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group's financial risk management policies. The Group is exposed mainly to the following risks. Information on the management of the related exposures are detailed below.

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and related parties.

(a) Receivables

Pawnbroking business

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position. Pledged receivables are secured by pledges of gold and jewellery which are redeemable by the customers within 6 months from the dates of grant of the loans. The carrying amount of the pledged receivables is disclosed in Note 9 to the financial statements.

There are no receivables that are past due or impaired at the end of reporting year. The pledges articles relating to the pledge loans continue to be redeemable until they are disposed of by auction in accordance with the provisions of the Pawnbrokers Act 1972 in Malaysia. However, the Group policy allows an extension of up to 3 months for the customers to redeem the pledged articles or to renew the pawn loans.

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

(b) Inter-company balances

The Group provides unsecured loans and advances to related parties. The Group monitors the results of the related parties regularly.

As at end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

As at the end of the reporting period, there was no indication that the loans and advances to the related parties are not recoverable. The Group does not specifically monitor the ageing of current advances to the related parties.

(c) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risk.

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group exposure to liquidity risk arises principally from its lease liabilities, loans and borrowings and other payables.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The following table analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

31.12.2020 **Group**	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	2-5 years RM'000	More than 5 years RM'000
Audited						
Lease liabilities	1,816	6.50	1,924	1,149	775	-
Term loans	1,231	3.27 - 4.52	1,614	93	373	1,148
Bank overdrafts	15,021	5.51 - 6.82	15,021	15,021	-	-
Revolving credits	70,500	3.93 - 5.90	70,500	70,500	-	-
Loan from related parties	45,671	6.00 - 7.00	45,671	45,671	-	-
Loan from directors	11,931	7.00	11,931	11,931	-	-
Loan from shareholders	16,124	7.00	16,124	16,124	-	-
Amount due to related parties	2,315	-	2,315	2,315	-	-
Other payables	2,078	-	2,078	2,078	-	-
	166,687		167,178	164,882	1,148	1,148

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(ii) Liquidity risk (continued)

31.12.2021 **Group**	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	2-5 years RM'000	More than 5 years RM'000
Audited						
Lease liabilities	2,883	6.50	3,111	1,478	1,633	-
Term loans	1,182	3.27	1,527	93	373	1,061
Bank overdrafts	14,402	5.51 - 5.82	14,402	14,402	-	-
Revolving credits	73,500	3.94 - 4.73	73,500	73,500	-	-
Loan from related parties	54,916	6.00 - 7.00	54,916	54,916	-	-
Loan from directors	12,983	7.00	12,983	12,983	-	-
Loan from shareholders	17,751	7.00	17,751	17,751	-	-
Amount due to related parties	2,777	-	2,777	2,777	-	-
Other payables	2,499	-	2,499	2,499	-	-
	182,893		183,466	180,399	2,006	1,061

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(ii) Liquidity risk (continued)

31.12.2022	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	2-5 years RM'000	More than 5 years RM'000
Group						
Audited						
Lease liabilities	12,496	6.00 - 6.50	13,760	1,860	4,850	7,050
Term loans	3,894	3.27 - 4.27	5,844	280	1,121	4,443
Bank overdrafts	43,440	5.76 - 6.82	43,440	43,440	-	-
Revolving credits	99,600	3.95 - 6.08	99,600	99,600	-	-
Loan from related parties	63,943	6.00 - 7.00	63,943	63,943	-	-
Loan from directors	13,127	7.00	13,127	13,127	-	-
Loan from shareholders	18,610	7.00	18,610	18,610	-	-
Amount due to related parties	3,250	-	3,250	3,250	-	-
Other payables	2,991	-	2,991	2,991	-	-
	261,351		264,565	247,101	5,971	11,493

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(ii) Liquidity risk (continued)

31.12.2023 **Group**	Carrying amount RM'000	Contractual interest rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	2-5 years RM'000	More than 5 years RM'000
Audited						
Lease liabilities	17,714	6.00 - 6.50	18,978	2,321	7,807	8,850
Term loans	3,952	4.12 - 5.58	5,969	288	1,151	4,530
Bank overdrafts	21,944	6.35 - 7.07	21,944	21,944	-	-
Revolving credits	166,600	5.03 - 6.23	166,600	166,600	-	-
Loan from related parties	42,787	6.00 - 7.00	42,787	42,787	-	-
Loan from directors	13,644	7.00	13,644	13,644	-	-
Loan from shareholders	19,264	7.00	19,264	19,264	-	-
Amount due to related parties	740	-	740	740	-	-
Other payables	3,476	-	3,475	3,475	-	-
	290,121		293,401	271,063	8,958	13,380

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rate, interest rates and other prices that will affect the Group's financial position or cash flows.

(a) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in market interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting periods was:

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	31.12.2023
	RM'000	RM'000	RM'000	RM'000
Group				
Fixed rate instruments				
Lease liabilities	1,816	2,883	12,496	17,714
Loan from:				
- related parties	45,671	54,916	63,943	42,787
- directors	11,931	12,983	13,127	13,644
- shareholders	16,124	17,751	18,610	19,264
	75,542	88,533	108,176	93,409
Floating rate instruments				
Loans and borrowings	86,752	89,084	146,934	192,496

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At reporting date, if interest rates had been 100 basis points higher, with all other variables held constant, the Group's profit after tax from continuing operations would have been RM1,462,971 (31.12.2022: RM1,116,698; 31.12.2021: RM677,035; 31.12.2020: RM659,320) lower, arising mainly as a result of higher interest expenses on bank overdrafts respectively for the Group. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Market risk (continued)

(b) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar ("SGD").

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
Financial assets				
Amount due from a related party	473	1,151	1,103	-
Financial liabilities				
Loan from a related party	(24,955)	(32,725)	(40,171)	(17,321)
Amount due to related parties	(2,061)	(2,523)	(2,603)	(740)
	(27,016)	(35,248)	(42,774)	(18,061)
Net foreign currency balance exposure	26,543	34,097	41,671	18,061

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

A 10% (31.12.2022: 10%; 31.12.2021: 10%; 31.12.2020: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by RM1,372,604 (31.12.2022: RM3,167,051; 31.12.2021: RM2,591,343; 31.12.2020: RM2,017,215). This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 10% (31.12.2022: 10%; 31.12.2021: 10%; 31.12.2020: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, trade and other receivables, other payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial years.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Audited					
At 31.12.2020					
Financial liability					
Loans and borrowings	1,177	-	-	967	967
At 31.12.2021					
Financial liability					
Loans and borrowings	1,126	-	-	936	936
At 31.12.2022					
Financial liability					
Loans and borrowings	3,750	-	-	3,063	3,063
At 31.12.2023					
Financial liability					
Loans and borrowings	3,831	-	-	3,093	3,093

Level 3 fair value

The fair value of liability component of loans and borrowings are calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities.

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies and processes during the FYE(s) 31 December 2020, 31 December 2021 and 31 December 2022 and 31 December 2023.

The Group monitors capital using a ratio of total debt to total equity. Total debt is calculated as total loans and borrowings and total loans from related parties, directors and shareholders (included in the notes of other payables). Total equity comprises all components of equity.

30. CAPITAL MANAGEMENT (CONTINUED)

The Group's total debt to total equity ratio as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are as follows:

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	31.12.2023
	RM'000	RM'000	RM'000	RM'000
Loans and borrowings (Note 13)	86,752	89,084	146,934	192,496
Loan from related parties, directors and shareholders	73,726	85,650	95,680	75,695
	160,478	174,734	242,614	268,191
Total equity	132,010	150,540	171,795	203,377
Gearing ratio (times)	1.22	1.16	1.41	1.32

There were no changes in the Group's approach to capital management during the financial years under review.

31. SIGNIFICANT EVENT

The Company had entered into a conditional share sale agreement on 9 November 2023 with the shareholders of Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd., Kedai Emas Well Chip Sdn. Bhd. and SYT Pavilion Sdn. Bhd. ("collectively, the Vendors") to acquire the entire issued share capital of Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd., Kedai Emas Well Chip Sdn. Bhd. and SYT Pavilion Sdn. Bhd. (collectively, the "Target companies") comprising 449,999,999 ordinary shares in aggregate ("Acquisition").

The aggregate purchase consideration for the Acquisition shall be RM171,646,606, to be satisfied by the issuance of 449,999,999 new shares at an issuance of RM0.38 per share.

The Acquisition has been completed on 20 May 2024.

14. STATUTORY AND OTHER GENERAL INFORMATION

14.1 SHARE CAPITAL

(i) As at the date of this Prospectus, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(ii) None of the share capital of our Company or our subsidiary is under option, or agreed conditionally or unconditionally to be put under option.

(iii) No securities will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.

(iv) Save as disclosed in this Prospectus, no shares, stocks or debentures, warrants, options, convertible securities, or uncalled capital of our Company has been issued or proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, during the Periods Under Review up to the date of this Prospectus.

(v) As at the date of this Prospectus, there is no scheme involving our Directors and employees in the share capital of our Company or our subsidiary.

(vi) As at the date of this Prospectus, neither our Company nor our subsidiary has any outstanding warrants, options, convertible securities or uncalled capital.

(vii) Save as provided for under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our subsidiary or upon the declaration or payment of any dividend or distribution thereon.

14.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires.

14.2.1 Remuneration, voting and borrowing powers of directors

Directors' remuneration

Clause 122 – Directors' remuneration

The fees and benefits payable to the Directors of the Company and its subsidiaries including any compensation for loss of employment of Director or former Director shall from time to time be determined by ordinary resolution in general meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:-

(a) fees payable to non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;

(b) remuneration and other emoluments (including bonus, benefits, or any other elements) payable to executive directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such remuneration and emoluments may not include a commission on or percentage of turnover. Nothing herein shall prejudice the powers of the Directors to appoint any of their members to be the employee or agent of the Company at such remuneration and upon such terms as they think fit provided that such remuneration shall not include commission of or percentage of turnover;

(c) fees and any benefits payable to Directors shall be subject to annual shareholder approval at a general meeting;

(d) any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and

(e) the fees and/or benefits payable to non-executive Directors who is also Director of the subsidiaries includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiaries, but does not include insurance premium or any issue of Securities.

<u>Clause 123 – Reimbursement of expenses</u>

(1) The Directors shall be paid for all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors or general meetings or otherwise.

(2) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors.

<u>Clause 157 – Remuneration of Director holding executive or managing office</u>

The remuneration of a Director holding an executive or managing office pursuant to this Constitution shall, subject to Clause 122, be fixed by the Board and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

<u>Voting and borrowing powers of directors</u>

<u>Clause 95 – Chairman's casting vote</u>

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the general meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to any other vote he may be entitled as a Member.

Clause 127 – Directors' borrowing power

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of the Company or subsidiary company or associate company or any related third party subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

Clause 128 – Restriction on borrowing powers

The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or uncalled capital, or issue debentures or other Securities, whether outright or as security, for any debt, liability or obligation of an unrelated third party.

Clause 147 – Votes by majority and Chairman to have casting vote

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote. The Chairman of the meeting shall however not have a second or casting vote where two (2) Directors form a quorum and only such a quorum is present at the meeting or only two (2) Directors are competent to vote on the question at issue.

Clause 151 – Restriction on voting

A Director shall not participate in any discussion or vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest (and if he shall do so his vote shall not be counted).

Clause 153 – Relaxation of restriction on voting

A Director may vote in respect of:-

(a) any arrangement for giving the Director himself or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; and

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of a security.

Clause 160 – Determination of votes of meeting of committees

Subject to any rules and regulations made pursuant to Clause 159, a committee may meet and adjourn any meeting as it thinks proper and questions arising at any meeting shall be determined by a majority of votes of the members of the committee being present at the meeting and in the case of any equality of votes, the Chairman shall have a second or casting vote except where only two (2) members of the committee are competent to vote on the question at issue or form the quorum present at the meeting.

14.2.2 Changes to share capital

Clause 61 – Power to increase capital

The Company may from time to time, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and (subject to any special, limited or conditional voting rights for the time being attached to any existing class of shares) to carry such preferential rights or to be subjected to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may, by the resolution authorising such increase, directs.

Clause 62 – Issue of new Securities to members

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible Securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or Security which (by reason of the ratio which the new shares or Securities bear to the shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause.

Clause 65 – Power to alter capital

The Company may by ordinary resolution:-

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or

(b) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares and/or reclassify any class of shares int another class of shares; or

(c) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or

(d) cancel shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Clause 67 – Power to reduce capital

The Company may reduce its share capital by—

(a) a special resolution and confirmation by the Court in accordance with Section 116 of the Act; or

(b) a special resolution supported by a solvency statement in accordance with Section 117 of the Act.

14.2.3 Transfer of securities

Clause 35 – Transfer of Securities

The instrument of transfer of any Securities shall be in writing and in the form approved in the Rules and shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the Securities until the name of the transferee is entered in the Record of Depositors in respect thereof. The transfer of any listed Securities or class of listed Securities of the Company, shall be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed Securities.

Clause 36 – Suspension of registration

Subject to the Rules and Listing Requirements, the transfer of any Securities may be suspended at such times and for such periods as the Directors may from time to time determine. Ten (10) Market Days' notice, or such other period as may from time to time be specified by the Exchange governing the register concerned, of intention to close the register shall be given to the Exchange. At least three (3) Market Days' prior notice shall be given to the Bursa Depository to prepare the appropriate Record of Depositors.

Clause 37 – Refusal to register transfer

The Bursa Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules. No Securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

14.2.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 10 – Power to issue shares with special rights

Subject to the Act and this Constitution, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.

Clause 11 – Allotment of shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, the Act, Listing Requirements and the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions:-

(a) in the case of shares of a class, other than ordinary shares, no special rights shall be attached until the same have been set out in this Constitution and in the resolution creating the same;

(b) every issue of shares or options to employees and/or Directors shall be approved by members in general meeting and in respect of issuance of shares or options to Directors, such approval shall specifically detail the amount of shares or options to be issued to such Directors;

(c) except in the case of an issue of Securities on a pro rata basis to Members or pursuant to a back-to-back placement undertaken in compliance with the Listing Requirements, a Director, major shareholder, chief executive or person connected with any Director, major shareholder or chief executive of the Company shall not participate, directly or indirectly, in an issue of ordinary shares or other Securities with rights of conversion to ordinary shares unless the Members of the Company have in general meeting approved the specific allotment to be made to the Director, major shareholder, chief executive or person connected with any Director, major shareholder or chief executive of the Company and the Director, major shareholder, chief executive or person connected with any Director, major shareholder or chief executive of the Company has abstained from voting on the relevant resolution.

In this Clause, "major shareholder", "chief executive" and "person connected to any Director, major shareholder or chief executive" shall have the same meaning ascribed thereto in the Listing Requirements;

(d) subject to the Act and the Listing Requirements and without prejudice to Sections 75 and 76 of the Act, the Company must not issue any ordinary shares or other Securities with rights of conversion to ordinary shares, except where the shares or Securities are issued with the prior Members' approval in a general meeting of the precise terms and conditions of the issue; and

(e) in working out the number of shares or Securities that may be issued by the Company, if the security is a convertible security, each such security is counted as the maximum number of shares into which it can be converted or exercised.

<u>Clause 12 – Issuance of preference capital and right to vote</u>

Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall have the power to issue preference capital ranking equally with, or in priority to, preference shares already issued. Preference shareholders shall have the same rights as ordinary shareholders as regards to the receiving of notices, reports and audited financial statements and attending of meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital or winding up or during the winding up of the Company, or on a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and/or privileges attached to the shares, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months.

<u>Clause 13 – Repayment of preference capital</u>

Notwithstanding Clause 12, the repayment of preference share capital other than redeemable preference capital or any other alteration of preference shareholder's rights, may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing of the preference shareholders who hold, not less than 75% of the total voting rights of the preference share capital, which is obtained within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Clause 14 – Modifications of class rights

Subject to the provisions of Sections 71 and 91 of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a separate meeting of the Members of that class. Where the necessary majority of such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of not less than 75% of the total voting rights of the Members of that class within two 2 months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, save that the necessary quorum shall be at least two (2) persons who are Members of the class of share being present in person or represented by proxy and who hold in aggregate at least one-third (1/3) of the number of issued shares of the class, excluding any shares of that class held as treasury shares. Any holder of shares of the class present in person or its proxy present may demand a poll. If that class of shares only has one (1) holder, a quorum is constituted by that one (1) person being present at the meeting. For adjourned meeting, quorum is one (1) person present holding shares of such class. To every such special resolution, the provisions of Section 292 of the Act shall, with such adaptations as are necessary, apply.

Clause 15 – Ranking of class rights

The rights conferred upon the holders of the shares of any class issued with preferred or other preferential rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith as regards participation in the profits or assets of the Company in some or in all respects.

Clause 96 – Voting rights

Subject to any rights or restrictions for the time being attached to any class of shares at meetings of Members or classes of Members and Clause 77, Clause 78 and Clause 79 above, each Member shall be entitled to be present and to vote at any general meeting in respect of any share or shares of which he is the registered holder and upon which all calls due to the Company have been paid, and may vote in person or by proxy or by attorney or by duly authorised representative for a corporation, and on a resolution to be decided on a show of hands, each holder of an ordinary share or, each holder of a preference share who is personally present and entitled to vote, shall be entitled to one (1) vote and on a poll, every such Member present in person or by proxy or attorney or representative for a corporation shall have one (1) vote for each share he holds. A proxy shall be entitled to vote on a show of hands or on a poll, on any question, at any general meeting. In a voting by poll, each proxy shall be entitled to such number of votes equal to the proportion of the Member's shareholdings represented by such proxy. If a voting direction or instruction on a particular resolution or business is indicated in a proxy form under which a proxy is appointed, such proxy may only vote as directed in the proxy form. Notwithstanding anything contained in this Constitution, a member is not precluded from attending the meeting in person after lodging the instrument of proxy. Such attendance shall automatically revoke the authority granted to the proxy.

Clause 183 – Dividend paid proportionately

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid, but no amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this Constitution as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the Securities Account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be a shareholder of our Company and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14.4 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Subject to **Section 14.3** above, there is no limitation on the right to own our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares, which is imposed by Malaysian law or by our Constitution.

14.5 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

Our Group has not established any other place of business outside Malaysia and is not subject to governmental law, decree, regulation and/or other requirement which may affect the repatriation of capital and remittance of profit by or to our Group.

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single tier dividend are not taxable. Further, the Government does not levy withholding tax on dividend payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian resident companies. There is no Malaysian capital gain tax arising from the disposal of listed shares.

14.6 MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) that have been entered into by our Group during the period covered by the Periods Under Review and up to the date of this Prospectus:

(i) Sale and purchase agreement dated 27 August 2021 entered into between Transgrow Corporation Sdn. Bhd. (as vendor) and PG Jubli Intan (as purchaser) in relation to the acquisition of a 4-storey shop house bearing the postal address of No. 2, Jalan Syed Abd Hamid Sagaff, Bandar Kluang, 86000 Kluang, Johor for a cash consideration of RM2,000,000. As at the LPD, this transaction has been completed in accordance with the terms of the agreement.

(ii) Sale and purchase agreement dated 27 September 2021 entered into between New Chen Motor Credit Sdn. Bhd. (as vendor) and PG Well Chip (3) (as purchaser) in relation to the acquisition of all that piece of leasehold land held under HS(D) 238459 PTD 115898 in the Mukim of Plentong, District of Johor Bahru, State of Johor, bearing the postal address No. 17, Jalan 9/9, Taman Air Biru, 81700 Pasir Gudang, Johor for a cash consideration of RM1,500,000. As at the LPD, this transaction has been completed in accordance with the terms of the agreement.

(iii) Share transfer and settlement agreement dated 6 June 2023 entered into between SYT Pavilion, VMM Holdings, Swift Paragon and ValueMax Group Limited in relation to (1) the Disposal of Swift Paragon for a cash consideration of RM2,508,219; and (2) the settlement arrangement in respect of the outstanding sum of loans/advances owing by Swift Paragon to SYT Pavilion and the outstanding sum of loans/advances owing by SYT Pavilion to ValueMax Group Limited as at the date of completion of the transfer of Swift Paragon. As at the LPD, this transaction has been completed in accordance with the terms of the agreement.

(iv) Sale and purchase agreement dated 10 April 2023 entered into between Yee Wei Meng (as vendor) and KE Well Chip (as purchaser) in relation to the acquisition of all that piece of 99-year leasehold land held under the title PN 53072 Lot 11957 in the Township and District of Kluang, State of Johor, with a 4 storey shophouse erected thereon and bearing the postal address of No. 4, Jalan Syed Abd Hamid Sagaff, Bandar Kluang, 86000 Kluang, Johor for a cash consideration of RM1,480,000. As at the LPD, the transaction has been completed in accordance with the terms of the agreement.

(v) Share sale agreement dated 9 November 2023 entered into between our Company and the respective shareholders of SYT Pavilion, Thye Shing Pawnshop, KE Well Chip and KP Well Chip (collectively as the vendors) in relation to the Acquisition for a total purchase consideration of RM171,646,606 to be wholly satisfied via the issuance of 449,999,999 new Shares at an issue price of approximately RM0.381 per Share. As at the LPD, the transaction has been completed in accordance with the terms of the agreement.

(vi) the Underwriting Agreement dated 27 May 2024 entered into between our Company, the Managing Underwriter and the Joint Underwriters to underwrite 30,000,000 IPO Shares under the Retail Offering at an underwriting commission of 2.00% (exclusive of applicable taxes) of the IPO Price multiplied by the total number of IPO Shares underwritten under the Retail Offering.

14.7 MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

14.8 CONSENTS

The written consents of the Principal Adviser, solicitors, Issuing House and Share Registrar, and company secretaries as set out in the Corporate Directory of this Prospectus for the inclusion of their names and all references thereto in the form and context in which such names are included in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, the Accountants' Report and the Reporting Accountants' letter on the pro forma combined statement of financial position of our Group as at 31 December 2023 and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the IMR for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

14.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:

(i) our Constitution;

(ii) audited financial statements of each of our subsidiaries for the FYEs 2020 to 2023;

(iii) IMR Report as included in **Section 8** of this Prospectus;

(iv) Reporting Accountants' Report on the pro forma combined statement of financial position of Well Chip as included in **Section 12.9** of this Prospectus;

(v) Accountants' Report as included in **Section 13** of this Prospectus;

(vi) material contracts as referred to in **Section 14.6** of this Prospectus; and

(vii) letters of consent referred to in **Section 14.8** of this Prospectus.

14.10 RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in the Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Kenanga IB, being the Principal Adviser, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 26 JUNE 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 10 JULY 2024

In the event there is any change to the timetable, we will advertise a notice of change in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia and announce it on Bursa Securities.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATION

15.2.1 Application of our IPO Shares under the Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Type of Application and category of investors		Application method
Applications by the Malaysian Public:		
(i)	Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii)	Non-Individuals	White Application Form only

15.2.2 Application for the IPO Shares under the Institutional Offering

Institutional and selected investors (other than Bumiputera investors approved by the MITI) who have been allocated the IPO Shares under the Institutional Offering will be contacted directly by our Joint Placement Agents and should follow the instructions as communicated by our Joint Placement Agents.

Bumiputera investors approved by the MITI who have been allocated the IPO Shares will be contacted directly by the MITI and should follow the instructions as communicated through the MITI.

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only (1) Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

AN APPLICANT WHO WISHES TO APPLY FOR IPO SHARES USING A JOINT BANK ACCOUNT SHOULD COMMUNICATE WITH THE FINANCIAL INSTITUTION IN CHARGE OF IPO APPLICATION TO PROVIDE THE MATCHING NAME IN THE JOINT BANK ACCOUNT AGAINST HIS/ HER CDS ACCOUNT TO ISSUING HOUSE. THIS IS TO ENSURE THAT ISSUNG HOUSE RECEIVES IPO APPLICATION WHERE THE NAME IN THE JOINT BANK ACCOUNT MATCHES AGAINST THE NAME IN THE CDS ACCOUNT AND TO MINIMISE THE INCIDENT OF REJECTED IPO APPLICATION DUE TO "CDS ACCOUNT BELONGS TO OTHER PERSON". COMPANY, PRINCIPAL ADVISER AND ISSUING HOUSE ARE NOT RESPONSIBLE FOR ANY ISSUE ARISING THEREAFTER.

15.3.2 Application by the Malaysian Public

You can only apply for the IPO Shares if you fulfil all of the following:

(i) you must be one of the following:

   (a) a Malaysian citizen who is at least 18 years old as at the date of the application for the IPO Shares; or

   (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

   (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;

(ii) you must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) you must submit the Application by using only one of the following methods:

   (a) White Application Form;

   (b) Electronic Share Application; or

   (c) Internet Share Application.

15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM1.15 for each IPO Share.

Payment must be made out in favour of "**MIH SHARE ISSUE ACCOUNT NO 643**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn. Bhd.
(Registration No. 199301003608 (258345-X)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat POS Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

or

(ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan

so as to arrive not later than 5.00 p.m. on 10 JULY 2024 or by such other time and date as our Directors and the Joint Underwriters may, in their absolute discretion, mutually decide as the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

15.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Malaysia Sdn. Bhd. (*formerly known as CGS-CIMB Securities Sdn. Bhd.)*, Malayan Banking Berhad, Moomoo Securities Malaysia Sdn. Bhd. and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

(i) reject the Applications which:

(a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

(b) are illegible, incomplete or inaccurate; or

(c) are accompanied by an improperly drawn up, or improper form of remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with **Section 15.9** of this Prospectus.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 OVER/UNDER SUBSCRIPTION

In the event of over-subscription for the Retail Offering, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirements of Bursa Securities and to establish a liquid market for our Shares.

The results of the allocation of our IPO Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities and posted on the Issuing House's website at www.mih.com.my within 1 Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.0% of the total number of our Shares to be held by at least 1,000 public shareholders each holding not less than 100 Shares each at the point of our Listing. We expect to achieve this at the point of our Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of the IPO Shares by the Malaysian Public subject to the clawback and reallocation provisions as set out in **Section 4.3.2** of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Joint Underwriters based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner:

15.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the date of the final ballot. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

(i) The IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, the IPO Shares issued/offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:

Mode of Application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at +603-7890 4700
Electronic Share Application	Participating Financial Institutions
Internet Share Application	Internet Participating Financial Institutions and Authorised Financial Institutions

You may also check the status of your Application **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the "Detailed Procedures for Application and Acceptance" accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

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