

#### **4. RISK FACTORS**

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**You should carefully consider the risk factors (which may not be exhaustive) listed below, in addition to the other information in this Prospectus. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.**

**If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers.**

##### **4.1 RISKS RELATING TO OUR BUSINESS OPERATIONS**

###### **4.1.1 Our Business is Exposed to Unlawful and Suspicious Pawn Transactions and Transactions of Stolen Gold or Luxury Watches**

We are subject to the risk arising from the use of our pawnbroking services for money laundering or terrorists financing purposes. As at the LPD, there is no incidence of breaches against the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001. However, there can be no assurance that the measures taken to prevent the use of our pawnbroking services for money laundering or terrorists financing purposes can fully eliminate unlawful and suspicious pawn transactions in our pawnbroking outlets. If we are convicted, we may be subject to imprisonments and/or fines.

Further, there is no assurance that the measures taken for prevention of unlawful dealings can fully eliminate transactions of stolen gold or luxury watches in our pawnbroking outlets. In the event of transactions of stolen gold or luxury watches, we face the risk of losing the pledges when confiscated by the police and as a result may not be able to recover the losses incurred. This may subsequently adversely affect our profitability. In the past 3 FYE 2018 to FYE 2020 and up to the LPD, there were 3 occurrences whereby our customers' pledges were confiscated by the police to assist with police investigation. The total loss incurred from the confiscation was RM44,714.00 and was not recovered. Any loss arising from confiscation of pledges will be written off 12 months from the date of pawn ticket issuance.

###### **4.1.2 We Are Subject to Regulatory Requirements for Pawnbroking Business**

Our business operations are governed by the KPKT, and are governed by the regulations under the Pawnbrokers Act 1972. Under the Pawnbrokers Act 1972, a pawnbroking licence is mandatory for opening and operating a pawnbroking outlet. Such licence is valid for a period of 2 years and is subject to renewal provided that the pawnbroking outlet adheres to the regulations enforced by the KPKT. Please refer to Section 6.18 of this Prospectus for information on our pawnbroking licences.

In the event of non-compliance to the regulations imposed by the KPKT, our pawnbroking licences may be revoked or may not be renewed upon expiry. Any revocation or failure to obtain, maintain or renew our pawnbroking licences may materially and adversely affect our business operations. Even though we have not experienced any instances of failure in obtaining, maintaining or renewing our pawnbroking licences as at the LPD, there is no assurance that we will be able to continue to successfully renew all our pawnbroking licences moving forward.

Further, if there are any changes in legislation, regulations and/or policies governing the pawnbroking industry leading to further and/or stricter requirements being imposed by the KPKT which we are required to comply with, our business operations may be restricted or we may incur higher operating costs. In the event that the increased operating costs cannot be passed on to our customers, we will have to absorb any cost increments which may adversely impact our business operations and profitability.

#### **4. RISK FACTORS (Cont'd)**

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##### **4.1.3 We Require Cash Capital to Grow Our Business Operations**

We require cash capital for the provision of pawn loans to our customers. To finance our cash capital requirements, we have been relying on internally generated funds as well as capital injections from shareholders and shareholders' advances. Moving forward, we will also raise funds from the capital market and/or bank borrowings to finance our cash capital requirements.

As at the LPD, we have not failed to obtain cash capital for our business operations to provide pawn loans to our customers. However, there is no assurance that we will be able to continue to obtain and maintain our cash capital for our operations. In the event that we are unable to obtain and maintain our cash capital, our business operations may be affected as 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 pledges, which may adversely impact our financial performance.

##### **4.1.4 We Are Dependent on Skilled, Reliable and Trustworthy Outlet Personnel for the Provision of Pawnbroking Services**

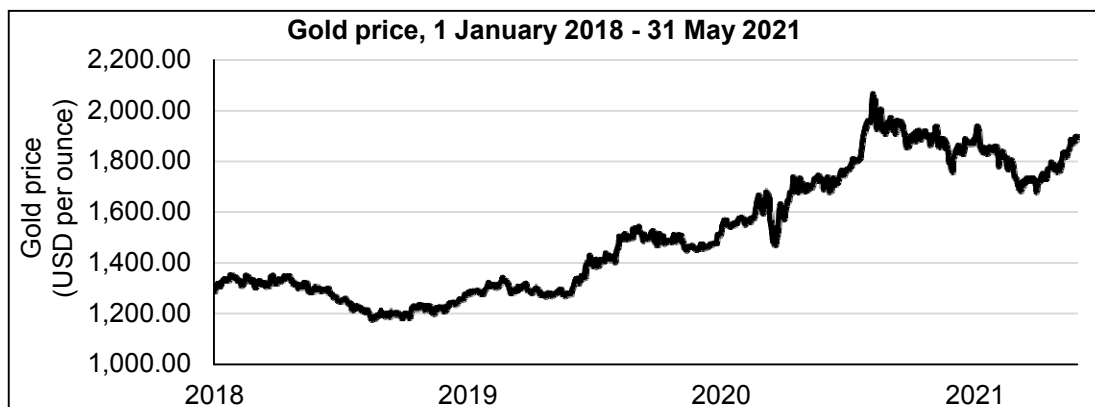
We believe that one of the key factors for the continuous growth and success of our business is the extensive knowledge and experience of our skilled outlet personnel in providing pawnbroking services to our customers, particularly their skills in pledge assessment and price valuation. Further, our ability to provide quality customer service is also largely dependent on the performance of our outlet personnel. In the event our 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 outlet personnel or replace any possible loss of such skilled personnel, our customer satisfaction levels may decline causing our business operations to be adversely affected.

Further, due to the nature of our business which involves cash and valuable pledges, we are dependent on reliable and trustworthy outlet personnel for our operations. Failure to employ reliable and trustworthy outlet personnel may expose us to the risks of fraud, mismanagement or mishandling of cash and pledges, and we may be subject to loss and damages, which may adversely damage our reputation and profitability. In the past 3 FYE 2018 to FYE 2020 and up to the LPD, we did not experience any occurrences of fraud, mismanagement or mishandling of cash and pledges in any of our pawnbroking outlets.

##### **4.1.5 Our Pledge Value is Susceptible to Gold Price Volatility**

We primarily receive gold as pledges for the provision of pawn loans to our customers. The pledge value of gold against our total pledge value was 100.00%, 99.55% and 99.42% for FYE 2018, FYE 2019 and FYE 2020 respectively. As such, the pledge value is influenced by gold price volatility as we offer pawn loans to our customers against the pledges of gold based on a loan margin which factors in the prevailing market value of the pledge.

Further, we also sell our unredeemed or bid pledges (i.e. gold) to scrap collectors at an agreed amount which is guided by the prevailing market value of gold. Gold is a commodity and hence, its price fluctuates. Gold prices are affected by various factors, amongst others, interest rates, fluctuation in USD, global or regional economic or political circumstances, market speculations as well as market supply and demand of gold. For the past 3 FYE 2018 to FYE 2020 up to the LPD, the price of gold has fluctuated between USD1,178.40 per ounce and USD2,067.15 per ounce, as shown in the chart below:

**4. RISK FACTORS (Cont'd)**

Source: World Gold Council

In the event that gold prices experience sudden and/or prolonged downward movements, the value of our pledges for our pawnbroking business may be reduced. If our customers do not redeem their pledges and the pledge values decline, we may sell the unredeemed or bid pledges at lower prices, which may adversely and materially affect our profitability and financial performance.

#### **4.1.6 We Are Dependent on Lim Boon Hua and Our Key Management for Continued Success and Future Growth of Our Business**

The continued success and future growth of our Group are largely dependent on the contributions and involvement of our Managing Director/ Chief Executive Officer, Lim Boon Hua who is also our Promoter and substantial shareholder, as well as the Key Management in our business. Lim Boon Hua is responsible for spearheading and steering the overall strategic direction of our Group. With his experience and knowledge of the pawnbroking industry and our business, he plays an important role in formulating and implementing strategies and policies to drive the growth and expansion of our Group. Additionally, our Key Management personnel are equipped with the relevant knowledge and skills in their respective fields of work to ensure the smooth operations of our business.

We recognise that our Group's continuing success and future growth depend on the capabilities and continuing efforts of Lim Boon Hua and our Key Management. As such, the resignation or loss of Lim Boon Hua and any of our Key Management without suitable and timely replacements may adversely impact our Group's operations, financial performance as well as future growth of our business.

#### **4.1.7 Our Future Growth Depends on Our Ability to Implement Our Business Strategy**

We plan to grow our pawnbroking business by further expanding our network of pawnbroking outlets. In order to successfully implement our business strategy, we are required to identify suitable locations for our new pawnbroking outlets. In addition, we need to secure substantial cash capital to fund the pawn loans for the new establishments as well as incur renovation costs for our new pawnbroking outlets.

There is no assurance that the execution of our business strategy can be performed successfully. In the event that we are unable to manage our expansion plans and the related risks and costs, such failure may adversely affect our business operations and financial performance.

#### **4. RISK FACTORS** (Cont'd)

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Further, in accordance with the Pawnbrokers Act 1972, we are required to obtain a pawnbroking licence for each new pawnbroking outlet. A pawnbroking licence will only be granted subject to the compliance of regulations imposed by the KPKT. In the event that we are unable to comply to the regulations or if new restrictions are implemented by the KPKT on the issuance of new pawnbroking licences, our business expansion plan may be impeded.

In addition, the implementation of our business strategy may also be influenced by various factors beyond our control, such as changes in economic conditions as well as social and political environment in Malaysia which may affect the commercial viability of our business strategy. The success of our business strategy could also be adversely affected by other factors such as entrants of new competitors or attractive loan margins offered by our competitors, which may affect the competitiveness of our pawnbroking services. Hence, there is no assurance that we will be successful in executing our business strategy, nor can we assure that we will be able to anticipate all business, operational and industry risks arising from our business strategy.

##### **4.1.8 We May Be Subject to Risk of Electronic Security Breaches and/or Disruptions in Our Pawn System**

Our pawn system stores a large database of confidential information of our customers. Storing data electronically may expose our database to external security threats such as malware attacks, hacking, espionage and cyber intrusion, as well as internal electronic security breaches which include unauthorised access to restricted information by employees. Failure to protect our customers' information from electronic security breaches implies non-compliance to the Personal Data Protection Act 2010 in which we may be subject to penalties in terms of fines and imprisonments. Additionally, our reputation may also be adversely impacted which may subsequently cause long term repercussions on our business operations.

Further, our pawn system is critical for our employees to carry out day-to-day business operations. Any prolonged breakdown or failure of our pawn system to operate due to factors such as computer viruses or damage to the pawn system may lead to disruptions to our operations which will adversely impact our customers' satisfaction and our reputation in the pawnbroking industry. Further, there is no assurance that our operations can be sufficiently supported by our disaster recovery systems and back-up systems in the event of a prolonged breakdown of our pawn system. As at the LPD, our Group has not experienced any security breaches and/or disruptions in our pawn system.

##### **4.1.9 We May Be Exposed to Physical Security Risks**

We offer pawn loans to our customers against the pledges of gold and luxury watches. As the pledges are valuable items, we are exposed to physical security risks of burglary, theft, fraud or misappropriation of cash or pledges by third parties or by our employees. We have established a formal policy on cash and pledge management and security and loss prevention at our headquarters and our respective pawnbroking outlets. Please refer to Sections 6.3.3 and 6.3.4 of this Prospectus for further information on our security and loss prevention measures as well as cash and pledge management policy respectively.

Nevertheless, there is no assurance that we will not be exposed to such security risks. If such events were to occur, we may be subject to loss and damages, which may adversely impact our financial performance and damage our reputation and business operations. In the past 3 FYE 2018 to FYE 2020 and up to the LPD, we have not incurred any losses due to such physical security risks.

#### **4. RISK FACTORS (Cont'd)**

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##### **4.1.10 Our Insurance Coverage May Not Be Adequate to Cover All Losses or Liabilities That May Arise in Connection With Our Operations**

We maintain insurance coverage at levels that are customary in the pawnbroking industry to protect against various losses and liabilities in our business operations. As at the LPD, our Group has taken up jeweller's block insurance policy for our pawnbroking outlets from third party insurance providers. Please refer to Section 6.14 of this Prospectus for further information on the insurance taken up by our Group.

As these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events, we are still exposed to the risk that the insurance coverage could be inadequate to cover all losses, damages or liabilities, which we may incur in the course of our business operations. Moreover, we would be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could materially impact our business operations and financial performance.

##### **4.1.11 Our Business May Be Affected by Non-renewal of Existing Tenancies and/or Increase in the Rental Rates of Our Pawnbroking Outlets**

Our pawnbroking outlets are strategically located at convenient locations in close proximity to residential housings or commercial areas, and with easy access to public transportation. As at the LPD, all the premises of our pawnbroking outlets are tenanted from independent third parties and our Promoters. While there have not been any incidents of failure in renewing our existing tenancies, there is no assurance that we are able to renew each of our existing tenancies upon expiry or on favourable terms and conditions moving forward.

In the event any of our existing tenancies are unable to be renewed upon expiry or on favourable terms and conditions, we may be required to relocate the affected pawnbroking outlets, which may incur additional costs for relocation and/or increased rental costs. 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.

In the FYE 2020, our rental costs amounted to RM1.22 million, or 7.15% of our total cost of sales. Any significant increase in rental costs in the future will have an adverse and material impact on our financial position as well as our business operations.

##### **4.1.12 Our Business Operations May Be Affected As A Result of Sudden Crisis Such As the COVID-19 Pandemic**

Our business operations is subject to disruptions caused by sudden crises such as disease outbreaks, natural disasters or political crisis in Malaysia.

On 11 March 2020, the COVID-19 virus, also known as the novel coronavirus, was declared a worldwide pandemic by the World Health Organization. Our business operations were impacted by precautionary measures taken by the Government, particularly the imposition of the 1st MCO. In view of the 1st MCO, all our pawnbroking outlets were closed between 18 March 2020 and 3 May 2020. The operations of our pawnbroking outlets resumed upon the implementation of the CMCO on 4 May 2020.

**4. RISK FACTORS** *(Cont'd)*

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Due to the closure of our pawnbroking outlets throughout the 1st MCO period, we were unable to secure new customers and our existing customers were unable to make new pawn transactions and/or redeem their pledges. As a result, we experienced a decline in total pawn transactions, as the pawn transactions for the month of March 2020 amounted to RM8.48 million, as compared to February 2020 at RM13.47 million. As all our pawnbroking outlets were closed throughout April 2020, we did not record any pawn transactions in April 2020. During the closure of our pawnbroking outlets, we incurred a total expenses of approximately RM0.55 million, due to the operating cost for our pawnbroking outlets (RM0.14 million), staff salaries (RM0.27 million) and other related expenses (RM0.14 million).

The imposition of the 2nd MCO beginning January 2021 for different durations up to March 2021 in states in which our pawnbroking outlets are located (i.e. Selangor, Kuala Lumpur, Pulau Pinang, Negeri Sembilan, Johor and Perak) due to the surge in COVID-19 cases in the country had no material impact to our business operations as our pawnbroking outlets were allowed to operate, subject to the compliance to a set of strict standard operating procedures. The imposition of a 3rd MCO beginning May 2021 and the nationwide total lockdown (phase 1) from 1 June 2021 to 28 June 2021 also did not materially affect our business operations as our pawnbroking outlets were allowed to operate, subject to the compliance to a set of strict standard operating procedures. As such, our Group does not expect any impact to our financial performance for the FYE 2021 arising from the 2<sup>nd</sup> MCO, 3<sup>rd</sup> MCO and the total lockdown (phase 1).

Nevertheless, if there are any future imposition of MCO which may result in mandatory closure of our pawnbroking outlets, our business operations may be materially impacted which may adversely affect our financial performance.

Due to the temporary closure of pawnbroking outlets throughout the 1<sup>st</sup> MCO period, we did not take possession of pledges upon the expiration of pawn tickets during the period. Upon reopening of our pawnbroking outlets, we provided a grace period of up to 4 weeks for customers to redeem or re-pawn the pledges. Thereafter, if our customers did not redeem the pledges and had no intention to redeem the pledges, we proceeded with the sale of the unredeemed or bid pledges in accordance with procedures under the Pawnbrokers Act 1972. Further, throughout the 1<sup>st</sup> MCO and 2<sup>nd</sup> MCO, no public auctions were allowed, as such, our Group did not bid and purchase the unredeemed pledges which subsequently delayed our cash recovery process. However, once public auctions were allowed to be organised after the 1<sup>st</sup> MCO and 2<sup>nd</sup> MCO period respectively, we were able to bid, purchase and sell the unredeemed pledges that should have been auctioned during the 1<sup>st</sup> MCO and 2<sup>nd</sup> MCO periods. As such, the delay in cash recovery process did not materially affect our financial performance. Throughout the 3<sup>rd</sup> MCO period and the nationwide total lockdown (phase 1), public auctions are allowed and our cash recovery process can be conducted on a timely manner. Nevertheless, there is no assurance that public auctions will be allowed if MCO or lockdown measures with further restrictions is to be implemented in the future and if such restriction extends for a long period of time, our financial performance may be affected.

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#### 4. RISK FACTORS *(Cont'd)*

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On 11 January 2021, an outlet personnel from one of our pawnbroking outlets tested positive for COVID-19. Upon confirmation of the positive COVID-19 test result, 10 employees (i.e. the outlet personnel who reported to work at the pawnbroking outlet, Area Managers, Branch Manager and Operation Manager) who were in close contact with the infected outlet personnel were immediately notified to undergo COVID-19 tests, and 6 of those close contacts tested positive for COVID-19. Upon testing, all 7 infected employees were required to undergo self-quarantine in compliance with the standard operating procedure of the Ministry of Health Malaysia and were on medical leave for 2 weeks, while the 4 remaining employees who tested negative were requested to work from home for 2 weeks. Additional details on this incident are set out in Section 6.10(e) of this Prospectus. Save for the temporary closure of the affected pawnbroking outlet for disinfection, the operations of the affected pawnbroking outlet were not affected during the absence of the outlet personnel during their quarantine periods as we temporarily placed 2 outlet personnel from other pawnbroking outlets at the affected pawnbroking outlet to ensure business continuity. Save for the COVID-19 testing costs and outlet disinfection costs which amounted to less than RM5,000 and the temporary closure of the outlet from 11 January 2021 to 14 January 2021, there was no other impact to our business and operations.

Please refer to Section 6.10 of this Prospectus for further information on the interruptions to our business operations caused by the COVID-19 pandemic.

Any such future crisis affecting a significantly large population may result in similar interruptions to our Group's business operations, which could adversely affect our business, results of operations and financial performance.

#### 4.2 RISK RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

##### 4.2.1 We Face Competition Risk Due to the Highly Competitive and Fragmented Nature of the Industry

We operate in a highly fragmented and competitive industry, and we expect to face competition from existing industry players who are chain pawnbroking outlets and other industry players who operate individual pawnbroking outlets, as well as potential new entrants. According to the IMR Report, as at 24 June 2021, there are 716 companies with pawnbroking licences issued by the KPKT in Malaysia. Further, we also face indirect competition from moneylenders who are also involved in the provision of short-term micro-loans for customers who may be financially underserved.

To remain competitive in the pawnbroking industry, we have to offer attractive loan margins, provide quality customer service and quick service time. If we fail to remain competitive in the industry or adapt to market conditions, our financial performance will be adversely impacted and it may also affect the sustainability of our business.

##### 4.2.2 We May Be Adversely Affected by Political, Economic, Legal and Social Conditions in Malaysia

For the past 3 FYE 2018 to FYE 2020 up to the LPD, all of our revenue was derived from our operations in Malaysia. As such, the financial performance and business prospects of our Group is subject to the political, economic, legal and social conditions in Malaysia. Any significant changes and/or developments in the political, economic, legal and social conditions in Malaysia that are beyond our control may have an adverse impact on the overall economic growth of Malaysia as well as the pawnbroking industry. Among the political, economic, legal and social uncertainties that may impose risk on our operations include changes in political leadership resulting in unstable political situations, changes in interest rates, unfavourable changes in economic conditions as well as introduction of new government policies and regulations.

#### **4. RISK FACTORS (Cont'd)**

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As such, there is no assurance that any adverse political, economic, legal and social conditions will not lead to a material adverse impact on the business performance of our Group.

#### **4.3 RISKS RELATING TO THE INVESTMENTS IN OUR SHARES**

##### **4.3.1 There Has Been No Prior Market for Our Shares**

Prior to our Listing, there was no public trading for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained. Our IPO Price was determined after taking into consideration a number of factors including but not limited to our historical earnings, our competitive strengths, our business strategies and prospects as well as our financial and operating history. There can be no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

The price at which our Shares will trade on the ACE Market may be influenced by a number of factors including, amongst others, the depth and liquidity of the market for our Shares, investors' individual perceptions of our Group, market and economic conditions.

##### **4.3.2 There May Be a Potential Delay To or Cancellation of Our Listing**

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

- (i) Our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (ii) The revocation of approvals from the relevant authorities and/or parties for our Listing and/or admission for whatever reason; or
- (iii) We are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25.0% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

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

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the Applications shall be deemed to be withdrawn and cancelled and our Company shall repay all monies paid in respect of the Applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all Applications for our IPO Shares will be refunded free of interest.



#### **4. RISK FACTORS** *(Cont'd)*

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

- (i) the SC issues a stop order pursuant to 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% 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 share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
  - (aa) the sanction of our shareholders by special resolution in a general meeting, 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
  - (bb) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the Directors.

Nonetheless, our Board will endeavour to ensure compliance with the various requirements for our successful Listing.

#### **4.3.3 The Interest of Our Promoters Who Control Our Group May Not be Aligned With the Interest of Our Shareholders**

As disclosed in Section 8.1.1 of this Prospectus, our Promoters will collectively hold in aggregate 47.85% of our enlarged share capital 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 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. We cannot assure you that the interests of our Promoters will be aligned with those of our other shareholders.

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