RSM

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The Board of Directors
Well Chip Group Berhad
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Menara Ansar 65
Jalan Trus
80000 Johor Bahru
Johor

Date:

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 30 June 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 for the 6 months financial period ended 30 June 2023, and a summary of significant accounting policies as set out on pages 4 to 76.

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 30 June 2023, and of its financial performance and cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and for the 6 months financial period ended 30 June 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 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.

Other Matters

The comparative information for the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flow and notes to the combined financial statements for the financial period ended 30 June 2022 has not been audited.

In accordance with paragraph 10.05 of Chapter 10. Part II Division 1: Equity of the Prospectus Guideline as issued by the Securities Commission Malaysia, the significant subsequent event that has come to our attention since 30 June 2023, that would require a material disclosure has been disclosed in Note 31 to the notes to the combined financial statements.

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

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

Wong Cheng Pin
03611/11/2023 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 30 June 2023 and of their financial performance and cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and financial periods then ended 30 June 2023 and 30 June 2022.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

NG HOOI LANG

TANG SOO YEN

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

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	Audited as at 31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant, and equipment	5	5,191	4,971	6,344	7,098
Right-of-use assets	6	1,750	2,818	15,863	17,634
Goodwill	7	425	425	425	425
Total non-current assets		7,366	8,214	22,632	25,157
CURRENT ASSETS					
Inventories	8	24,758	33,226	35,021	34,103
Trade and other receivables	9	255,751	263,346	343,411	372,323
Current tax assets		516	674	430	196
Cash and bank balances	10	14,551	14,369	8,606	12,600
		295,576	311,615	387,468	419,222
Assets classified as held for sale	11	167	14,392	24,468	-
Total current assets		295,743	326,007	411,936	419,222
TOTAL ASSETS		303,109	334,221	434,568	444,379
EQUITY AND LIABILITIES					
EQUITY					
Invested equity	12	27,683	27,683	27,683	27,683
Retained profits		104,327	122,857	144,112	161,286
TOTAL EQUITY		132,010	150,540	171,795	188,969
NON-CURRENT LIABILITIES					
Lease liabilities	6	745	1,543	10,794	12,495
Loans and borrowings	13	1,177	1,126	3,750	3,706
Deferred tax liabilities	14	54	12	74	103
Total non-current liabilities		1,976	2,681	14,618	16,304
CURRENT LIABILITIES					
Lease liabilities	6	1,071	1,340	1,702	1,808
Loans and borrowings	13	85,575	87,958	143,184	158,226
Other payables	15	78,119	90,926	101,921	76,386
Current tax liabilities		4,210	705	1,147	2,686
		168,975	180,929	247,954	239,106
Liabilities directly associated with the assets classified as held for sale	11	148	71	201	-
Total current liabilities		169,123	181,000	248,155	239,106
TOTAL LIABILITIES		171,099	183,681	262,773	255,410
TOTAL EQUITY AND LIABILITIES		303,109	334,221	434,568	444,379

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

		← Audited	FYE 31 December	→	Unaudited	Audited
					FPE 30 June	
		2020	2021	2022	2022	2023
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing operations						
Revenue	16	121,840	101,881	158,125	85,557	103,469
Cost of sales		(58,886)	(49,390)	(95,592)	(53,215)	(67,176)
Gross profit		62,954	52,491	62,533	32,342	36,293
Other income	17	919	1,437	1,274	114	79
Administrative expenses		(17,540)	(21,006)	(26,726)	(10,432)	(12,884)
Finance costs	18	(173)	(176)	(303)	(142)	(176)
Profit before taxation from continuing operations	19	46,160	32,746	36,778	21,882	23,312
Taxation	20	(12,478)	(8,965)	(11,621)	(6,658)	(7,247)
Net profit and total comprehensive income for the financial year/period from continuing operations		33,682	23,781	25,157	15,224	16,065
Discontinued operations						
Net (loss)/profit and total comprehensive (expense)/ income for the financial year/period from discontinued operations	21	(74)	184	1,195	864	1,109
Net profit and total comprehensive income for the financial year/period		33,608	23,965	26,352	16,088	17,174
Earnings per share (RM)						
- Basic and diluted	22	1.41	1.00	1.05	0.64	0.67

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

WELL CHIP GROUP BERHAD
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COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	← Attributable to owners of the Group → 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		27,683	144,112	171,795

	← Attributable to owners of the Group → Invested equity RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2022	27,683	122,857	150,540
Total comprehensive income for the financial period	-	16,088	16,088
Balance as at 30 June 2022 (Unaudited)	27,683	138,945	166,628

	Note	← Attributable to owners of the Group → Invested equity RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2023		27,683	144,112	171,795
Issuance of shares	12	*	-	-
Total comprehensive income for the financial period		-	17,174	17,174
Balance as at 30 June 2023		27,683	161,286	188,969

* 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)
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COMBINED STATEMENTS OF CASH FLOWS

		Audited			Unaudited	Audited
		FYE 31 December			FPE 30 June	
		2020	2021	2022	2022	2023
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(Loss) before taxation from:						
- Continuing operations		46,160	32,746	36,778	21,882	23,312
- Discontinuing operations		(47)	221	1,208	999	1,226
Adjustments for:						
Depreciation of:						
- Property, plant, and equipment	(a)	1,079	1,079	1,320	601	763
- Right-of-use assets	(a)	1,400	1,551	1,689	816	967
Impairment loss on loan receivables	(a)	-	-	1,246	-	-
Interest expenses	(a)	9,977	8,331	10,867	4,742	7,722
Loss/(Gain) on disposal of property, plant and equipment		*	(1)	(1)	(1)	*
Pledged receivables written off		-	-	902	-	13
Property, plant, and equipment written off		-	-	6	-	1
Operating profit before working capital changes		58,569	43,927	54,015	29,039	34,004
Decrease/(Increase) in inventories		3,129	(8,468)	(1,795)	1,968	918
Increase in loan receivables	(a)	-	(14,002)	(11,111)	(4,514)	(4,206)
Increase in trade and other receivables	(a)	(14,958)	(7,595)	(80,972)	(8,460)	(28,924)
Increase/(decrease) in other payables	(a)	629	834	991	(321)	(4,627)
		(11,200)	(29,231)	(92,887)	(11,327)	(36,839)
Cash generated from/(used in) operations		47,369	14,696	(38,872)	17,712	(2,835)
Interest paid		(9,802)	(8,155)	(10,564)	(4,600)	(7,546)
Tax paid	(a)	(11,019)	(12,819)	(11,364)	(4,405)	(5,570)
Tax refunded		-	96	298	298	-
Net cash generated from/(used in) operating activities		26,548	(6,182)	(60,502)	9,005	(15,951)

WELL CHIP GROUP BERHAD
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COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

		← Audited	FYE 31 December	→	Unaudited	Audited
					FPE 30 June	
		2020	2021	2022	2022	2023
	Note	RM'000	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)	(1,011)	(1,521)
Purchase of right-of-use assets	(b)	-	-	(695)	(695)	-
Proceeds from disposal of property, plant and equipment		1	1	32	1	19
Net cash (used in)/generated from investing activities		(1,893)	(892)	(3,372)	(1,705)	978
CASH FLOWS FROM FINANCING ACTIVITIES						
Movement of loans and borrowings	(c)	2,000	2,951	26,007	(5,430)	31,949
Movement of loans from related parties, shareholders, and directors	(c)	(2,377)	11,924	10,030	3,104	5,076
Payment of lease liabilities	(a)	(1,391)	(1,553)	(1,621)	(779)	(931)
Dividends paid		(5,099)	(5,435)	(5,097)	-	-
Interest paid	(a)	(175)	(176)	(303)	(142)	(176)
Proceeds from issuance of shares		-	-	-	-	*
Net cash (used in)/generated from financing activities		(7,042)	7,711	29,016	(3,247)	35,918
NET INCREASE/ (DECREASE) OF CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS		17,613	637	(34,858)	4,053	20,945
NET INCREASE/ (DECREASE) OF CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS		39	(200)	57	177	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		(18,122)	(470)	(33)	(33)	(34,834)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		(470)	(33)	(34,834)	4,197	(13,889)

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COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

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

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
(Operating activities)					
Depreciation of property, plant and equipment					
- Continuing operations	1,069	1,054	1,284	583	746
- Discontinued operations	10	25	36	18	17
	1,079	1,079	1,320	601	763
Depreciation of right-of-use assets					
- Continuing operations	1,378	1,540	1,689	816	967
- Discontinued operations	22	11	-	-	-
	1,400	1,551	1,689	816	967
Impairment loss on loan receivables					
- Continuing operations	-	-	-	-	-
- Discontinued operations	-	-	1,246	-	-
	-	-	1,246	-	-
Interest expenses					
- Continuing operations	9,975	8,331	10,867	4,742	7,722
- Discontinued operations	2	*	-	-	-
	9,977	8,331	10,867	4,742	7,722
Increase in loan receivables					
- Continuing operations	-	-	-	-	-
- Discontinued operations	-	(14,002)	(11,111)	(4,514)	(4,206)
	-	(14,002)	(11,111)	(4,514)	(4,206)
Increase in trade and other receivables					
- Continuing operations	(14,957)	(7,595)	(80,967)	(8,460)	(28,925)
- Discontinued operations	(1)	*	(5)	-	1
	(14,958)	(7,595)	(80,972)	(8,460)	(28,924)
Increase/(Decrease) in other payables					
- Continuing operations	546	883	965	(314)	(4,569)
- Discontinued operations	83	(49)	26	(7)	(58)
	629	834	991	(321)	(4,627)
Tax paid					
- Continuing operations	(11,019)	(12,766)	(11,171)	(4,388)	(5,445)
- Discontinued operations	-	(53)	(193)	(17)	(125)
	(11,019)	(12,819)	(11,364)	(4,405)	(5,570)

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COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

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

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	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)	(1,006)	(1,520)
- Discontinued operations	(85)	(59)	(15)	(5)	(1)
	(1,885)	(893)	(2,709)	(1,011)	(1,521)
(Financing activities)					
Payment of lease liabilities					
- Continuing operations	(1,369)	(1,541)	(1,621)	(779)	(931)
- Discontinued operations	(22)	(12)	-	-	-
	(1,391)	(1,553)	(1,621)	(779)	(931)
Interest paid					
- Continuing operations	(173)	(176)	(303)	(142)	(176)
- Discontinued operations	(2)	*	-	-	-
	(175)	(176)	(303)	(142)	(176)

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

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Additions of right-of-use assets					
Non-cash acquisition	1,143	2,608	11,234	921	2,995
Cash acquisition of leasehold lands and buildings	-	-	3,500	3,500	-
	1,143	2,608	14,734	4,421	2,995
Non-cash changes					
Non-cash acquisition	(1,143)	(2,608)	(11,234)	(921)	(2,995)
Cash changes					
Amount financed by term loans	-	-	(2,805)	(2,805)	-
Cash disbursed to acquire leasehold lands and buildings	-	-	695	695	-

* Amount is less than RM1,000.

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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)
Non-cash changes					
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.

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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

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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

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COMBINED STATEMENT 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 30.6.2022 (Unaudited)					
At beginning of period	2,883	1,182	73,500	85,650	163,215
Inflows from external loans	-	2,805	-	-	2,805
Net inflow and outflow with inter-related parties	-	-	-	3,104	3,104
Outflows of repayments	-	(30)	(5,400)	-	(5,430)
Payment of rental expense	(780)	-	-	-	(780)
Interest paid	(92)	(50)	-	-	(142)
Non-cash changes					
Additions in lease liabilities	921	-	-	-	921
Interest expenses	92	50	-	-	142
At end of period	3,024	3,957	68,100	88,754	163,835

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 30.6.2023					
At beginning of period	12,496	3,894	99,600	95,680	211,670
Inflows from external borrowings	-	-	32,000	-	32,000
Net inflow and outflow with inter-related parties	-	-	-	5,076	5,076
Outflows of repayments	-	(51)	-	-	(51)
Payment of rental expense	(931)	-	-	-	(931)
Interest paid	(95)	(81)	-	-	(176)
<u>Non-cash changes</u>					
Additions in lease liabilities	2,995	-	-	-	2,995
Lease modification	(257)	-	-	-	(257)
Settlement through contra of balances	-	-	-	(26,042)	(26,042)
Interest expenses	95	81	-	-	176
At end of period	14,303	3,843	131,600	74,714	224,460

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 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 financial periods ended ("FPE") 30 June 2023 and 30 June 2022 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) 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
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 FPE(s) 30 June 2023 and 30 June 2022.

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 FPE(s) 30 June 2023 and 30 June 2022 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 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)

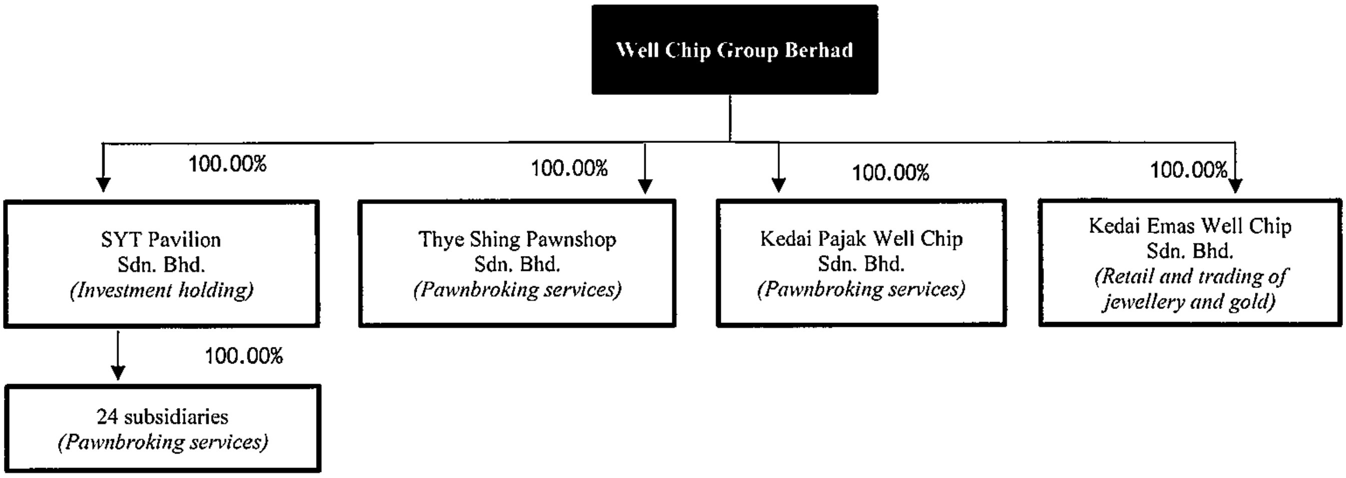
1.4 Proposed Acquisition

Proposed Acquisition under Well Chip Group Berhad

Well Chip Group Berhad shall acquire the entire issued capital of Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd., Kedai Emas Well Chip Sdn. Bhd. and SYT Pavilion Sdn. Bhd. comprising 449,999,999 ordinary shares in aggregate ("Proposed Acquisition").

The aggregate purchase consideration for the Proposed 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 Proposed 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	*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 Proposed Acquisition (continued)

The Group is regarded as a continuing entity resulting from the Proposed Acquisition since the management of all the entities which took major part in the Proposed Acquisition were controlled substantially by the same major shareholders before and immediately after the Proposed Acquisition. Consequently, immediately after the Proposed 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 Proposed Acquisition. The Proposed 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 FPE(s) 30 June 2023 and 30 June 2022 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 Proposed 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.

There is subsequent event on the proposed acquisition which the details has been disclosed in Note 31.

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 period/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%

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 "revenue".

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, cash at bank and fixed deposits placed with licensed banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and 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

<u>Trade receivables – Pawnbroking segment</u>

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).

<u>Trade receivables – Retail and trading of jewellery and gold segment</u>

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 pawn broking 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, 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. 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 and the Company's 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*
- Amendments to MFRS 101 *Presentation of Financial Statements – Non-current Liabilities with Covenants*

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.

3. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

3.3 MFRSs and Amendments to MFRSs not applicable

- MFRS 17 *Insurance Contracts,* Amendments to MFRS 17 *Insurance Contracts*, and Amendment to MFRS 17 *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 Financial Instruments – Comparative Information* are not expected to be applicable to 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, 30 June 2023 and 30 June 2022.

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	Buildings 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	Buildings 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	Buildings 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	Buildings 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	-	-	219	297	279	725	-	1,520
Disposals	-	-	(29)	-	-	-	-	(29)
Written off	-	-	(70)	-	(3)	-	-	(73)
As at 30.6.2023	486	1,134	1,291	4,069	2,302	7,894	100	17,276
Accumulated depreciation								
As at 1.1.2023	-	146	772	2,632	1,193	4,771	-	9,514
Depreciation for the period	-	11	106	173	124	332	-	746
Disposals	-	-	(10)	-	-	-	-	(10)
Written off	-	-	(70)	-	(2)	-	-	(72)
As at 30.6.2023	-	157	798	2,805	1,315	5,103	-	10,178
Net carrying amount								
As at 1.1.2023	486	988	399	1,140	833	2,398	100	6,344
As at 30.6.2023	486	977	493	1,264	987	2,791	100	7,098

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 period	-	-	2,995	2,995
Depreciation for the period	(12)	(16)	(939)	(967)
Lease modification	-	-	(257)	(257)
As at 30.6.2023	1,918	1,508	14,208	17,634

The leasehold lands and leasehold buildings ("two shop-lots") acquired during 2022 are for pawnbroking activities and have remaining lease period of 72 years and 86 years respectively. The two shop-lots acquired during 2022 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 RM2,995,028 (31.12.2022: RM14,734,105; 31.12.2021: RM2,607,822 and 31.12.2020: RM1,143,243) of which RM2,995,028 (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 period.

(b) Lease liabilities

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
Lease liabilities				
- Non-current	745	1,543	10,794	12,495
- Current	1,071	1,340	1,702	1,808
Total lease liabilities	1,816	2,883	12,496	14,303

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	30.6.2023 RM'000
Balance at beginning of the financial year/period, 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/period	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	30.6.2023 RM'000
At cost				
Gold and jewelleries	24,758	33,226	35,021	34,103

The cost of inventories of the Group recognised as an expense in cost of sales during the financial period was RM59,630,528 (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	30.6.2023 RM'000
Trade				
Pledged receivables	241,669	249,366	325,893	354,632
Trade receivables	-	3	-	-
Accrued interest	11,975	10,478	14,268	14,430
	253,644	259,847	340,161	369,062
Non-trade				
Other receivables	114	134	167	195
Amount due from related parties	691	1,267	1,131	33
Deposits	476	1,216	596	834
Prepayments	826	882	1,356	2,199
	2,107	3,499	3,250	3,261
Total trade and other receivables	255,751	263,346	343,411	372,323
Trade and other receivables (excluding prepayments)	254,925	262,464	342,055	370,124
Add: Cash and bank balances (Note 10)	14,551	14,369	8,606	12,600
Total financial assets at amortised cost	269,476	276,833	350,661	382,724

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 period, the pledged receivables written off against profit or loss amounted to RM12,900 (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	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000
Cash in hand	3,794	5,081	5,321	6,772
Bank balances	10,757	9,288	3,285	5,828
Total cash and bank balances	14,551	14,369	8,606	12,600
Less: Bank overdrafts (Note 13)	(15,021)	(14,402)	(43,440)	(26,489)
Total cash and cash equivalents	(470)	(33)	(34,834)	(13,889)

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, 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	30.6.2023
	Number of shares ('000)			
At 1 January	23,898	23,898	23,898	23,898
Incorporation of Well Chip Group Berhad	-	-	-	*
At 31 December/30 June	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	30.6.2023 RM'000
At 1 January	27,683	27,683	27,683	27,683
Incorporation of Well Chip Group Berhad	-	-	-	*
At 31 December/30 June	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 30 June 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	30.6.2023 RM'000
Non-current				
Term loans (secured)	1,177	1,126	3,750	3,706
Current				
Term loans (secured)	54	56	144	137
Bank overdrafts (secured)	15,021	14,402	43,440	26,489
Revolving credits (secured)	70,500	73,500	99,600	131,600
	85,575	87,958	143,184	158,226
Total loans and borrowings				
Term loans (secured)	1,231	1,182	3,894	3,843
Bank overdrafts (secured)	15,021	14,402	43,440	26,489
Revolving credits (secured)	70,500	73,500	99,600	131,600
	86,752	89,084	146,934	161,932

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.

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 loans obtained from licensed banks are secured by way of:

(a) legal charges over the freehold property of the Group as disclosed in Note 6(a) to the financial statements; and

(b) joint and several guarantees issued by certain directors of the Group.

(c) Corporate guarantees by SYT Pavilion Sdn. Bhd. and Valuemax Group Limited (related parties).

The term loans bear effective interest rates ranging from 4.12% to 4.27% (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 (related party) and Yeah Holdings Pte Ltd (related party)

The bank overdraft facilities are repayable on demand and bear effective interest rate of 6.51% to 7.10% (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 5.04% 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	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000
Balance as at beginning of financial year/period	49	54	12	74
Recognised in/(from) profit or loss from continuing operations	5	(42)	62	29
Balance as at end of financial year/period	54	12	74	103
Presented after appropriate offsetting as follows:				
- Deferred tax assets	-	-	-	-
- Deferred tax liabilities	54	12	74	103
	54	12	74	103

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	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000
Excess of net book value over tax written down value of property, plant and equipment	54	12	74	103

15. OTHER PAYABLES

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000
Non-trade				
Loan from related parties	45,671	54,916	63,943	42,033
Loan from directors	11,931	12,983	13,127	13,509
Loan from shareholders	16,124	17,751	18,610	19,172
Amount due to related parties	2,315	2,777	3,250	37
Other payables	13	58	47	86
Accruals	2,065	2,441	2,944	1,549
Total other payables	78,119	90,926	101,921	76,386
Other payables	78,119	90,926	101,921	76,386
Add: Lease liabilities (Note 6)	1,816	2,883	12,496	14,303
Loans and borrowings (Note 13)	86,752	89,084	146,934	161,932
Total financial liabilities carried at amortised cost	166,687	182,893	261,351	252,621

The loans from related parties, directors and shareholders are unsecured and repayable on demand. The interest charged at the interest rates 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			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Pawnbroking</u>					
Pawnbroking administrative fees	192	187	232	110	130
Interest income on pawnbroking	51,848	51,618	59,266	28,740	34,610
	52,040	51,805	59,498	28,850	34,740
<u>Sales of jewellery and gold</u>					
Sales of scrap gold	59,760	38,998	75,914	44,140	57,878
Retail sales of jewelleries and gold	10,040	11,078	22,713	12,567	10,851
	69,800	50,076	98,627	56,707	68,729
Total revenue	121,840	101,881	158,125	85,557	103,469

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	Audited FYE 31 December 2021 RM'000	Audited FYE 31 December 2022 RM'000	Unaudited FPE 30 June 2022 RM'000	Audited FPE 30 June 2023 RM'000
Management fee	473	1,151	1,103	-	-
Government grants received - wages subsidy program	367	196	37	37	-
Gain on disposal of property, plant and equipment	-	1	1	1	-
Service income	59	81	121	65	74
Rental income	-	-	5	5	3
Miscellaneous income	20	8	7	6	2
	919	1,437	1,274	114	79

18. FINANCE COSTS

	Audited FYE 31 December 2020 RM'000	Audited FYE 31 December 2021 RM'000	Audited FYE 31 December 2022 RM'000	Unaudited FPE 30 June 2022 RM'000	Audited FPE 30 June 2023 RM'000
Interest expense on:					
- Term loans	45	39	126	50	81
- Bank overdrafts	717	298	1,235	259	1,089
- Revolving credits	3,228	2,795	3,563	1,525	3,170
- Loans from shareholders, directors, and related companies	5,857	5,062	5,766	2,816	3,287
- Lease liabilities	128	137	177	92	95
	9,975	8,331	10,867	4,742	7,722
Included in the statement of comprehensive income from continuing operations:					
- Cost of sales	9,802	8,155	10,564	4,600	7,546
- Finance costs	173	176	303	142	176
	9,975	8,331	10,867	4,742	7,722

19. PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

Profit before taxation from continuing operations is arrived after charging/(crediting):

	Audited FYE 31 December			Unaudited FPE 30 June	Audited FPE 30 June
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration	86	108	142	56	71
Directors' fee (Note 23)	60	68	76	-	-
Depreciation of					
- property, plant and equipment	1,069	1,054	1,284	583	746
- right-of-use assets	1,378	1,540	1,689	816	967
Employee benefits expenses (Note 23)	9,367	11,275	12,722	5,446	5,880
Pledged receivables written off	-	-	902	-	13
Property, plant and equipment written off	-	-	6	-	1
Loss/(Gain) on disposal of property, plant and equipment	*	(1)	(1)	(1)	*
(Gain)/Loss on foreign exchange					
- realised	(55)	14	97	-	1,323
- unrealised	162	333	2,195	850	806

* Amount is less than RM1,000.

20. TAXATION

	Audited FYE 31 December			Unaudited FPE 30 June	Audited FPE 30 June
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Current financial year/period					
- income tax expense	12,285	9,039	11,304	6,658	7,453
- deferred taxation	11	10	99	-	31
Under/(Over) provision in previous financial years/periods					
- income tax expense	188	(32)	255	-	(235)
- deferred taxation	(6)	(52)	(37)	-	(2)
	12,478	8,965	11,621	6,658	7,247

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			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation from continuing operations	46,160	32,746	36,778	21,882	23,312
Taxation at statutory tax rate of 24%	11,078	7,859	8,827	5,252	5,595
Tax effects in respect of:					
Non-allowable expenses	1,233	1,253	2,701	1,415	1,829
Non-taxable income	-	(138)	(179)	(9)	-
Deferred tax asset not recognised on temporary differences	-	75	54	-	60
Utilisation of unrecognised deferred tax assets	(15)	-	-	-	*
Under/(Over) provision in previous years/periods					
- income tax	188	(32)	255	-	(235)
- deferred tax	(6)	(52)	(37)	-	(2)
Total tax expense	12,478	8,965	11,621	6,658	7,247

* 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 period for which no deferred tax assets are recognised are as follows:

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Unabsorbed capital allowances	49	31	99	31	112
Unutilised tax losses	63	-	74	-	118
Unutilised deductible temporary differences	(1)	24	(75)	24	(72)
	111	55	98	55	158

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			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Unabsorbed capital allowances	204	130	412	130	466
Unutilised tax losses	263	-	308	-	493

The unabsorbed capital allowances do not expire under current tax legislation.

Unutilised business losses for which no deferred tax assets were recognised expire as follows: -

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
YA 2028	263	-	-	-	-
YA 2029	-	-	-	-	-
YA 2030	-	-	-	-	-
YA 2031	-	-	-	-	-
YA 2032	-	-	308	-	308
YA 2033	-	-	-	-	185
	263	-	308	-	493

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 Statement of Profit or Loss as "Profit from discontinued operations, net of tax". Profit attributable to the discontinued operations was as follows:

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020 RM'000	2021 RM'000	2022 RM'000	2022 RM'000	2023 RM'000
Results of discontinued operations					
Revenue	-	320	2,839	1,174	1,463
Other income	-	243	153	49	-
Administrative expenses	(45)	(342)	(1,784)	(224)	(237)
Finance costs	(2)	*	-	-	-
Results from operating activities	(47)	221	1,208	999	1,226
Taxation	(27)	(37)	(13)	(135)	-
Results from operating activities, net of tax	(74)	184	1,195	864	1,226
Loss on sale of discontinued operations	-	-	-	-	(117)
(Loss)/Profit for the year/ period	(74)	184	1,195	864	1,109

21. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

Analysis of the cash flows of the discontinued operations for the FYE(s) 31 December 2020, 31 December 2021, 31 December 2022 and FPE(s) 30 June 2023 and 30 June 2022 are as follows:

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	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)	(4,009)	(3,895)
- investing activities	(85)	(59)	(15)	(5)	(1)
- financing activities	(22)	14,215	9,955	3,837	3,924
Effects of cash flows	(39)	200	(57)	(177)	28

The effects of disposal of Swift Paragon to the financial position of the Group as at 30 June 2023:

	30.6.2023 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

	30.6.2023 RM'000
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/period attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year/period.

Diluted earnings per ordinary share are based on the profit for the financial year/period attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year/period 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 and diluted earnings per ordinary share are computed as follows:

	← Audited		→	Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Group	33,682	23,781	25,157	15,224	16,065
Weighted average number of ordinary shares for basic and diluted earnings per share	23,898	23,898	23,898	23,898	23,898
Basic and diluted earnings per ordinary share	1.41	1.00	1.05	0.64	0.67

23. EMPLOYEE BENEFITS EXPENSES

	← Audited		→	Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonus	8,296	9,933	11,191	4,778	5,177
EPF contributions	973	1,221	1,386	600	625
SOCSO contributions	98	121	145	68	78
	9,367	11,275	12,722	5,446	5,880
Directors' remuneration					
- Directors' fee	60	68	76	-	-

24. DIVIDENDS

	Dividend per share Audited RM	Amount of dividend Audited 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

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	30.6.2023 RM'000
Leasehold land and building				
Authorised and contracted for	-	3,275	-	1,332

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.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

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		→	Unaudited	Audited
		FYE 31 December		FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	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	892	514
- Corporate guarantee fees	941	1,016	1,062	-	-
- Loan interest charged	3,672	3,118	3,636	1,754	2,159
- Rental income	(18)	(19)	(22)	(11)	(11)
- Rental expense	174	191	193	97	97
Shareholders					
- Loan interest charged	1,222	1,098	1,230	614	666
- Rental expense	-	-	-	-	27
- Retail sales of jewellery and gold	(195)	(301)	(185)	(144)	(31)
Directors					
- Loan interest charged	963	846	900	448	462
- Rental expense	44	44	61	22	68
- Retail sales of jewellery and gold	(8)	(103)	(3)	(2)	(3)

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)
Income tax expense				(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)
Income tax expense				(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)
Income tax expense				(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
30 June 2022 (Unaudited)				
Revenue:				
Revenue from external customers	28,850	56,707	-	85,557
Inter-segment revenue	42,454	-	(42,454)	-
Segment profit from continuing operations	24,250	8,092	-	32,342
Other income				114
Administrative expenses				(10,432)
Finance costs				(142)
Income tax expense				(6,658)
Profit for the financial period from continuing operations				15,224
Results				
Included in the measure of segment profits from continuing operations are:				
Employee benefit expenses				5,446
Depreciation				
- Property, plant and equipment				583
- Right-of-use assets				816

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
30 June 2023				
Revenue:				
Revenue from external customers	34,740	68,729	-	103,469
Inter-segment revenue	53,984	-	(53,984)	-
Segment profit from continuing operations	27,195	9,098	-	36,293
Other income				79
Administrative expenses				(12,884)
Finance costs				(176)
Income tax expense				(7,247)
Profit for the financial period from continuing operations				16,065
Results				
Included in the measure of segment profits from continuing operations are:				
Employee benefit expenses				5,880
Depreciation				
- Property, plant and equipment				746
- Right-of-use assets				967

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/period.

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 period of review was negligible.

Revenue from major scrap gold customers for the period under review are as follows:

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Customers					
- Customer A	16,192	17,658	40,670	28,112	26,829
- Customer B	12,897	10,797	25,695	3,652	13,592
- Customer C	3,388	6,217	9,548	26,114	7,087
- 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 except as disclosed in Note 9. 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	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	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 **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	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)

30.6.2023 **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
<u>Audited</u>						
Lease liabilities	14,303	6.00 - 6.50	15,716	1,962	5,214	8,540
Term loans	3,843	4.12 - 4.27	5,681	300	1,199	4,182
Bank overdrafts	26,489	6.51 - 7.10	26,489	26,489	-	-
Revolving credits	131,600	5.04 - 6.23	131,600	131,600	-	-
Loan from related parties	42,033	6.00 - 7.00	42,033	42,033	-	-
Loan from directors	13,509	7.00	13,509	13,509	-	-
Loan from shareholders	19,172	7.00	19,172	19,172	-	-
Amount due to related parties	37	-	37	37	-	-
Other payables	1,635	-	1,635	1,635	-	-
	252,621		255,872	236,737	6,413	12,722

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 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
Group				
Fixed rate instruments				
Lease liabilities	1,816	2,883	12,496	14,303
Loan from:				
- related parties	45,671	54,916	63,943	42,033
- directors	11,931	12,983	13,127	13,509
- shareholders	16,124	17,751	18,610	19,172
	75,542	88,533	108,176	89,017
Floating rate instruments				
Loans and borrowings	86,752	89,084	146,934	161,932

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 RM1,230,682 (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	30.6.2023 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)	(17,435)
Amount due to related parties	(2,061)	(2,523)	(2,603)	(3)
	(27,016)	(35,248)	(42,774)	(17,438)
Net foreign currency balance exposure	26,543	34,097	41,671	17,438

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 RM132,529 (31.12.2022: RM316,705; 31.12.2021: RM259,134; 31.12.2020: RM201,722). 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/period.

	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 30.6.2023					
Financial liability					
Loans and borrowings	3,706	-	-	3,014	3,014

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 FPE 30 June 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 30 June 2023 are as follows:

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000
Loans and borrowings (Note 13)	86,752	89,084	146,934	161,932
Loan from related parties, directors and shareholders	73,726	85,650	95,680	74,714
	160,478	174,734	242,614	236,646
Total equity	132,010	150,540	171,795	188,969
Gearing ratio (times)	1.22	1.16	1.41	1.25

There were no changes in the Group's approach to capital management during the financial years/period under review.

31. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

i. In conjunction with the proposed acquisition under Well Chip Group Berhad disclosed in Note 1.4, the Company has entered into a conditional share sale agreement on 9 November 2023 with the shareholders of SYT Pavilion Sdn. Bhd., Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd. and Kedai Emas Well Chip Sdn. Bhd. ("collectively, the Vendors") to acquire the entire issued share capital of SYT Pavilion Sdn. Bhd., Thye Shing Pawnshop Sdn. Bhd., Kedai Pajak Well Chip Sdn. Bhd., and Kedai Emas Well Chip Sdn. Bhd. (collectively, the "Target companies") at a total purchase consideration of approximately RM171.65 million ("Purchase Consideration"). The Proposed Acquisition shall be completed before the Proposed Listing.

   The Purchase Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the Net Asset of the Target Companies as at 31 December 2022 of approximately RM171.65 million.

ii. The Group has declared interim single-tier dividend (relate to financial year ended 31 December 2023) of RM0.36 per share on 13,546,416 number of shares, which total amount of RM4,848,154 on 4 September 2023, and paid on 14 September 2023.