

9. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS WHICH MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND FUTURE PERFORMANCE, TOGETHER WITH INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 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. Accordingly, we are required by the law to undertake preventive measures and are obligated to conduct customer due diligence, keep proper records of our customers and transactions as well as report suspicious transactions under the AMLA 2001.

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 that our pawnbroking services and retail trading of jewellery and gold are used for unlawful and suspicious transactions such as money laundering or terrorist financing purposes, we may be subject to fines, penalties and/or imprisonment for breaches under the AMLA 2001, and our reputation and business may be adversely affected.

Further, there is no assurance that the measures taken for prevention of unlawful dealings can fully eliminate transactions of stolen gold, jewellery or watches in our pawnshops and retail outlets. In the event of transactions involving stolen gold, jewellery or watches, we are exposed to the risk of losing the pledges or items purchased 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 285 occurrences across different pawnshops of our Group where our pledges were confiscated by the police. Any loss arising from confiscation of pledges are not covered under our jeweller's block insurance policy. We have, in FYE 2022, assessed the recoverability of the confiscated pledges and have determined that the recoverable amount of the pledges, which were confiscated prior to FYE 2022, is not feasible. Pursuant thereto, for the FYE 2022, we have written off pledge receivables of RM0.90 million (representing approximately 0.28% of the pledge receivables as at 31 December 2022) for pledges that were confiscated by police for investigations accumulated since we commenced our pawnbroking business. In FPE 2023, we have written off pledge receivables of RM0.01 million that were confiscated by police for investigations. In the event that our pawnbroking services and retail trading of jewellery and gold are used for unlawful and suspicious transactions or we are involved in transactions of stolen items, we may be subject to fines, penalties, imprisonment and/or losing the pledges or items purchased if such items are subsequently confiscated by the police and loss of licence.

9.1.2 We require substantial Cash Capital to fund and/or grow our pawnbroking business

Our pawnbroking business requires Cash Capital 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 access to, and the costs associated with, securing additional funding for our Cash Capital.

9. RISK FACTORS (Cont'd)

Under Paragraph 4.2 of the 'Garis Panduan Urusan Pelesenan Pemegang Pajak Gadaai' issued by KPKT, a minimum paid-up capital of RM4.00 million is required to obtain a pawnbroker's licence for each pawnshop. This initial capital will be used as Cash Capital for disbursement of pawn loans of the pawnshops.

Since we commenced our pawnbroking business, we have been relying on bank borrowings, Related Parties Loans and internally generated funds to expand our business, for both expansion of pawnshops and disbursement of new pawn loans.

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

Source of cash capital	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<u>As at end of the relevant financial years/periods</u>								
Bank borrowings	86,752	44.1	89,084	47.1	146,934	58.9	161,932	63.6
Related Parties Loans	73,726	37.5	85,650	45.3	95,680	38.3	74,714	29.4
<u>For the relevant financial years/periods</u>								
Internally generated funds	36,161	18.4	26,410	14.0	29,073	11.6	17,808	7.0
Subtotal	196,639	100.0	201,144	106.4	271,687	108.8	254,454	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	254,454	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.

As at the LPD, the outstanding amount of bank borrowings is RM178.00 million whilst the outstanding amount of Related Parties Loans is RM75.05 million. Our gearing ratios for the Period Under Review are as set out below:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
Gearing ratio (times) ⁽¹⁾	1.22	1.16	1.41	1.25

Note:

- (1) Computed based on total bank borrowings and Related Parties Loans over total equity.

Please refer to **Sections 10.2.1 and 11.2** of this Prospectus for the details on the Related Parties Loans, **Section 12.4.3** of this Prospectus for the details of our borrowings as at 30 June 2023 and **Section 12.4.9(iv)** of this Prospectus for the details of our gearing ratio.

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 FPE 2023. 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.

9. RISK FACTORS (Cont'd)

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.

Nevertheless, 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.

The changes in working capital which attributed to the negative cash flow from operating activities for the FYE 2021, FYE 2022 and FPE 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.

Please refer to **Section 12.4.2** of this Prospectus for the details of our cash flows for the Period Under Review.

Since February 2023, our Group no longer relies on additional Related Parties Loans. Following the supplemental loan agreements entered into by our Group on 22 September 2023, we will pare down the principal amount of the outstanding Related Parties Loans together with the applicable interests on a fixed repayment term of 4 quarterly instalments each year within a period of 120 months ("**Repayment Term**"), which shall commence from the date of our Listing. The Repayment Term was agreed after taking into consideration the internal budgeting process of our Group which is being prepared on a quarterly basis. Please refer to **Section 10.2.1** – Note (4) of the Prospectus for salient terms of the supplemental loan agreements.

Within 24 months from the date of our Listing, we intend to utilise RM[●] million of the proceeds from 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.

As at the LPD, our total unutilised banking facilities is approximately RM28.80 million, consisting of bank overdrafts. Based on our pro forma statements of financial position as at 30 June 2023 and after the Pre-IPO Restructuring, Public Issue and utilisation of proceeds, our pro forma gearing ratio is expected to be [●] times.

For the Period Under Review and up to the LPD, we have been able to raise sufficient funds as Cash Capital to deploy pawn loans to our customers. However, there is no assurance that we will be able to continue to obtain and maintain our Cash Capital to fund and/or grow our pawnbroking business.

Further, 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. If we obtain bank borrowings to finance our Cash Capital requirements, our borrowing cost is subject to interest rates imposed by the banks. As the maximum interest rate chargeable by us to our customers in our pawnbroking business is regulated by the PA 1972 (currently a maximum rate of 2.0% per month), any increase in the borrowing cost will adversely affect our GP margin.

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 strategies. This would adversely affect our business growth and financial performance.

9. RISK FACTORS *(Cont'd)*

9.1.3 We are subject to regulatory requirements for our pawnbroking business

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. Under the PA 1972, each pawnshop is required to hold a valid pawnbroking licence issued by KPKT in order to operate, whereby such licence is valid for 2 years and is subject to renewal provided that the pawnshop adheres to the regulations enforced by KPKT. Please refer to **Section 7.18** of this Prospectus for information on our pawnbroking licences.

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 KPKT pursuant to the PA 1972. In such circumstance, our pawnbroking business would be adversely affected as we would lose the revenue contribution from the affected pawnshop. Even though we have not experienced any instances of failure in obtaining, maintaining or renewing our pawnbroking licences in the past up to the LPD, there is no assurance that we will be able to continue to successfully obtain, maintain or renew all our pawnbroking licences moving forward.

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.

9.1.4 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 customers' 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.

The risk in meeting the daily cash requirements of our pawnbroking business increases when there is a mismatch in timing for our Group to secure sufficient funding for our day-to-day operations of our individual pawnshops. 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 include short-term bank borrowings and/or transfer of unutilised cash balances from other pawnshops, in a timely manner to finance our daily cash requirement and/or other operating expense requirements.

For the Period Under Review and up to the LPD, we have been able to maintain sufficient funds to meet our daily cash needs via short-term bank borrowings and/or transfer of unutilised cash balances from other pawnshops and we have not experienced any instances whereby we are not able to maintain sufficient funds to meet our daily cash needs.

9. RISK FACTORS (Cont'd)

As at the LPD, the total amount of bank facilities granted to our Group is RM225.00 million, consist of bank overdrafts and revolving credits, while our total unutilised banking facilities is RM28.80 million, consisting of bank overdrafts. Our cash and cash equivalents (after taking into consideration of bank overdrafts) for the Period Under Review as follows:

	Audited		Audited	
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Cash and bank balance	14,551	14,369	8,606	12,600
Less: Bank overdrafts	(15,021)	(14,402)	(43,440)	(26,489)
Total cash and cash equivalents	(470)	(33)	(34,834)	(13,889)

Our Group had recorded negative cash and cash equivalents as at 31 December 2020, 2021 and 2022 as well as 30 June 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/period 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 30 June 2023 is RM RM49.08 million. Our pawn loan outstanding for the respectively financial years/period end are as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Pawn loans outstanding (RM'000)	241,669	249,366	325,893	354,632

Our trade receivables turnover period for pawnbroking business for the Period Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Trade receivables turnover period (days)	160	161	142	130

As at the LPD, out of the RM369.06 million of outstanding trade receivables as at 30 June 2023, RM356.62 million, or approximately 96.6% of the outstanding trade receivables as at 30 June 2023, has been collected and/or recovered via pawn loan redemption, public auctions and sales of the unredeemed pledged items while the balance of RM12.44 million, representing or 3.4% of the outstanding trade receivables as at 30 June 2023, have yet to be collected as these pawn loans are within the pawn loan period of 6 months and grace period provided of not exceeding 3 months.

Please refer to **Section 12.4.9** of this Prospectus for the details on the trade receivables turnover period and inventory turnover period.

In the event any of our pawnshops requires urgent funding for its daily cash requirements, we will draw down on short-term bank borrowings and/or transfer unutilised cash balances from other pawnshops to the pawnshop concerned.

There is no assurance that after our Listing, we will continue to be able to maintain sufficient funds to meet daily cash 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.

9.1.5 We are dependent on skilled, reliable and trustworthy pawnshop and outlet personnel

We believe that one of the key factors for the continuous growth and success of our business is the extensive knowledge and experience of our skilled pawnshop and outlet personnel in providing pawnbroking services and retail and trading of jewellery and gold to our customers, particularly their skills in assessing the value and authenticity of the pledges/pre-owned jewellery brought in by walk-in individuals.

9. RISK FACTORS (Cont'd)

If our pawnshop personnel are unable to accurately assess the value and/or authenticity of the pledges, and our pawnbroking customers do not repay the pawn loans, we may not be able to fully recover the loan amount through sales of such pledges. In such event, the financial performance of our pawnbroking business may be adversely affected.

In addition, we also rely on our pawnshop and outlet personnel to assess the value and authenticity of pre-owned jewellery and watches purchased from walk-in individuals. Failure to accurately assess the value and/or authenticity of such pre-owned gold products may adversely affect the business and financial performance of our retail and trading of jewellery and gold business.

Further, our ability to provide quality customer service is also largely dependent on the performance of our pawnshop and outlet personnel. In the event our pawnshop and outlet personnel are not able to execute their responsibilities in a satisfactory manner to our customers or if our Group is unable to retain and maintain our team of capable pawnshop and outlet personnel or replace any possible loss of such skilled personnel, our customer satisfaction levels may decline, and adversely affect our business operations.

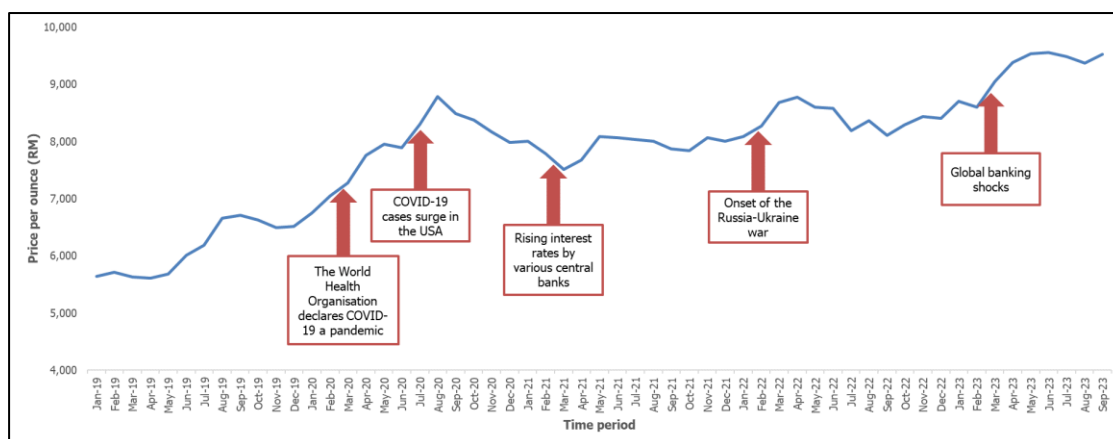
Further, due to the nature of our business which involves cash and valuable items, we are dependent on reliable and trustworthy personnel for our operations. Failure to employ reliable and trustworthy pawnshop and outlet personnel may expose us to the risks of fraud, mismanagement or mishandling of cash and valuable items, and we may be subject to loss and damages, which may adversely affect our reputation and profitability.

During the Period Under Review and up to the LPD, we have not accepted any counterfeit pledges, or gold or gold jewellery which are of low gold purity arising from our pawnshop and outlet personnel having insufficient experience nor have we experienced any occurrences of fraud, mismanagement or mishandling of cash, gold, gold jewellery and valuable items (including pledges) in any of our pawnshops. However, there is no assurance that acceptance of counterfeit pledges, fraud, mismanagement or mishandling of cash and/or pledges by pawnshop and outlet personnel will not occur in the course of our business operations.

9.1.6 We are subject to gold price volatility

Our Group's pawnbroking business involves sales of unredeemed pledges of gold and gold jewellery as part of our cash recovery process. In addition, we also sell new and pre-owned jewellery and gold through our retail outlets.

Gold is a globally traded commodity and hence, its market price fluctuates and is affected by various factors, including amongst others, interest rates, fluctuation in USD exchange rate, global or regional economic or political circumstances, market speculation as well as market supply of and demand for gold. The chart below depicts the market prices of gold (based on the selling prices of Kijang Emas (1oz) i.e., Malaysian gold bullion coin) from January 2019 up to October 2023:



(Source: IMR Report)

9. RISK FACTORS *(Cont'd)*

Whilst the gold price has generally been on an uptrend, there is no assurance that this uptrend will continue in the future. 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 do not have any immediate need for cash, we may hold the unredeemed pledges and/or purchased items for a longer period of time (i.e. up to an additional month) as the gold price may stabilise during this period.

If we need to sell these unredeemed pledges (i.e., gold and gold jewellery) and/or purchased items for cash requirement during a period of significant decline in the gold prices, we would incur a loss upon the sales of these unredeemed pledges and/or purchased items, and this may adversely affect our profitability and financial performance.

9.1.7 **We are dependent on our Executive Directors and Key Management for the continued success and growth of our business**

Our growth and success depend on the experience, expertise and industry know-how of our Executive Directors and Key Management. Our Group is led by our Executive Directors who are assisted by our Key Management who have extensive knowledge and experience in our industry. Our Executive Directors are responsible for providing strategic direction and oversight over our Group's business growth. Our Key Management are responsible for day-to-day operations as well as executing and implementing our Group's business strategies and plans to drive future growth. See **Sections 5.1.2 and 5.4.2** of this Prospectus for the profiles of our Executive Directors and Key Management.

The loss of any of our Executive Directors and Key Management without suitable and timely replacement or our inability to attract, hire and retain suitable candidates as replacement for positions within our Key Management may adversely affect our continued ability to compete effectively against other industry players, as well as to implement our business strategies and plans, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

While there has been no departure on any of our Executive Directors and Key Management which has adversely affected our business operations for the Period Under Review and up to the LPD, there can be no assurance that any such incident will not occur going forward.

9.1.8 **Our insurance coverage may not be adequate to cover all losses or liabilities which may arise in connection with our operations**

We need to maintain adequate insurance coverage in order to protect ourselves against losses such as burglary, theft, robbery and/or fire that may arise in connection with 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 RM493.85 million. Notwithstanding this, we are aware of the adverse consequences arising from inadequate insurance coverage that could potentially affect our business operations and financial performance.

Under our jeweller's block insurance policy, the pledges, inventories and cash used in the conduct of our pawnbroking business as well retail and trading business are insured against loss or damage by, amongst others, fire, natural disasters, explosion, burglary or theft, but subject to terms, conditions and limitation of the jeweller's block insurance policy. Further, our jeweller's block insurance policy also covers the unredeemed pledges and cash which are removed from our pawnshops and are in transit by our employees for the purpose of public auctions.

9. RISK FACTORS *(Cont'd)*

Nevertheless, as with any insurance policy, the insurance policy is subject to limitations and exclusions, for example, our insurance policy does not cover any loss arising from war, act of terrorism, confiscation of pledges or counterfeit pledges or pledges with low gold purity. Thus, there is no assurance that we will be able to fully recover the losses from confiscations due to unlawful and suspicious pawn transactions.

Pursuant to the above, while we believe that our insurance coverage is 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. Nevertheless, there can be no assurance that we will not encounter any events or incidences that may result in any insurance claims of a material nature.

9.1.9 We are exposed to physical security risks

Our pawnbroking as well as retail and trading of jewellery and gold businesses involve the safekeeping of cash and valuable items such as gold, gold jewellery, diamond jewellery and luxury watches. As such, we are exposed to physical security risks including burglary, theft, robbery or misappropriation of cash and valuable items.

In order to prevent physical security risks, we have established a cash and pledge management policy as well as security and loss prevention measures at all of our pawnshops and retail outlets. Please refer to **Sections 7.13.1 and 7.13.2** of this Prospectus for further information in relation to the security of our gold products and pledges as well as cash control respectively.

For the Period Under Review and up to the LPD, we have not experienced any burglary, theft or robbery incidents at all of our pawnshops or retail outlets. Notwithstanding the above security and preventive measures, there is no assurance that we will not be exposed to losses and damages which may lead to a material adverse effect on our financial performance and businesses.

9.1.10 Our pawnbroking system is subject to security breaches and system breakdowns

We utilise our ValueMax Pawnbroking System to facilitate the operations of our pawnbroking business, whereby we record our pawnbroking customers' details and pawn transactions electronically. As such, we are subject to risks relating to external security threats such as malware attacks, hacking and cyber threats as well as internal security breaches arising from unauthorised access to restricted information.

In the event that such security breaches occur, customers' information may be left vulnerable and may be obtained by unauthorised third parties. As a result, we may be subject to penalties and/or imprisonments under the Personal Data Protection Act 2010 and the reputation of our pawnshops may be adversely affected.

9. RISK FACTORS (Cont'd)

Further, our pawnbroking system may potentially be subjected to system breakdowns and prolonged breakdowns which may disrupt our pawnbroking operations and affect our business operations negatively. While we have not experienced any security breaches or system disruptions or breakdown during the Period Under Review and up to the LPD, there can be no assurance that any such incidences will not occur moving forward.

9.1.11 Our business may be affected by non-renewal of existing tenancies and/or increases in the rental rates of our existing and new pawnshops and retail outlets

Our pawnshops and retail outlets are strategically located at convenient locations in close proximity to residential housing or commercial areas. As at the LPD, majority 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, if renewed, 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, renovation and/or increased rental expenses. Further, we may lose existing and/or potential customers if the new location is less convenient and accessible as compared to the existing location, 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. For the Period Under Review and up to the LPD, there has not been any significant increase in rental rates for our existing outlets. Nevertheless, there can be no assurance that there will be no 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.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 Competition risk

According to the IMR Report, there were 789 active licenced pawnbrokers in Malaysia in the third quarter 2022. Thus, we face competition from existing industry players, including individual pawnshops, pawnshops with a larger establishment and/or a retail chain, as well as new players in the pawnbroking industry. In addition, we also face indirect competition from licensed moneylenders who are involved in the provision of short-term micro loans as well as Islamic pawnbrokers (Ar-Rahnu). Further, the jewellery and gold market is a fragmented and competitive market which comprise both large and small scale retailers and traders of gold products.

Whilst we strive to remain competitive, there can be no assurance that our efforts will allow us to remain competitive in the pawnbroking industry and jewellery and gold market. If we are unable to remain competitive and adapt to changes in the industry, our business operations and financial performance will be adversely affected.

9. RISK FACTORS (Cont'd)

9.2.2 We are subject to political, economic and regulatory changes in Malaysia

All of our business activities are conducted in Malaysia. Thus, any political, economic and regulatory changes such as changes in political landscape, fiscal and/or monetary policies as well as laws and regulations may materially and adversely affect our business, financial performance and expansion strategies.

In addition, as we fund our Cash Capital through, amongst others, loans and borrowings, any adverse changes to the credit conditions in Malaysia, such as stricter credit requirements, may adversely impact our ability to raise additional Cash Capital for our pawnbroking business. Further, any upward revision in overnight policy rates may also have a material adverse impact on our finance costs and financial performance.

9.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

9.3.1 Our Listing may not result in an active liquid market for our Shares

There can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such liquidity can be sustained. There can be no assurance that our IPO Price will correspond to the price in which our Shares will be traded on the Main Market of Bursa Securities upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

In addition, there can be no assurance that the market price of our Shares will reflect our financial performance or growth prospects of the industry in which we operate.

9.3.2 Our Share price and trading volume may be volatile

The market price and trading volume of our Shares could be affected by numerous factors, including the following:

- general market, political and economic conditions;
- trading liquidity of our Shares;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in market valuations of listed shares in general or shares of comparable companies to ours;
- perceived prospects of our business and the industry in which we operate;
- adverse media reports regarding us or our shareholders;
- changes in government policy, legislation or regulation; and
- general operational and business risks.

In addition, many of the risks described in this Prospectus could materially and adversely affect the market price of our Shares. If we are not able to declare or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of your investment in our Shares may be reduced. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that has affected the share price of many companies where the share price of many companies have experienced wide fluctuations which were not always related to the operating performance of these companies, including fluctuations as a result of developments in other markets. There can be no assurance that the price and trading of our Shares will not be subject to similar fluctuations.

9. RISK FACTORS (Cont'd)**9.3.3 There can be no assurance that we will declare and pay dividends in the future**

Our ability to declare dividends will depend on, amongst others, our future financial performance, distributable reserves and cash flows. This, in turn, is dependent on our results of operations, capital requirements, our ability to implement our business strategies and plans, demand for pawn loans, prevalent gold prices, general economic conditions, and other factors specific to our industry, many of which are beyond our control. As such, there can be no assurance that we will be able to declare and pay dividends to our shareholders.

The payment of our dividends and the receipt of dividends from our subsidiaries may also be affected by the passing of new laws, adoption of new regulations and other events outside our control, and we or our subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. In addition, changes in accounting standards may also affect our ability to pay dividends.

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of your investment in our Shares may be reduced. For a description of our dividend policy, see **Section 12.8** of this Prospectus.

9.3.4 The interest of our Promoters and substantial shareholders who control our Group may not be aligned with the interest of our shareholders

As disclosed in **Section 5.1.1** of this Prospectus, our Promoters and substantial shareholders will collectively hold in aggregate approximately 67.2% of our enlarged issued Shares upon Listing. As a result, they will be able to control the business direction and management of our Group. This includes the election of Directors, the timing and payment of dividends as well as having voting control over our Group. As such, our Promoters and substantial shareholders will likely influence the outcome of certain matters requiring the vote of our shareholders except where they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. There can be no assurance that the interests of our Promoters and substantial shareholders will be aligned with those of our other shareholders.

9.3.5 Delay in or termination of our Listing

The occurrence of certain events, including the following, may cause a delay in, or termination of our Listing:

- (i) our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations under such agreement;
- (ii) our inability to meet the minimum public shareholding spread requirement under the Listing Requirements of having at least 25.0% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing; or
- (iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

9. RISK FACTORS *(Cont'd)*

Where prior to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order under Section 245(1) of the CMSA, the Applications shall be deemed to be withdrawn and cancelled and we shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the date of service of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares and the proceeds from the Public Issue form part of our share capital:

- (i) the SC issues a stop order under Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by way of special resolution in a general meeting and supported by either:
 - (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (b) a solvency statement from our Directors.