

**8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**
**(c) Chong Chee Fire**

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
1.	Chong Soh Holdings Sdn Bhd	Malaysia	Director/ Shareholder	Investment holding company in properties	15.11.1983	-	15.56	-
2.	Corporate Focus Advisory Sdn Bhd	Malaysia	Director/ Shareholder	(i) Financial planning, advisers, consultants and provide an integrated financial advisory services, (ii) Investments planning and unit trusts, risk management, insurance planning, tax planning, research and on such terms as may be expedient  As at the LPD, the company has been dissolved	20.1.2004	-	50.00	<sup>(1)</sup> 50.00
3.	HDM Johor Bahru Nominees (Asing) Sdn Bhd	Malaysia	Director	Act as agent for the investment of money and for sale.  As at the LPD, the company has been dissolved	15.01.2000	-	-	-
4.	HDM Johor Bahru Nominees (Tempatan) Sdn Bhd	Malaysia	Director	To act as agents for the investment of money and for the sale  As at the LPD, the company has been dissolved	15.01.2000	-	-	-
5.	Harrisons Holdings (Malaysia) Bhd	Malaysia	Independent Non-Executive Director	Investment holding. The company, through its subsidiaries, markets, sells, warehouses, and distributes building materials, industrial and agricultural chemical products, and liquor products.	05.03.2002	-	-	-
6.	Harrisons Corporate Services Sdn Bhd <sup>(2)</sup>	Malaysia	Director	Providing management, financial, marketing and related services	26.12.2013	-	-	-
7.	Chiong Brothers Credit & Leasing Sdn Bhd	Malaysia	Shareholder	Financial leasing activities, Sale of other motor vehicles N.E.C., Activities auxiliary to finance N.E.C.	-	-	14.00	-
8.	Chiong Brothers Insurance Agencies Sdn Bhd	Malaysia	Shareholder	Insurance agents, insurance brokers and sale by commission agents	-	-	12.50	-
9.	Chiong Brothers Motor Works Sdn Bhd	Malaysia	Shareholder	Carry on business of automobile workshop	-	-	15.74	-

**8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
10.	Kumpulan Pasti Management (M) Sdn Bhd	Malaysia	Shareholder	To provide accountancy, taxation, secretarial and management services to companies and individuals	-	-	28.00	-
11.	CF Associates PLT	Malaysia	Partner	Accounting, business and financial advisory and consultancy	02.01.2004	-	99.00	-

## Notes:

- (1) Deemed interested by virtue of family members' shareholdings in Corporate Focus Advisory Sdn Bhd
- (2) Subsidiaries of Harrisons Holdings (Malaysia) Bhd.

**(d) Dato' Magaret Ting Thien Hung**

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
1.	Messrs Ting & Ting	Malaysia	Managing Partner	Legal firm	06.10.2006	-	80.00	-
2.	Binatech Pave Sdn Bhd	Malaysia	Director/ Shareholder	Property investment holding	01.07.2014	-	40.00	<sup>(1)</sup> 40.00
3.	Income Path Sdn Bhd	Malaysia	Director/ Shareholder	Investment holding company in shares	28.02.2018	-	20.00	-
4.	Pancaran Sebelas Sdn Bhd	Malaysia	Director/ Shareholder	Agricultural activities for crops production on a fee or contract basis Processing and preserving of poultry and poultry products Real estate activities with own or leased property N.E.C.	15.08.2018	-	100.00	-
5.	Phytosnest Sdn Bhd	Malaysia	Director/ Shareholder	Agricultural activities for crops production on a fee or contract basis Manufacture of other basic chemicals N.E.C. Growing of plants used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes	01.04.2019	26.4.2021	-	-
6.	Sycal Ventures Berhad	Malaysia	Independent Non-Executive Director	Investment holding of companies involved in property development, contractor and operator of plant and machinery as well as manufacturing and trading of ready mix concrete	26.09.2018	-	-	-
7.	Orgabio Holdings Berhad	Malaysia	Independent Non-Executive Director	Activities of holding companies involved in the manufacturing business of OEM/ODM of premix coffee	15.03.2021	-	-	-

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
8.	Global Waves Timber Sdn Bhd	Malaysia	Director	Export and Import of Lumber and Timber Export and Import of cutlery, hand tools and General Hardware Buying, selling, renting and operating of self-owned or leased real estate – Residential Buildings As at the LPD, the company has been dissolved	15.06.2016	-	-	-
9.	Hijauan Muda Sdn Bhd	Malaysia	Director	Real Estate activities with own or leased property N.E.C. Agricultural activities for crops production on a fee or contract basis Processing and preserving of poultry and poultry products	05.10.2018	25.10.2018	-	-
10.	Amber Dynasty Sdn Bhd	Malaysia	Director	Investment holdings in properties	24.07.2019	22.06.2021	-	-
11.	Nation Fleet Sdn Bhd	Malaysia	Shareholder	Wholesale of a variety of goods without any particular specialisation N.E.C.	-	-	22.00	<sup>(2)</sup> 78.00
12.	Ria Education Group Sdn Bhd	Malaysia	Shareholder	Pre-primary Education (Private)/ Kindergarten	-	-	20.00	<sup>(3)</sup> 80.00

## Notes:

- (1) Deemed interested by virtue of family members' shareholding in Binatech Pave Sdn Bhd.  
(2) Deemed interested by virtue of family members' shareholdings in Nationfleet Sdn Bhd.  
(3) Deemed interested by virtue of family members' shareholdings in Ria Education Group Sdn Bhd.

## (e) Koo Woon Kan

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
1.	Rightway Management Sdn Bhd	Malaysia	Director/ Shareholder	Accounting, bookkeeping, accounting services	04.10.2016	-	90.00	#10.00
2.	Eco Circle Sdn Bhd	Malaysia	Director/ Shareholder	Trading of clothing, custom tailoring and handicraft items Property investment Management, bookkeeping and accounting services	16.05.2011	-	100.00	-
3.	Dua Signature Berhad	Sentral Facility Malaysia	Shareholder	Buying, selling, renting and operating of self-owned or leased real estate – Residential buildings and other service activities N.E.C.	-	-	0.48	-

## Note:

- # Deemed interested by virtue of family members' shareholdings in Rightway Management Sdn Bhd.

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### (f) Cheong Woon Yaw

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
1.	PTM Sdn Bhd	Malaysia	Director	Investment holding company in shares	16.05.2016	29.09.2020	-	-
2.	J. Walter Thompson Sdn Bhd <sup>(1)</sup>	Malaysia	Director	Advertising agency services	16.05.2016	29.09.2020	-	-
3.	Contract Communications Sdn Bhd <sup>(1)</sup>	Malaysia	Director	Advertising agency services	16.05.2016	29.09.2020	-	-
4.	Agenda Solution Sdn Bhd	Malaysia	Director	Consultants, advisors and managers in relation to the purchase, installation and application of computers, computer software and related products	01.06.2019	30.06.2020	-	-

Note:

(1) Subsidiaries of PTM Sdn Bhd.

The involvement of our Directors in other principal business activities outside of our Group as mentioned above and our Directors' involvement as non-executive director of those companies will not affect their ability to perform their respective commitments and responsibilities as well as their contribution to our Group.

### 8.2.4 Directors' Remuneration and Material Benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered to our Group for the FYE 31 December 2020 and FYE 31 December 2021 are as follows:

#### (a) FYE 31 December 2020

	Salaries	Fees	Bonus	#Other Emoluments	Allowance	Benefits -in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Executive Directors</u></b>							
Lim Boon Hua	30	-	-	5	3	-	38
Law Book Ching	-	-	-	-	-	-	-
<b><u>Non-Executive Directors</u></b>							
Chong Chee Fire	-	-	-	-	-	-	-
Dato' Magaret Ting Thien Hung	-	-	-	-	-	-	-
Koo Woon Kan	-	-	-	-	-	-	-
Cheong Woon Yaw	-	-	-	-	-	-	-

Note:

# These comprise contribution to Employees Provident Fund and Social Security Organisation.

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### (b) Proposed for FYE 31 December 2021

	Salaries	Fees	Bonus	#Other Emoluments	Allowance	Benefits -in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Executive Directors</b>							
Lim Boon Hua	118	120	-	15	-	-	253
Law Book Ching	60	40	-	8	-	-	108
<b>Non-Executive Directors</b>							
Chong Chee Fire	-	32	-	-	-	-	32
Dato' Magaret Ting Thien Hung	-	24	-	-	-	-	24
Koo Woon Kan	-	24	-	-	-	-	24
Cheong Woon Yaw	-	-	-	-	-	-	-

Note:

# These comprise of contributions to the Employees Provident Fund and Social Security Organisation.

### 8.2.5 Board Practice

#### 8.2.5.1 Directors' Term of Office

The date of expiry of the current term of office for each of our Directors and the period that each of them has served in that office is as follows:

Directors	Designation	Date of Appointment	Date of Expiration of the Current Term of Office	No. of Years in Office Up to the LPD
Chong Chee Fire	Independent Non-Executive Chairman	03.05.2021	-	-
Lim Boon Hua	Managing Director/Chief Executive Officer	22.12.2020	-	7
Law Book Ching	Executive Director	22.12.2020	-	5
Dato' Magaret Ting Thien Hung	Independent Non-Executive Director	03.05.2021	-	-
Koo Woon Kan	Independent Non-Executive Director	03.05.2021	-	-
Cheong Woon Yaw	Independent Non-Executive Director	27.12.2021	-	-

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Pursuant to Clause 97.1 of our Constitution, at the first annual general meeting of the Company, all the Directors shall retire from office and at the annual general meeting in every subsequent year, one-third (1/3) of the other Directors for the time being who are subject to retirement by rotation or if their number is not 3 or a multiple of 3, then the number nearest to one-third (1/3), shall retire from office provided always that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. The retiring Director shall retain office until the close of meeting at which he retires. An election of Director shall take place each year.

Pursuant to Clause 106 of our Constitution, the Board, shall have power at any time, and from time to time, to appoint any person to be Director, the Board may appoint any person who is willing to act to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but the total number of Directors shall not at any time exceed the maximum number fixed in accordance with our Constitution. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

### 8.2.5.2 Audit Committee

The Audit Committee was constituted on 24 June 2021 by our Board with the function of assisting our Board in fulfilling its oversight responsibilities. The current members are:

Name	Designation	Directorship
Koo Woon Kan	Chairman	Independent Non-Executive Director
Dato' Magaret Ting Thien Hung	Member	Independent Non-Executive Director
Cheong Woon Yaw	Member	Independent Non-Executive Director

Our Audit Committee assists our Board in its oversight responsibilities with regard to our financial reporting process, internal controls, risk management and governance.

The key duties and responsibilities of our Audit Committee are as follows:

- (i) recommend the external auditors for appointment, to consider the adequacy of experience, resources, audit fee and any issue regarding appointment or re-appointment of external auditors;
- (ii) review and discuss with the external auditors, audit plan, its scope and nature before the audit commences and report the same to our Board;
- (iii) review internal audit findings and the management's responses or action plans, including the status of the previous audit recommendations;
- (iv) review with the external auditors, their audit report and evaluation of accounting policies and systems of internal controls and risk management and report the same to our Board;
- (v) assess the suitability and independence of external auditors, including to obtain confirmation from external auditors that they are and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;
- (vi) review quarterly reports on consolidated financial results and annual financial statements prior to reporting to our Board;

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

- (vii) review and report to our Board on the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- (viii) review and report to our Board on the internal audit plan and the results of the internal audit process and, where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
- (ix) ensure the internal audit function is independent of the work it audits and to require the head of internal audits to report directly to the Audit Committee;
- (x) review the adequacy and effectiveness of risk management and internal control systems deployed by our key management to address those risks and recommend corrective measures undertaken to remedy failures and/or weaknesses;
- (xi) review any related party transactions, including recurrent related party transactions and conflict of interest situations that may arise within our Group, including any transaction, procedure or course of conduct that raises questions of management integrity and report the same to our Board; and
- (xii) consider and examine such other matters as defined by our Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time.

The Audit Committee may seek advice from independent parties and other professionals in discharging their duties.

### 8.2.5.3 Remuneration and Nomination Committee

Our Remuneration Committee was constituted by our Board on 24 June 2021. The current members are:

Name	Designation	Directorship
Dato' Magaret Ting Thien Hung	Chairman	Independent Non-Executive Director
Koo Woon Kan	Member	Independent Non-Executive Director
Cheong Woon Yaw	Member	Independent Non-Executive Director

Our Nomination Committee was constituted by our Board on 24 June 2021. The current members are:

Name	Designation	Directorship
Dato' Magaret Ting Thien Hung	Chairman	Independent Non-Executive Director
Koo Woon Kan	Member	Independent Non-Executive Director
Cheong Woon Yaw	Member	Independent Non-Executive Director

The role of our Remuneration and Nomination Committee is to assist our Board in undertaking reviews of the remuneration for our Directors and our Group's senior management personnel in the interest of attracting, retaining and motivating them.

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

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The key functions of our Remuneration and Nomination are as follows:

- (i) to function independently of management and strives for good corporate governance by ensuring that the process is carried out in an objective, transparent, thorough and fair manner.
- (ii) to assist the Board to establish a formal and transparent procedure on the appointment and assessment of Directors and the Board Committees.
- (iii) to review the character, experience, integrity, commitment, competency, qualifications and track record of any proposed new nominees for the appointment to the Board.
- (iv) to review the mix and balance of skills, knowledge and experience in composition of the Board between Executive, Non-Executive and Independent Directors by identifying skills needed and those individuals whom might best to provide them.
- (v) to facilitate appropriateness, transparency and accountability to shareholders on the issue of Directors' remuneration, thus preventing payout of substantial remuneration packages without regard to the performance of the individual and the Company/ Group.
- (vi) to set the policy framework and for making recommendations for approval by the Board with respect to matters relating to the remuneration of Directors and senior management. The level of remuneration of which should reflect the Directors' and senior management's merit, qualification and competencies and comparable with market statistics.

The key duties and responsibilities of our Remuneration and Nomination Committee are amongst others, the following:

- (a) to identify and nominate for the approval of the Board, candidates to fill board vacancies as and when they arise.
- (b) to review the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.
- (c) to establish a mechanism for formal assessment of:
  - the Board's effectiveness as a whole;
  - the contribution by each Director to the effectiveness of the Board; and
  - the contribution of the Board's various committees.

Hence, recommend to the Board specific adjustments in the remuneration and/or reward payments, if any, reflecting their contributions for the year.

- (d) to oversee the appointment, management succession planning and performance evaluation of the Directors and recommending to the Board their removal if they are ineffective, errant and negligent in discharging their responsibilities.
- (e) to ensure that all Directors undergo appropriate induction programs and receive continuous training.
- (f) to make recommendations to the Board on the necessary changes based on the reviews and assessments to the adequacy and relevance of the key duties and responsibilities of the Board and senior management personnel annually as well as policies governing remuneration and promotion of key management of our Group from time to time.



## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

### 8.2.5.4 Risk Management Committee

Our Risk Management Committee was constituted by our Board on 24 June 2021. The current members are:

Name	Designation	Directorship
Koo Woon Kan	Chairman	Independent Non-Executive Director
Dato' Magaret Ting Thien Hung	Member	Independent Non-Executive Director
Cheong Woon Yaw	Member	Independent Non-Executive Director

Our Risk Management Committee assists our Board in fulfilling its oversight responsibilities with regard to the risk appetite of our Group as well as the risk management and compliance framework and the governance structure that supports it.

The key duties and responsibilities of our Risk Management Committee are as follows:

- (i) review and recommend risk management framework, strategies, policies and risk tolerance/ appetite for the Audit Committee for recommendation to the Board for approval;
- (ii) review the adequacy of our Group's risk management framework and assess the resources and knowledge of our key management and employees involved in the risk management process;
- (iii) ensure adequate infrastructure, resources and systems are in place for an effective risk management framework;
- (iv) review and further monitor principal risks that may affect our Group directly or indirectly that, if deemed necessary, recommend additional course of action to mitigate such risks;
- (v) communicate and monitor our risk assessment results to our Board;
- (vi) review the risk management reports on risk exposure, risk portfolio composition and activities;
- (vii) discuss the problems and reservations arising from their reviews and any matter the external auditors and internal auditors may wish to discuss; and
- (viii) monitor key business risks to safeguard shareholders' investments and our Group's assets.

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## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

### 8.3 KEY MANAGEMENT

#### 8.3.1 Key Management's Shareholdings in Our Company

The following table sets out the direct and indirect shareholdings of each of our key management before and after our IPO, assuming full subscription of Pink Form Shares reserved for our eligible employees:

Name	Designation	<sup>(a)</sup> No. of Shares Held Before the IPO				<sup>(b)</sup> No. of Shares Held After the IPO			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Lim Chee Hsiung	Chief Operating Officer	1,365,884	0.27	-	-	1,365,884	0.20	-	-
Wong Koon Wai	Chief Financial Officer	-	-	-	-	<sup>(c)</sup> 1,600,000	0.24	-	-

Notes:

(a) Based on the issued share capital of 501,000,000 Shares before the Public Issue.

(b) Based on the enlarged issued share capital of 668,000,000 Shares after the Public Issue.

(c) Includes his entitlement for the Pink Form Shares and based on the enlarged issued share capital of 668,000,000 Shares after the Public Issue.

#### 8.3.2 Profiles of Key Management

Save for the profile of Lim Boon Hua, our Chief Executive Officer, as disclosed in Section 8.1.2 of this Prospectus, the profiles of our other key management are as follows:

##### (i) Lim Chee Hsiung

Lim Chee Hsiung, a Malaysian aged 44, is our Chief Operating Officer and has been with our Group since September 2020. He obtained his Bachelor of Economics from Universiti Kebangsaan Malaysia in April 2002.

He began his career as a Sales and Audit Executive with Pan-West (Malaysia) Sdn Bhd in June 2002 primarily responsible for managing sales and conducting audits on golf equipment and related merchandise. After leaving Pan-West (Malaysia) Sdn Bhd in August 2003, he joined Orix Auto Leasing Malaysia Sdn Bhd from September 2003 to March 2007, as a Senior Marketing Executive in charge of marketing the leasing scheme and building new clientele portfolio.

From April 2007 to August 2020, he was the General Manager of Mashita Jaya Sdn Bhd (a company owned by Lim Boon Hua, our Promoter, substantial shareholder and Managing Director/ Chief Executive Officer) ("**Mashita Jaya**"), primarily responsible for managing the Sales, Operations and Finance Department of Mashita Jaya. In 2016, while still being attached to Mashita Jaya, he was seconded to assist Lim Boon Hua in overseeing the business and operations of PG PPJ as its Chief of Operating Officer. He assisted Lim Boon Hua in the expansion of the outlets of our Group and was appointed as the director of PG PPJ, PPJ Sejaya and PPJ Landas Emas in August 2016, July 2019 and February 2020 respectively.

In September 2020, he was formally appointed as the Chief Operating Officer of Pappajack Holdings and responsible to oversee the day to day business and operations of our Group including the implementation of our Group's policies, both at the management and outlet levels.

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

### (ii) Wong Koon Wai

Wong Koon Wai, a Malaysian aged 47, is our Chief Financial Officer. He obtained his Bachelor Degree in Business (Accountancy) from the Royal Melbourne Institute of Technology (RMIT) in December 1999. He is a member of CPA Australia and the Malaysian Institute of Accountants since 2008.

He began his career as an Audit Assistant in Poh & Co in July 2000. In June 2001, he joined RSM Robert Teo, Kuan & Co as an Audit Senior and subsequently left to join Crowe Malaysia PLT in May 2003 as an Audit Assistant and his last held position was as a Senior Manager. During his tenure in the said audit firms, he gained knowledge and experience in audit and assurance, and corporate transactions, including supervision of audit teams, audit planning, ensuring compliance with auditing and accounting standards, consolidation, basic tax computation and liaising with clients for audits for both privately owned and public listed companies.

After leaving Crowe Malaysia PLT in June 2011, he joined Oriental Castle Sdn Bhd in July 2011 as its Financial Controller, where he was responsible for overseeing the finance and accounting functions of its group of companies in Malaysia, Singapore, China, Vietnam and Indonesia. After leaving Oriental Castle Sdn Bhd in September 2012, he joined the Malaysian Institute of Accountants in Kuala Lumpur in October 2012 as the Technical Director of the Professional Standards & Practices Division, where he was responsible for the overall direction and coordination of the activities of the division.

After leaving the Malaysian Institute of Accountants in October 2014, he joined Global Line Network Sdn Bhd from November 2014 to September 2018 as the Chief Operating Officer and was primarily responsible for planning, directing and coordinating the company's operational policies, rules, initiatives and goals. During December 2018 to July 2020, he was involved in entrepreneurial ventures as an investor. He joined our Group as our Chief Financial Officer in August 2020.

He is an Independent Non-Executive Director of HLT Global Berhad since 8 January 2016. HLT Global Berhad is listed on the ACE Market of Bursa Securities. He was an Independent Non-Executive Director of Golden Plus Holdings Berhad, a public limited liability company and its group of companies are involved in property development, construction, leisure and food operations and has since retired from his position on 30 August 2021. He sits on the board of several private companies in Malaysia as disclosed in Section 8.3.3(b) of this Prospectus.

### 8.3.3 Principal Directorships and Principal Business Activities of Our Key Management Outside Our Group for the Past 5 Years

The following table sets out the principal directorships of our Key Management as at the LPD and those which were held within the past 5 years up to the LPD, as well as their involvement in principal business activities outside our Group:

#### (a) Lim Chee Hsiung

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
1.	KS Services Sdn Bhd	Malaysia	Director	Other building and industrial cleaning activities	02.03.2012	10.08.2016	-	-
2.	PT Pappajack Sehati <sup>#</sup>	Indonesia	Director	Restaurant business	03.11.2015	01.03.2020	-	-

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
3.	PT Pappajack Asian Cuisine <sup>#</sup>	Indonesia	Shareholder	Restaurant business	-	-	3.00	-
4.	PT Sejaya Sejahtera Consultancy	Indonesia	Shareholder	Business management consultancy	-	-	3.00	-

Note:

# In the process of scaling down its business

### (b) Wong Koon Wai

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
1.	HLT Global Berhad	Malaysia	Independent Non-Executive Director	Investment holding. The company, through its subsidiaries, manufactures, designs, fabrication, installation, testing, and commissioning of synthetic rubber gloves	08.01.2016	-	-	-
2.	Golden Plus Holdings Berhad	Malaysia	Independent Non-Executive Director	Investment and property holding company which provides management services. The company, through its subsidiaries quarries granite, manufactures and supplies premix, and constructs roads	06.03.2020	30.08.2021	-	-
3.	XL Holdings Berhad (previously known as Xian Leng Holdings Berhad)	Malaysia	Independent Non-Executive Director	Investment holding company which provides management services. The company, through its subsidiaries, provides commercial captive-breeding as well as trades ornamental fishes and aquarium accessories	27.03.2015	02.02.2017	-	-
4.	Menang Corporation Berhad (M)	Malaysia	Independent Non-Executive Director	Investment holding company which leases properties and provides management services. The company, through its subsidiaries, develops property, provides leasing and hire purchase services, and undertakes landscaping projects	31.12.2020	29.01.2021	-	-
5.	Weijuke Information and Technology (Malaysia) Sdn Bhd	Malaysia	Director/ Shareholder	Other information technology service activities  As at the LPD, the Company is dormant and there is no immediate plans for the company to commence business	14.04.2017	-	30.00	-

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
6.	Letv (Malaysia) Sdn Bhd	Malaysia	Director/ Shareholder	Money remittance  As at the LPD, the Company is dormant and there is no immediate plans for the company to commence business	14.02.2018	-	10.00	-
7.	Tepat Aggun Sdn Bhd	Malaysia	Director	Investment holding in shares  As at the LPD, the Company has been dissolved	24.05.2017	-	-	-
8.	Nestor Professional Services (M) Sdn Bhd	Malaysia	Director	Other information technology service activities N.E.C.	10.01.2018	14.12.2021	-	-
9.	Sri Serdang Sdn Bhd #	Malaysia	Director	Land development, housing development, investment	09.09.2020	-	-	-
10.	Hanpopular Sdn Bhd #	Malaysia	Director	Investment holding in properties	05.10.2020	-	-	-
11.	Venice Heights Sdn Bhd #	Malaysia	Director	Investment holding in properties	05.10.2020	-	-	-
12.	Golden Plus Construction Sdn Bhd #	Malaysia	Director	Investment holding in shares	12.10.2020	-	-	-
13.	Paradize Bazaar Sdn Bhd #	Malaysia	Director	Investment holding in shares	12.10.2020	-	-	-
14.	Digital Chat Sdn Bhd	Malaysia	Director	Dealer of telco's products and services	01.09.2016	06.11.2017	-	-
15.	Richtech Communication Sdn Bhd	Malaysia	Shareholder	Trading in communication system and equipment	-	-	0.73	-

Note:

# Subsidiaries of Golden Plus Holdings Berhad.

### 8.3.4 Key Managements' Remuneration and Material Benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our key management for services rendered to our Group for the FYE 31 December 2020 and FYE 31 December 2021 are as follows:

#### (a) FYE 31 December 2020

	Salaries	Fees	Bonus	(1) Other Emoluments	Allowance	Benefits -in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Lim Chee Hsiung <sup>(2)</sup>	60	-	-	8	-	-	68
Wong Koon Wai	17	-	-	2	-	-	19

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Notes:

- (1) These comprises of contribution to the Employees Provident Fund and Social Security Organisation.
- (2) Lim Chee Hsiung's salary is effective from September 2020. Please refer to Section 8.3.2 (i) of this Prospectus for further details.

### (b) Proposed for FYE 31 December 2021

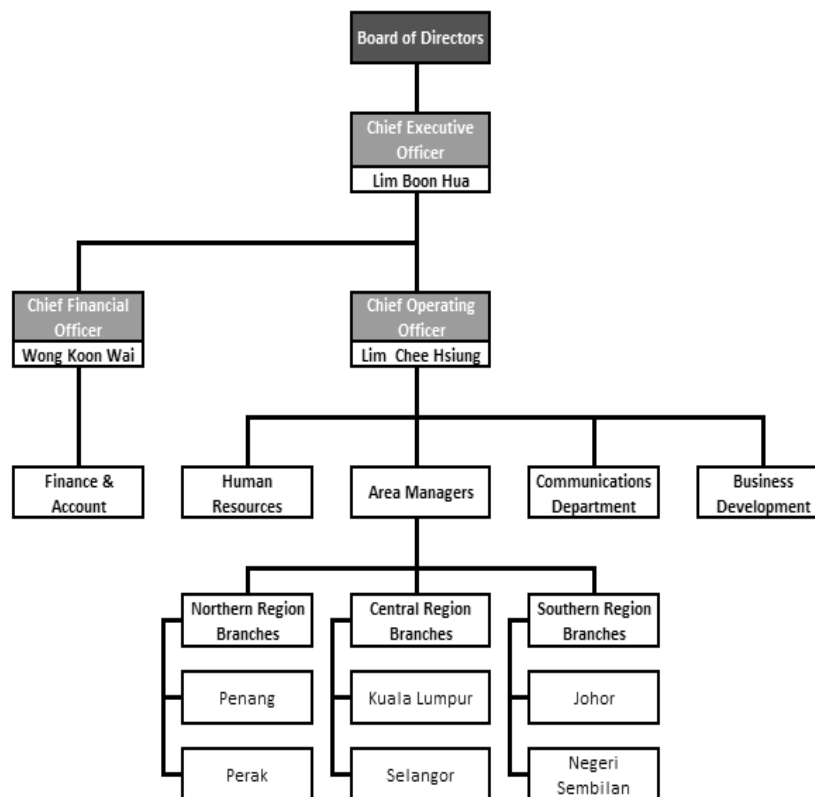
	Salaries RM'000	Fees RM'000	Bonus RM'000	#Other Emoluments RM'000	Allowance RM'000	Benefits -in-kind RM'000	Total RM'000
Lim Chee Hsiung	180	-	-	23	-	-	203
Wong Koon Wai	90	-	-	12	-	-	102

Note:

- # These comprises of contributions to the Employees Provident Fund and Social Security Organisation.

### 8.3.5 Management Reporting Structure

The management reporting structure of our Group is as follows:



## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 8.4 INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT IN OTHER BUSINESSES OR CORPORATIONS

As at the LPD, save as disclosed below and in Section 8.2.3 of this Prospectus, none of our Executive Directors and key management are involved in the operations of other businesses or corporations.

#### (a) Lim Boon Hua

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
1.	Agensi Pekerjaan TSE Sdn Bhd	Malaysia	Director/ Shareholder	Agent in recruitment and processing of foreign maid application	18.03.2002	-	60.00	-
2.	TSE Modul Inisiatif Sdn Bhd	Malaysia	Director/ Shareholder	Agent in recruitment and processing of foreign worker application and manpower outsourcing management services	15.12.2006	-	60.00	-
3.	Mashita Jaya Sdn Bhd	Malaysia	Director/ Shareholder	Sub-contractor of cleaning services, construction works, packaging industries and other related products	23.09.2008	-	70.00	-
4.	Cahaya Manpower Sdn Bhd	Malaysia	Director/ Shareholder	Activities of holding companies <sup>(1)</sup>  As at the LPD, the company is dormant and there is no immediate plans for the company to commence business	08.08.2011	-	20.00	-
5.	C & L Services Sdn Bhd	Malaysia	Director/ Shareholder	Supply of human resources for client business	22.03.2012	-	33.00	-
6.	PT Papparich Kopitiam	Indonesia	Director/ Shareholder	Restaurant business	04.09.2012	-	20.00	-
7.	Zoonhan Resources Sdn Bhd	Malaysia	Director/ Shareholder	Management of land and buildings, provision of services to maintain property and equity	03.11.2015	-	30.00	-
8.	Dhoby Ghaut Holdings Pte. Ltd.	Singapore	Director/ Shareholder	Wholesale trade of variety of goods without a dominant product/ General trading and investment/ Management consultancy services/ Advisor and management services	21.03.2016	-	100.00%	-
9.	TNI Services Sdn Bhd	Malaysia	Director/ Shareholder	Real estate activities with own or leased property N.E.C.	02.10.2018	-	60.00	-
10.	Agensi Perkerjaan Mashita Jaya Sdn Bhd	Malaysia	Director/ Shareholder	To carry on the business as private employment agency, to recruit and place a worker to another employer	24.10.2018	-	87.50	-

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
11.	KS Services Sdn Bhd	Malaysia	Director/ Shareholder	Other building and industrial cleaning activities N.E.C.	02.07.2020	-	29.00	<sup>(3)</sup> 70.00
12.	TSE Modul Development Sdn Bhd	Malaysia	Director/ Shareholder	Provision of accommodation and transportation services	03.10.2013	05.11.2018	30.00	-
13.	TNI Property Management Sdn Bhd	Malaysia	Director/ Shareholder	Providing manpower, rental and transport services for foreign workers	21.05.2020	21.04.2021	99.00	<sup>(2)</sup> 5.00
14.	Goh Ah Lek Plastering Sdn Bhd	Malaysia	Director	Contractor for plastering works and other construction activities	28.12.2010	-	-	-
15.	Goh Ah Lek & Sons Plastering Sdn Bhd	Malaysia	Director	Contractor for plastering works and other construction	09.01.2012	-	-	-
16.	Consistent Property Co. Ltd.	Thailand	Shareholder	Property investment	-	-	12.00	-
17.	Kemas Suci Sdn Bhd	Malaysia	Shareholder	Business of all kinds of cleaning services	-	-	70.00	-
18.	PPG Utama Kinrara Sdn Bhd	Malaysia	Shareholder	Investment holding company in properties	-	-	31.00	<sup>(4)</sup> 16.00
19.	Pro Cleaning Sdn Bhd	Malaysia	Shareholder	Cleaning service contractor	-	-	25.00	-
20.	PT Pappajack Asian Cuisine <sup>#</sup>	Indonesia	Shareholder	Restaurant business	-	-	42.00	-
21.	PT Saroha <sup>#</sup> Pappajack	Indonesia	Shareholder	Restaurant business	-	-	20.00	-
22.	PT Sehati <sup>#</sup> Pappajack	Indonesia	Shareholder	Restaurant business	-	-	20.00	-
23.	PT Sejahtera <sup>#</sup> Pappajack	Indonesia	Shareholder	Restaurant business	-	-	34.00	-
24.	PT Sejaya Sejahtera Consultancy	Indonesia	Shareholder	Business management consultancy	-	-	42.00	-
25.	Mashita Jaya Management	Malaysia	Partnership	Management services, general commission agent	-	-	-	-

## Notes:

- # *In the process of scaling down its business*
- (1) *As at the LPD, Cahaya Manpower Sdn Bhd does not have any subsidiary companies and is holding a vacant agricultural land for investment purpose.*
- (2) *Deemed interested by virtue of family members' shareholdings in TNI Property Management Sdn Bhd.*
- (3) *Deemed interested by virtue of the shareholdings held by Lim Siew Fang in KS Services Sdn Bhd.*
- (4) *Deemed interested by virtue of the shareholdings held by Lim Siew Fang in PPG Utama Kinrara Sdn Bhd.*

Lim Boon Hua's involvement in the above business and corporations does not have any impact on his duties in our Group as there are management teams employed for the daily operations of these businesses and companies. As such, he spends a majority of his time in the operations and affairs of our Group.



## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### (b) Law Book Ching

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
1.	Consistent Reach Sdn Bhd	Malaysia	Director/ Shareholder	(a) Provision of contract labour and payroll services (b) Hostel management and transportation (c) Provision of human resources and related services	27.02.2003	-	35.00	-
2.	Agensi Pekerjaan Consistent Reach (M) Sdn Bhd	Malaysia	Director/ Shareholder	Activities of employment placement agencies	11.09.2007	-	10.00	-
3.	The Amazco Resources Sdn Bhd	Malaysia	Director/ Shareholder	Labour contractor	14.01.2008	-	17.50	-
4.	Consistent Cleaning Sdn Bhd	Malaysia	Director/ Shareholder	Provision of contract labour	12.05.2011	-	35.00	-
5.	Cahaya Manpower Sdn Bhd	Malaysia	Director/ Shareholder	Activities of holding companies <sup>(1)</sup>  As at the LPD, the company is dormant and there is no immediate plans for the company to commence business	08.08.2011	-	17.50	-
6.	Etsu Sangyu Sdn Bhd	Malaysia	Director/ Shareholder	Real estate activities with own or leased property N.E.C.	05.10.2011	-	14.00	-
7.	Phewwongsean Leasing Co. Ltd	Laos	Director/ Shareholder	Provision of credit leasing services for property purchases. <sup>(2)</sup>	09.05.2013	-	46.00	-
8.	TSE Modul Development Sdn Bhd	Malaysia	Director/ Shareholder	Provision of accommodation and transportation services	03.10.2013	-	14.00	-
9.	C&L Services Sdn Bhd	Malaysia	Director/ Shareholder	Supply of human resources for client business	09.06.2014	-	33.00	-
10.	Zoonhan Resources Sdn Bhd	Malaysia	Director/ Shareholder	Management of land and buildings, provision of services to maintain property and equity	03.11.2015	-	14.00	-
11.	The Amazco Management & Consultant Sdn Bhd	Malaysia	Director/ Shareholder	Employment agency	02.02.2018	-	25.00	-
12.	TSE Modul Inisiatif Sdn Bhd	Malaysia	Director	Agent in recruitment and processing of foreign worker application and manpower outsourcing management services	02.11.2009	-	-	-
13.	Glonex Industry Sdn Bhd	Malaysia	Director	Supply of workers, investment holding company.	04.04.2019	-	-	-

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
14.	PPG Utama Kinrara Sdn Bhd	Malaysia	Shareholder	Investment holding company in properties	-	-	11.00	-
15.	Pro Cleaning Sdn Bhd	Malaysia	Shareholder	Cleaning service contractor	-	-	40.00	-
16.	PT Pappajack Sejahtera <sup>(3)</sup>	Indonesia	Shareholder	Restaurant	-	-	10.00	-
17.	TNI Services Sdn Bhd	Malaysia	Shareholder	Real estate activities with own or leased property N.E.C.	-	-	5.00	-

Notes:

- (1) As at the LPD, Cahaya Manpower Sdn Bhd does not have any subsidiary companies and is holding a vacant agricultural land for investment purpose.
- (2) The statutory documents of Phewvongsean Leasing Co. Ltd does not state the principal activities of the company.
- (3) In the process of scaling down its business

Law Book Ching's involvement in the above business and corporations does not have any impact on his duties in our Group as there are management teams employed for the daily operations of these businesses and companies. As such, he spends a majority of his time in the operations and affairs of our Group.

### (c) Lim Chee Hsiung

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
1	PT Pappajack Asian Cuisine #	Indonesia	Shareholder	Restaurant business	-	-	3.00	-
2.	PT Sejaya Sejahtera Consultancy	Indonesia	Shareholder	Business management consultancy	-	-	3.00	-

Note:

- # In the process of scaling down its business

Lim Chee Hsiung's involvement in the above business and corporations does not have any impact on his duties in our Group as there are management teams employed for the daily operations of these businesses and companies. As such, he spends a majority of his time in the operations and affairs of our Group.

### (d) Wong Koon Wai

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
1.	HLT Global Berhad	Malaysia	Independent Non-Executive Director	An Investment holding. The company, through its subsidiaries, manufactures, designs, fabrication, installation, testing, and commissioning of synthetic rubber gloves	08.01.2016	-	-	-

## 8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

No.	Company	Place of Incorporation	Position Held	Principal Business Activities	Date Appointed	Date Resigned	Equity Interest Held (%)	
							Direct	Indirect
2.	Sri Serdang Sdn Bhd #	Malaysia	Director	Land development, housing development, investment	09.09.2020	-	-	-
3.	Hanpopular Sdn Bhd #	Malaysia	Director	Investment holding in properties	05.10.2020	-	-	-
4.	Venice Heights Sdn Bhd #	Malaysia	Director	Investment holding in properties	05.10.2020	-	-	-
5.	Golden Plus Construction Sdn Bhd #	Malaysia	Director	Investment holding in shares	12.10.2020	-	-	-
6.	Paradize Bazaar Sdn Bhd #	Malaysia	Director	Investment holding in shares	12.10.2020	-	-	-
7.	Richtech Communication Sdn Bhd	Malaysia	Shareholder	Trading in communication system and equipments	-	-	0.73	-

Note:

# Subsidiaries of Golden Plus Holdings Berhad.

Wong Koon Wai's involvement in the above business and corporations does not have any impact on his duties in our Group as there are competent management teams employed for the daily operations of these businesses and companies and his directorships in the public listed companies are independent in nature and he is not involved in the day-to-day operations of the companies. As such, he spends a majority of his time in the operations and affairs of our Group.

The involvement of our Executive Directors and Key Management in the above business activities outside our Group does not give rise to any conflict of interest situation with our business and the involvement of our Executive Directors and Key Management in such business activities outside our Group does not affect their ability to perform their roles and responsibilities to our Group. Save as disclosed in Section 8.4 of this Prospectus, as at the LPD, none of our Executive Directors and Key Management is involved in any other principal business activities outside of our Group.

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## **8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT** *(Cont'd)*

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### **8.5 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY MANAGEMENT**

None of our Promoters, Directors and key management is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him or any partnership in which he was a partner or any corporation of which he was a director or member key management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against him, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, he was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (vi) being the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- (vii) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) has an unsatisfied judgment against him.

### **8.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS**

Save as disclosed below, there is no other family relationship and/or association between any of our Directors, Promoters, substantial shareholders and/or key management as at the LPD:

- (i) Lim Boon Hua, our Promoter, substantial shareholder and Managing Director/ Chief Executive Officer is the spouse of Lee Kooi Lan, our Promoter and substantial shareholder and brother of Lim Siew Fang, our Promoter and substantial shareholder.
- (ii) Lee Kooi Lan, our Promoter and substantial shareholder, a director of PG PPJack, DGM and DG Holdings (each a wholly owned subsidiary of our Group), is the spouse to Lim Boon Hua, our Promoter, substantial shareholder and Managing Director / Chief Executive Officer.
- (iii) Lee Kun Way, a director of PG Tetap Sejiwa (a wholly owned subsidiary of our Group) is the spouse of Lim Siew Fang, our Promoter and substantial shareholder.

**8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT** *(Cont'd)*

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**8.7 SERVICE AGREEMENTS**

As at the LPD, there are no existing or proposed service agreements entered into or to be entered into by our Directors or any member of our key management with our Group.

**8.8 SUCCESSION PLAN**

Our future success also depends on our ability to attract and retain skilled personnel. Our strategies to retain our Key Management and attract new personnel include, amongst others, succession planning and promotion opportunities, attractive remuneration packages and training activities.

Our succession plan consists of:

- (i) selection and recruitment: identifying key competencies and requirements for managerial and key senior positions for succession planning; and identifying potential successor's readiness to facilitate skills transfer so as to ensure smooth running and continuity of the operations of our Group;
- (ii) attractive remuneration packages and employee benefits; and
- (iii) career planning and development: our senior management trains the lower and middle management staff to gradually assume more responsibilities.

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## 9. APPROVALS AND CONDITIONS

### 9.1 APPROVALS AND CONDITIONS

#### 9.1.1 Bursa Securities

Bursa Securities had, vide its letter dated 9 December 2021, approved:

- (i) the admission of our Company to the Official List of the ACE Market of Bursa Securities; and
- (ii) the listing of and quotation for our entire enlarged share capital on the ACE Market of Bursa Securities.

The approval from Bursa Securities is subject to the following conditions:

	Conditions Imposed by Bursa Securities	Status of Compliance
1.	Submit the following information with respect of the moratorium on the shareholdings of the promoters to Bursa Depository: <ol style="list-style-type: none"> <li>(i) Name of shareholders;</li> <li>(ii) Number of shares; and</li> <li>(iii) Date of expiry of the moratorium for each block of shares;</li> </ol>	Complied
2.	Approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied
3.	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Notes 15 of Listing Requirements;	To be complied
4.	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Pappajack on the first day of listing;	To be complied
5.	Ensure any director of the Company who has not attended the Mandatory Accreditation Programme must do so prior to listing of the Company;	Complied
6.	In relation to the public offering to be undertaken by Pappajack, please announce at least 2 market days prior to the listing date, the result of the offering including the following: <ol style="list-style-type: none"> <li>(i) Level of subscription of public balloting and placement;</li> <li>(ii) Basis of allotment/allocation;</li> <li>(iii) A table showing the distribution for placement tranche; and</li> <li>(iv) Disclosure of placees who become substantial shareholders of Pappajack arising from the public offering, if any;</li> </ol>	To be complied
7.	Pappajack or Kenanga IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Pappajack to the Official List of the ACE Market.	To be complied

**9. APPROVALS AND CONDITIONS (Cont'd)****9.1.2 SC**

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated 7 January 2022, approved the resultant equity structure under the equity requirement for public listed companies pursuant to our Listing subject to the following condition:

	<b>Conditions Imposed by SC</b>	<b>Status of Compliance</b>
1.	Pappajack to allocate shares equivalent to 12.5% of its enlarged number of issued shares at the point of listing to Bumiputera investors approved by MITI	To be complied
2.	Pappajack is to make available at least 50% of the shares offered to the Malaysian public investors via balloting to Bumiputera public investors at the point of listing	To be complied

The effects of the Listing on the equity structure of our Company are as follows:

<b>Category of Shareholders</b>	<b>As at 31 May 2021</b>		<b>After Listing</b>	
	<b>No. of Shares</b>	<b>% of Issued Shares</b>	<b>No. of Shares</b>	<b>% of Enlarged Issued Shares</b>
<b>Bumiputera</b>				
• Bumiputera investors approved by MITI	-	-	#83,500,000	12.50
• Bumiputera public investors via balloting	-	-	#16,700,000	2.50
<b>Total Bumiputera</b>			<b>100,200,000</b>	<b>15.00</b>
Non-Bumiputera	1	100.00	567,800,000	85.00
<b>Malaysians</b>	<b>1</b>	<b>100.00</b>	<b>668,000,000</b>	<b>100.00</b>
Foreigners	-	-	-	-
<b>Total</b>	<b>1</b>	<b>100.00</b>	<b>668,000,000</b>	<b>100.00</b>

Note:

# Based on the assumption that the shares allocated to Bumiputera investors approved by MITI and Bumiputera public investors via balloting are fully subscribed.

**9.1.3 MITI**

MITI had, vide its letter dated 11 August 2021:

- (i) agreed to take note and has no objection to our Listing; and
- (ii) taken note that 83,500,000 Shares are special shares that are subject to the MITI's approval and our Listing complies with the 12.50% Bumiputera public spread comprising 100,200,000 Shares (15.00% of our enlarged share capital).

## 9. APPROVALS AND CONDITIONS *(Cont'd)*

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### 9.2 MORATORIUM ON OUR SHARES

In compliance with Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Promoters, as follows:

- (a) the moratorium applies to the Promoters' entire shareholdings for a period of 6 months from the date of admission to the ACE Market of Bursa Securities ("**First 6-Month Moratorium**");
- (b) upon the expiry of the First 6-Month Moratorium, the Promoters' aggregate shareholdings amounting to at least 45.0% of our enlarged issued ordinary share capital remain under moratorium for a further period of 6 months ("**Second 6-Month Moratorium**"); and
- (c) upon the expiry of the Second 6-Month Moratorium, the Promoters' may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight line basis) of the Shares held under moratorium.

The moratorium restrictions, which are fully acknowledged by our Promoters, are specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any sale, transfer or assignment that contravenes the moratorium restrictions. In addition, our Promoters have also provided their respective undertaking that they will comply with the said moratorium restrictions relating to the sale of their Shares as mentioned above.

The shareholders of Pappajack, namely TSE Sejahtera and Lee Kooi Lan, have furnished a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in Pappajack during the moratorium period.

Further, the shareholders of TSE Sejahtera, namely Lim Boon Hua, Law Book Ching and Lim Siew Fang have furnished a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in TSE Sejahtera during the moratorium period.

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**9. APPROVALS AND CONDITIONS (Cont'd)**

The moratorium shall be imposed according to the following:

Name of Shareholder	Moratorium Shares During the First 6-Month Moratorium		Moratorium Shares During the Second 6-Month Moratorium		Moratorium Shares after the Second 6-Month Moratorium (First Year)		Moratorium Shares after the Second Year	
	No. of Shares	% of Enlarged Issued Share Capital#	No. of Shares	% of Enlarged Issued Share Capital#	No. of Shares	% of Enlarged Issued Share Capital#	No. of Shares	% of Enlarged Issued Share Capital#
TSE Sejahtera	319,638,347	47.85	286,727,047	42.92	191,151,365	28.62	95,575,682	14.31
Lee Kooi Lan	15,465,327	2.32	13,872,953	2.08	9,248,635	1.38	4,624,318	0.69
<b>Total</b>	<b>335,103,674</b>	<b>50.17</b>	<b>300,600,000</b>	<b>45.00</b>	<b>200,400,000</b>	<b>30.00</b>	<b>100,200,000</b>	<b>15.00</b>

Note:

# Based on the enlarged issued share capital of 668,000,000 Shares after the Public Issue.

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## 10. RELATED PARTY TRANSACTIONS

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### 10.1 RELATED PARTY TRANSACTIONS

**10.1.1** Under the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A “**related party**” of a listed issuer (not being a special purpose acquisition company) is:

- (a) a director, having the meaning given in subsection 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or
- (b) a major shareholder and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company and has or had an interest or interests in 1 or more voting shares in a corporation and the nominal amount of that share on the aggregate of the nominal amounts of those shares is:
  - (aa) 10.0% or more of the aggregate of the nominal amounts of all the voting shares in the corporation;
  - (bb) 5.0% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (c) a person connected with such director or major shareholder.

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

**10.1.2 Our Group's Related Party Transactions**

Save for the SSA 1 and Acquisition SSA as set out in Section 14.6 of this Prospectus and as disclosed below, our Group has not entered into nor proposes to enter into any related party transactions for the FYE 2018 to FYE 2020 and the subsequent financial period immediately preceding the LPD:

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
1.	Lim Boon Hua and PG PPJack	Lim Boon Hua	Promoter, substantial shareholder and Managing Director/ Chief Executive Officer	Substantial shareholder of PG PPJack	Purchase of gold jewelry by Lim Boon Hua from PG PPJack <sup>(1)</sup>	-	3,709 (0.19% of the Group Revenue for the FYE 2019)	242,414 (0.79% of the Group Revenue for the FYE 2020)	-	-
2.	Lim Boon Hua and PG Pappajack	Lim Boon Hua	Promoter, substantial shareholder and Managing Director/ Chief Executive Officer	Director and substantial shareholder of PG Pappajack	Purchase of gold jewelry by Lim Boon Hua from PG Pappajack <sup>(1)</sup>	-	21,896 (0.11% of the Group Revenue for the FYE 2020)	8,245 (0.03% of the Group Revenue for the FYE 2020)	-	-
3.	Lim Boon Hua and PG BT Cleaning	Lim Boon Hua	Promoter, substantial shareholder and Managing Director/ Chief Executive Officer	Substantial shareholder of PG BT Cleaning	Purchase of gold jewelry by Lim Boon Hua from PG BT Cleaning <sup>(1)</sup>	-	4,424 (0.02% of the Group Revenue for the FYE 2019)	-	-	-
4.	Lim Boon Hua and PG Consistent Reach	Lim Boon Hua	Promoter, substantial shareholder and Managing Director/ Chief Executive Officer	Substantial shareholder of PG Consistent Reach	Purchase of gold jewelry by Lim Boon Hua from PG Consistent Reach <sup>(1)</sup>	-	-	347,984 (1.13% of the Group Revenue for the FYE 2020)	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
5.	Lim Boon Hua and Pappajack Holdings	Lim Boon Hua	Promoter, substantial shareholder and Managing Director/ Chief Executive Officer	Director and substantial shareholder of Pappajack Holdings	Purchase of gold jewelry by Lim Boon Hua from Pappajack Holdings <sup>(1)</sup>	-	-	70,282 (0.22% of the Group Revenue for the FYE 2020)	-	-
6.	Lim Boon Hua and Consistent Reach	Lim Boon Hua	Promoter, substantial shareholder and Managing Director/ Chief Executive Officer	Substantial shareholder of PPJ Reach	Purchase of gold jewelry by Lim Boon Hua from PPJ Consistent Reach <sup>(1)</sup>	-	-	149,093 (0.48% of the Group Revenue for the FYE 2020)	-	-
7.	Lim Boon Hua and Bertuah	Lim Boon Hua	Promoter, substantial shareholder and Managing Director/ Chief Executive Officer	Director and substantial shareholder of PG Bertuah	Purchase of gold jewelry by Lim Boon Hua from PG Bertuah <sup>(1)</sup>	-	-	21,054 (0.069% of the Group Revenue for the FYE 2020)	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
8.	Lim Boon Hua, and Pappajack Holdings	Lim Boon Hua	Promoter, substantial shareholder and Managing Director/ Chief Executive Officer	Director and substantial shareholder of Pappajack Holdings	Interests based on an annual rate of 4.00% to Lim Boon Hua in relation to advances of RM4,896,000 by Lim Boon Hua to Pappajack Holdings in the fourth quarter of the FYE 2020. The interests for the advances will commence from 1 January 2021 where the interests and principal amount will be repaid over 4 equal quarterly instalments commencing from 30 September 2022 <sup>(2)</sup>	-	-	-	146,880 (interests accrued for 9 months) of the finance cost for the FPE 2021)	65,280 (interests accrued for 4 months up to 31 January 2022) (12.90% of the finance cost for the FPE 2021)

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
9.	Law Book Ching and Pappajack Holdings	Law Book Ching	Promoter, substantial shareholder and Executive Director	Substantial shareholder of Pappajack Holdings	Interests based on an annual rate of 4.00% to Law Book Ching in relation to advances of RM1,170,000 by Law Book Ching to Pappajack Holdings in the fourth quarter of the FYE 2020. The interests for the advances will commence from 1 January 2021 where the interests and principal amount will be repaid over 4 equal quarterly instalments commencing from 30 September 2022 <sup>(2)</sup>	-	-	-	35,100 (interests accrued for 9 months) (6.94% of the finance cost for the FPE 2021)	15,600 (interests accrued for 4 months up to 31 January 2022) (3.08% of the finance cost for the FPE 2021)

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
10.	Lim Siew Fang and Pappajack Holdings	Lim Siew Fang	Promoter and substantial shareholder	Substantial shareholder of Pappajack Holdings	Interests based on an annual rate of 4.00% to Lim Siew Fang in relation to advances of RM2,640,000 by Lim Siew Fang to Pappajack Holdings in the fourth quarter of the FYE 2020. The interests for the advances will commence from 1 January 2021 where the interests and principal amount will be repaid over 4 equal quarterly instalments commencing from 30 September 2022 <sup>(2)</sup>	-	-	-	79,200 (interests accrued for 9 months) (15.65% of the finance cost for the FPE 2021)	35,200 (interests accrued for 4 months up to 31 January 2022) (6.96% of the finance cost for the FPE 2021)

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
11.	Lim Hsiung and Pappajack Holdings	Lim Chee Hsiung	Key Management	Shareholder of Pappajack Holdings	Interests based on an annual rate of 4.00% to Lim Chee Hsiung in relation to advances of RM36,000 by Lim Chee Hsiung to Pappajack Holdings in the fourth quarter of the FYE 2020. The interests for the advances will commence from 1 January 2021 where the interests and principal amount will be repaid over 4 equal quarterly instalments commencing from 30 September 2022 <sup>(2)</sup>	-	-	-	1,080 (interests accrued for 9 months) (0.21% of the finance cost for the FPE 2021)	480 (interests accrued for 4 months up to 31 January 2022) (0.09% of the finance cost for the FPE 2021)



10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
12.	Lim Boon Hua and Pappajack Holdings	Lim Boon Hua	Promoter and substantial shareholder	Director and substantial shareholder of Pappajack Holdings	Interests paid based on an annual rate of 7.00% to Lim Boon Hua in relation to the redeemable preference shares of RM0.37 million issued by Pappajack Holdings. The preference shares were issued on 31 March 2020 for a tenure of 3 years and were subsequently redeemed via the proceeds from issuance of new ordinary shares of Pappajack Holdings in December 2020	-	-	12,950 (interests for 6 months) (1.74% of the finance cost for the FYE 2020)	-	-
					Lim Boon Hua has agreed to waive 3 months of interests in relation to the redeemable preference shares of RM0.37 million issued by Pappajack Holdings					

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
13.	Law Book Ching and Pappajack Holdings	Law Book Ching	Promoter, substantial shareholder and Executive Director	Substantial shareholder of Pappajack Holdings	Interests paid based on an annual rate of 7.00% to Law Book Ching in relation to the redeemable preference shares of RM1.00 million issued by Pappajack Holdings. The preference shares were issued on 31 May 2020 for a tenure of 3 years and were subsequently redeemed via the proceeds from issuance of new ordinary shares of Pappajack Holdings in December 2020	-	-	35,000 (interests for 6 months) (4.70% of the finance cost for the FYE 2020)	-	-
					Law Book Ching has agreed to waive 1 month of interests in relation to the redeemable preference shares of RM1.00 million issued by Pappajack Holdings					

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

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
14.	Lee Kooi Lan and Pappajack Holdings	Lee Kooi Lan	Promoter and substantial shareholder	Spouse of Lim Boon Hua (Promoter, substantial shareholder and Managing Director/ Chief Executive Officer)	Interests paid based on an annual rate of 7.00% to Lee Kooi Lan in relation to the redeemable preference shares of RM0.20 million issued by Pappajack Holdings. The preference shares were issued on 27 November 2019 for a tenure of 3 years and were subsequently redeemed via the proceeds from issuance of new ordinary shares of Pappajack Holdings in December 2020	-	-	14,000 (interests for 12 months) (1.88% of the finance cost for the FYE 2020)	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
15.	TSE Modul Development Sdn Bhd and PG TSE	Lim Boon Hua and Law Book Ching	Promoters, substantial shareholders and Directors	Lim Boon Hua and Law Book Ching are substantial shareholders of TSE Modul Development Sdn Bhd	Interests paid based on an annual rate of 7.00% to TSE Modul Development Sdn Bhd in relation to the loan of RM1.00 million extended by TSE Modul Development Sdn Bhd to PG TSE. The loan were extended on July 2018 and January 2019 and were fully repaid on December 2018 and November 2019, during their respective financial year.	29,167 (interests for 5 months) (7.82% of the finance cost for the FYE 2018)	64,167 (interests for 11 months) (17.20% of the finance cost for the FYE 2019)	-	-	-
16.	PPJ Emas and PPG Utama Kinrara Sdn Bhd ("PPG Utama Kinrara")	Lim Boon Hua, Law Book Ching and Lim Siew Fang	Lim Boon Hua and Law Book Ching are our Promoters, substantial shareholders and Directors Lim Siew Fang is our Promoter and substantial shareholder	Lim Boon Hua, Law Book Ching and Lim Siew Fang are substantial shareholders of PPG Utama Kinrara	Payment of rental to PPG Utama Kinrara (as landlord) by PPJ Landas Emas (as tenant) for renting of the premises known as No. 11A, TK 1/ 11A, Taman Kinrara, Seksyen 1, 47180 Puchong, Selangor <sup>(3)</sup>	-	-	-	25,000 (7 months up to 30 September 2021) (0.17% of the cost of sale for the FPE 2021)	20,000 (4 months up to 31 January 2022) (0.13% of the cost of sale for the FPE 2021)

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

No.	Transacting Parties	Interested Promoter/ Substantial Shareholder/ Director	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM)				
						FYE 2018	FYE 2019	FYE 2020	FPE 2021	From 1 October 2021 up to the LPD
17.	PPJ Mandiri and Services Sdn Bhd ("KS Services")	Lim Boon Hua and Lim Siew Fang	Lim Boon Hua is the promoter, substantial shareholder and Managing Director/ Chief Executive Officer  Lim Siew Fang is our Promoter and substantial shareholder	Lim Boon Hua and Lim Siew Fang are directors and substantial shareholders of KS Services	Payment of rental to KS Services (as landlord) by PPJ Mandiri (as tenant) for renting of the premises known as No.69-LG & G, Jalan Melati Utama 4, Taman Melati Utama, 53100 Setapak, Kuala Lumpur <sup>(4)</sup>	-	-	-	40,000 (5 months up to 30 September 2021) (0.27% of the cost of sale for the FPE 2021)	32,000 (4 months up to 31 January 2022) (0.21% of the cost of sale for the FPE 2021)

Notes:

- (1) None of these purchases involved purchases of gold jewelry by the related parties where the purchase price was lower than the Company's inventory value.
- (2) In respect of the interest-bearing advances provided by shareholders as disclosed above, the Audit Committee is of the opinion that the terms of the interest-bearing advances by the shareholders are not unfavourable to the Group and are not detrimental to our minority shareholders. In addition, save for the interest-bearing shareholders' advances amounting to RM12.00 million as at the LPD, all interest-bearing advances provided by the shareholders will no longer subsist upon successful listing of the Company.
- (3) This tenancy agreement was entered into between PPJ Landas Emas and PPG Utama Kinrara for a term of 5 months commencing from 15 March 2021 and expiring on 14 August 2021 for a monthly rental of RM3,000. Further details of this tenanted property are disclosed in Section 6.20.2 of this Prospectus.  
  
Based on available information on a comparable property located in the vicinity of the tenanted property, the market rental is approximately RM5,000 per month. The agreed rental rate which was arrived at and agreed on a willing-party basis is below the market rental of such comparable property. The tenancy has been renewed by PPJ Landas Emas and PPG Utama Kinrara for a term of 1 year commencing from 15 August 2021 to 14 August 2022 at a revised monthly rental of RM5,000. The Audit Committee is of the opinion that the salient terms of the existing tenancy agreement that will subsist after listing are not unfavourable to the Company and are in accordance with market practice.

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

- (4) *This tenancy agreement was entered into between PPJ Mandiri and KS Services for a term of 1 year commencing from 10 May 2021 and expiring on 9 May 2022 for a monthly rental of RM8,000 (approximately RM6.38 per Sqft). Further details of this tenanted property are disclosed in Section 6.20.2 of this Prospectus.*
- Based on available information on a comparable property located in the vicinity of the tenanted property, the monthly market rental is approximately RM8,500 (RM5.94 per Sqft). The agreed rental rate which was arrived at and agreed on a willing-party basis is in the region of the monthly market rental rate of such comparable property. Moving forward, PPJ Mandiri intends to renew the tenancy and enter into a new tenancy agreement upon expiry of the tenancy subject to terms to be mutually agreed between the parties. The Audit Committee is of the opinion that the salient terms of the existing tenancy agreement that will subsist after listing are not unfavourable to the Company and are in accordance with market practice.*

Our Directors confirm that all the related party transactions outlined above between the Group and the Directors and/or substantial shareholders of the Company and/or persons connected to them were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group and are not detrimental to our minority shareholders.

There are no restrictions imposed on related parties, including Directors, Key Management or staff, to restrict them from purchasing gold jewellery and luxury watches from the Group. However, sale of gold jewellery and luxury watches by the Group to any related parties, including Directors, Key Management or staff, is subject to the Group's internal guideline which stipulates that such gold jewellery and luxury watches shall not be sold by our Group at a price which is lower than the current spot/market price for sale of gold and luxury watches to scrap collectors or the Group's inventory value, whichever is higher, and in accordance to similar terms and conditions upon which gold jewellery and luxury watches are purchased by the scrap collectors. Further, the gold jewellery sold by the Group to the related parties were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group and are not detrimental to our minority shareholders. Accordingly, the gold jewellery and luxury watches sold by the Group to any related parties including Directors, Key Management or staff do not give rise to any existing and potential conflict of interest situation as such transactions do not impact the pecuniary interests of the Group. Save as disclosed above, there are no other related parties, Directors, Key Management or staff who have purchased gold jewellery from our Group.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)****10.2 TRANSACTIONS ENTERED INTO THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS**

Our Directors have confirmed there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries was a party in respect of the past 3 FYE 31 December 2018 to FYE 31 December 2020 and the subsequent financial period up to the LPD.

**10.3 LOANS AND FINANCIAL ASSISTANCE MADE TO / FROM OR FOR THE BENEFIT OF RELATED PARTIES**

Save as disclosed below, there are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of our shareholders and related parties in respect of the past 3 FYE 31 December 2018 to FYE 31 December 2020, FPE 2021 and the subsequent financial period up to the LPD.

	As at 31 December			As at 30 September	As at LPD (RM'000)
	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	
Advances to shareholders <sup>(1)</sup>	19,705	2,079	-	-	-
Advances from shareholders <sup>(2)</sup>	-	-	12,000	12,000	12,000
Advances from related company <sup>(3)</sup>	-	-	-	-	-

Notes:

- (1) The short-term advances to shareholders are for the capital requirement in relation to the incorporation of Pappajack's subsidiaries by the shareholders for the operation of pawnbroking business. The breakdown of advances to our Promoters are set out as follows:

	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FPE 2021 (RM'000)	From 1 October 2021 to LPD (RM'000)
<b><u>Lim Boon Hua</u></b>					
Amount of advances to / balance carried forward	6,244	6,244	31	-	-
(Repayment of advances)	-	(6,213)	(31)	-	-
<b>Balance</b>	<b>6,244</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Law Book Ching</u></b>					
Amount of advances to / balance carried forward	1,628	1,628	9	-	-
(Repayment of advances)	-	(1,619)	(9)	-	-
<b>Balance</b>	<b>1,628</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Lim Siew Fang</u></b>					
Amount of advances to / balance carried forward	3,429	3,429	17	-	-
(Repayment of advances)	-	(3,412)	(17)	-	-
<b>Balance</b>	<b>3,429</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>

The advances to shareholders are unsecured and non-interests bearing. As at the LPD, all the advances to shareholders were fully repaid.

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

- (2) The advances from shareholders are in relation to the RM12.00 million advanced to Pappajack Holdings in the 4<sup>th</sup> quarter of 2020. The breakdown of advances by our Promoters/Key Management are set out as follows:

	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FPE 2021 (RM'000)	From 1 October 2021 to LPD (RM'000)
<b><u>Lim Boon Hua</u></b>					
Amount of advances by / balance carried forward	-	-	4,896,000	4,896,000	4,896,000
(Repayment of advances)	-	-	-	-	-
<b>Balance</b>	-	-	<b>4,896,000</b>	<b>4,896,000</b>	<b>4,896,000</b>
<b><u>Law Book Ching</u></b>					
Amount of advances by / balance carried forward	-	-	1,170,000	1,170,000	1,170,000
(Repayment of advances)	-	-	-	-	-
<b>Balance</b>	-	-	<b>1,170,000</b>	<b>1,170,000</b>	<b>1,170,000</b>
<b><u>Lim Siew Fang</u></b>					
Amount of advances by / balance carried forward	-	-	2,640,000	2,640,000	2,640,000
(Repayment of advances)	-	-	-	-	-
<b>Balance</b>	-	-	<b>2,640,000</b>	<b>2,640,000</b>	<b>2,640,000</b>
<b><u>Lim Chee Hsiung</u></b>					
Amount of advances by / balance carried forward	-	-	36,000	36,000	36,000
(Repayment of advances)	-	-	-	-	-
<b>Balance</b>	-	-	<b>36,000</b>	<b>36,000</b>	<b>36,000</b>

The shareholders' advances are unsecured, bearing interest at the rate of 4.00% per annum with effect from 1 January 2021, and will be repaid over 4 equal quarterly instalments commencing from 30 September 2022.

- (3) The advances from a related company are in relation to the RM1.00 million advanced to PG TSE in July 2018 and January 2019 and were fully repaid on December 2018 and November 2019, during their respective financial year. The advances from a related company which our Promoters have interest in, are set out as follows:

	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FPE 2021 (RM'000)	From 1 October 2021 to LPD (RM'000)
<b><u>TSE Modul Development Sdn Bhd</u></b>					
Amount of advances by	1,000	1,000	-	-	-
(Repayment of advances)	(1,000)	(1,000)	-	-	-
<b>Balance</b>	-	-	-	-	-

The advances are unsecured and bearing interest at the rate of 7.00% per annum. As at the LPD, the advances were fully repaid.

The loans and financial assistance made to / from related parties were carried on an arm's length basis and on normal commercial terms which were not unfavourable to our Group and were not detrimental to our minority shareholders. Future loans and financial assistance from related parties will be carried out on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to the detriment of our Group.



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

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### **10.4 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS**

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

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

In the event there are any proposed related party transactions that require the prior approval of shareholders, the Directors, major shareholders and/or persons connected with a Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with them will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

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## **11. CONFLICT OF INTEREST**

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### **11.1 INTERESTS IN SIMILAR BUSINESS OR CONFLICT OF INTEREST**

As at the LPD, none of our Directors and/or substantial shareholders have any interest, direct or indirect in any businesses or corporations that:

- (i) carry on a similar trade as that of our Group; or
- (ii) are customers or suppliers of our Group;

and their interests in other businesses and corporations as set out in Section 8.4 of this Prospectus would not give rise to a situation of conflict of interest with our Group.

### **11.2 MONITORING AND OVERSIGHT OF CONFLICT OF INTEREST**

Our Board, our Audit Committee and Risk Management Committee will supervise any conflict of interest or potential conflict of interest situations and all Directors, substantial shareholders and key management will disclose such conflict of interest situations, if any, to our Audit Committee and Risk Management Committee for resolution as and when they arise.

In order to mitigate any possible conflict of interest situation, our Directors, substantial shareholders and key management will declare to our Board, our Audit Committee and Risk Management Committee of their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Audit Committee and Risk Management Committee will then evaluate if such involvement by our Directors, substantial shareholders and key management gives rise to a potential conflict of interest situation with our Group's business. When a determination has been made that there is a conflict of interest of a Directors, substantial shareholder and/or key management, our Audit Committee and Risk Management Committee will:

- (i) immediately inform our Board of the conflict of interest situation; and
- (ii) make recommendations to our Board to direct the conflicted Director, substantial shareholder and/or key management to:
  - (a) withdraw from all his/her executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director and/or substantial shareholder is an Executive Director). After his withdrawal, he/ she will remain in the said executive position to perform his/her executive role in matters that will not give rise to conflict of interest situation; and
  - (b) abstain from all Board deliberation and involvements in matters where he/ she has a conflict of interest situation. The conflicted Director shall also be abstain from any Board discussions relating to the recommendation of our Audit Committee and Risk Management Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director may however, be present at our meeting for the purposes of answering any questions. The conflicted Director shall also abstain from voting in respect of his/her direct/ indirect shareholdings in our Company, if any, on the resolutions pertaining to the said transactions to be tabled at the general meeting to be convened.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary duties and responsibilities to our Group, our Nomination Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

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

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- (iii) to identify the persons connected to the conflicted Director, substantial shareholder and/or key management (if any) and review any business dealings with such persons to establish whether a conflict of interest situation arises. Thereafter, the conflicted Director, substantial shareholder and/or key management shall undertake to ensure that persons connected to him/ her shall abstain from voting in respect of their direct/ indirect shareholdings in our Company, if any, on the resolutions pertaining to the said transactions to be tabled at the general meeting to be convened. The Audit and Risk Management Committee shall also continue to monitor such business dealings to ensure that they are conducted on arms' length basis and based on terms that are fair to our Group.

In relation to (ii) above, the conflicted Director shall abstain from any Board discussion relating to the recommendation of our Audit Committee and Risk Management Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

### **11.3 DECLARATIONS BY EXPERTS**

#### **11.3.1 Declaration by Kenanga IB**

Kenanga IB confirms that there is no existing or potential conflict of interest in relation to its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent in respect of our IPO.

#### **11.3.2 Declaration by Mah Kamariyah & Philip Koh Advocates and Solicitors**

Mah-Kamariyah & Philip Koh confirms that there is no existing or potential conflict of interest in its capacity as the Legal Adviser/ Solicitors in respect of our IPO.

#### **11.3.3 Declaration by Baker Tilly Monteiro Heng PLT**

Baker Tilly Monteiro Heng PLT confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants in respect of our IPO.

#### **11.3.4 Declaration by Smith Zander**

Smith Zander confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher in respect of our IPO.

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## 12. FINANCIAL INFORMATION

### 12.1 REPORTING ACCOUNTANT'S REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION, STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CASH FLOWS



18 February 2022

The Board of Directors  
**Pappajack Berhad**  
11B, Jalan TK 1/11A  
Taman Kinrara, Seksyen 1  
47180 Puchong  
Selangor Darul Ehsan

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Dear Sirs,

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#### PAPPAJACK BERHAD

#### REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021 INCLUDED IN A PROSPECTUS

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We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of Pappajack Berhad ("Pappajack" or the "Company") and its subsidiaries, namely Pajak Gadai Tetap Sejiwa Sdn. Bhd., Pajak Gadai Pappajack Sdn. Bhd., Pajak Gadai Bertuah Sdn. Bhd., Pajak Gadai PPJack Sdn. Bhd., Pajak Gadai PPJ Sehati Sdn. Bhd., Pajak Gadai PPJ Sdn. Bhd., Pajak Gadai Pappajack Sehati Sdn. Bhd., Pajak Gadai Consistent Reach Sdn. Bhd., Pajak Gadai TSE Sdn. Bhd., Pajak Gadai BT Cleaning Sdn. Bhd., Pajak Gadai TMI Sdn. Bhd., Dhoby Ghaut (Kapar) Sdn. Bhd., Dhoby Ghaut Holdings Sdn. Bhd., Dhoby Ghaut (M) Sdn. Bhd., Mashita Holdings Sdn. Bhd., Consistent Reach Holdings Sdn. Bhd., Pappajack Holdings Berhad, Dhoby Ghaut (Sel) Sdn. Bhd., DGH Sdn. Bhd., Pajak Gadai PPJ Sejiwa Sdn. Bhd., PPJ Sejaya Sdn. Bhd., PPJ Rezeki Sdn. Bhd., PPJ Sinar Sdn. Bhd., PPJ Makmur Sdn. Bhd., PPJ Abadi Sdn. Bhd., PPJ Sukses Sdn. Bhd., PPJ Landas Emas Sdn. Bhd., PPJ Mandiri Sdn. Bhd., PPJ Berkat Sdn. Bhd. and PPJ Maju Sdn. Bhd. (collectively referred to as the "Group") for which the directors of Pappajack are solely responsible.

The pro forma consolidated statements of financial position consist of the pro forma consolidated statements of financial position as at 30 September 2021 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Pappajack have compiled the pro forma consolidated statements of financial position are as described in Note 2 to the pro forma consolidated statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

## 12. FINANCIAL INFORMATION (Cont'd)

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### **PAPPAJACK BERHAD**

Reporting Accountants' Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 30 September 2021 Included in A Prospectus



The pro forma consolidated statements of financial position of the Group has been compiled by the directors of Pappajack, for illustrative purposes only, for inclusion in the prospectus of Pappajack ("Prospectus") in connection with its Initial Public Offering ("IPO") in conjunction with the listing of and quotation for the entire enlarged issued share capital of Pappajack on the ACE Market of Bursa Malaysia Securities Berhad ("Listing"), after making certain assumptions and such adjustments to show the effects on the pro forma consolidated financial position of the Group as at 30 September 2021 adjusted for the Pre-IPO Reorganisation, the Public Issue and the use of proceeds as described in Notes 1.2.1, 1.2.2 and 3.2.2 respectively.

As part of this process, information about the Group's pro forma consolidated statements of financial position has been extracted by the directors of Pappajack from the audited financial statements of the Group .

The audited financial statements of the Group for the Financial Period Ended ("FPE") 30 September 2021 were reported by us to their respective members without any modifications.

#### *Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position*

The directors of Pappajack are responsible for compiling the pro forma consolidated statements of financial position based on the Applicable Criteria.

#### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institute of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

**12. FINANCIAL INFORMATION (Cont'd)****PAPPAJACK BERHAD**

Reporting Accountants' Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 30 September 2021 Included in A Prospectus

*Reporting Accountants' Responsibilities*

Our responsibility is to express an opinion, on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the directors of Pappajack based on the Applicable Criteria.

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

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

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

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Pappajack in the compilation of the pro forma consolidated statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the Listing and the acquisition of subsidiaries as described in Notes 1.2 to the pro forma consolidated statements of financial position, and to obtain sufficient appropriate evidence about whether:

- (a) The pro forma consolidated statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of the Group for the FPE 30 September 2021, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FPE 30 September 2021 and the adoption of the new accounting policies as described in Note 2.6 to the pro forma consolidated statements of financial position; and
- (b) Each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of the Group is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

## 12. FINANCIAL INFORMATION (Cont'd)

### PAPPAJACK BERHAD

Reporting Accountants' Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 30 September 2021 Included in A Prospectus



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

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

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

#### *Our opinion*

In our opinion:

- (a) the pro forma consolidated statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of the Group for the FPE 30 September 2021 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FPE 30 September 2021, which had been adopted by Pappajack as its group's accounting policies and the adoption of the new accounting policies as described in Note 2.6 to the pro forma consolidated statements of financial position; and
- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of the Group is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

#### *Other matters*

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

Yours faithfully,

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT  
201906000600 (LLP0019411-LCA) & AF 0117  
Chartered Accountants

A handwritten signature in black ink, appearing to read "Paul Tan Hong".

Paul Tan Hong  
No. 03459/11/2023 J  
Chartered Accountant

**12. FINANCIAL INFORMATION (Cont'd)**

**PAPPAJACK BERHAD**

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**1. INTRODUCTION**

The pro forma consolidated statements of financial position of Pappajack Berhad (“Pappajack” or the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) has been compiled by the directors of Pappajack, for illustrative purposes only, for inclusion in the prospectus of Pappajack in connection with its Initial Public Offering (“IPO”) in conjunction with the listing of and quotation for the entire enlarged issued share capital of Pappajack on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”).

1.1 In conjunction with the admission of Pappajack to the Official List and the listing of and quotation for its entire enlarged issued share capital of RM158,120,897 comprising 668,000,000 ordinary shares in the share capital of Pappajack (“Pappajack Share(s) or Share(s)”) on the Listing, Pappajack had undertaken the following transactions:

**1.2 Listing scheme**

**1.2.1 Pre-IPO Reorganisation**

**Acquisition of Pappajack Holdings Berhad (“Pappajack Holdings”)**

On 9 June 2021, Pappajack entered into a conditional share sale agreement to acquire the entire issued share capital of Pappajack Holdings of RM106.9 million comprising 106,940,233 ordinary shares for a total purchase consideration of approximately RM108.0 million (“Acquisition”). The said total purchase consideration was satisfied entirely by the issuance of 500,999,999 new Shares at an issue price of approximately RM0.22 per Share.

The total purchase consideration of approximately RM108.0 million for the acquisition of Pappajack Holdings was arrived based on a “willing-buyer willing-seller” basis after taking into consideration the adjusted net assets (“NA”) of RM108.0 million as follows:

	<b>RM'000</b>
Audited combined NA of Pappajack Holdings as at 31 December 2020 (after consolidation adjustments)	108,021

Upon the completion of the Acquisition of Pappajack Holdings, the issued share capital of Pappajack increased to approximately RM108.0 million comprising 500,999,999 Shares.

The acquisition was completed on 27 January 2022.





**12. FINANCIAL INFORMATION (Cont'd)**

**PAPPAJACK BERHAD**

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

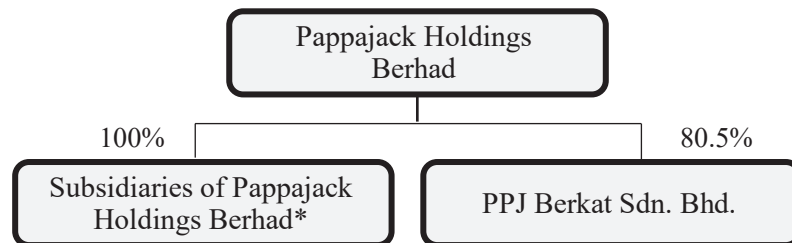
1. (Continued)

1.2 (Continued)

**1.2.1 Pre-IPO Reorganisation (Continued)**

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

**Before the Pre-IPO Reorganisation**



\* Subsidiaries of Pappajack Holdings Berhad include Pajak Gadai Tetap Sejiwa Sdn. Bhd., Pajak Gadai Pappajack Sdn. Bhd., Pajak Gadai Bertuah Sdn. Bhd., Pajak Gadai PPJack Sdn. Bhd., Pajak Gadai PPJ Sehati Sdn. Bhd., Pajak Gadai PPJ Sdn. Bhd., Pajak Gadai Pappajack Sehati Sdn. Bhd., Pajak Gadai Consistent Reach Sdn. Bhd., Pajak Gadai TSE Sdn. Bhd., Pajak Gadai BT Cleaning Sdn. Bhd., Pajak Gadai TMI Sdn. Bhd., Dhoby Ghaut (Kapar) Sdn. Bhd., Dhoby Ghaut Holdings Sdn. Bhd., Dhoby Ghaut (M) Sdn. Bhd., Mashita Holdings Sdn. Bhd., Consistent Reach Holdings Sdn. Bhd., Dhoby Ghaut (Sel) Sdn. Bhd., DGH Sdn. Bhd., Pajak Gadai PPJ Sejiwa Sdn. Bhd., PPJ Sejaya Sdn. Bhd., PPJ Rezeki Sdn. Bhd., PPJ Sinar Sdn. Bhd., PPJ Makmur Sdn. Bhd., PPJ Abadi Sdn. Bhd., PPJ Sukses Sdn. Bhd., PPJ Landas Emas Sdn. Bhd., PPJ Mandiri Sdn. Bhd., and PPJ Maju Sdn. Bhd.



**12. FINANCIAL INFORMATION (Cont'd)**

**PAPPAJACK BERHAD**

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

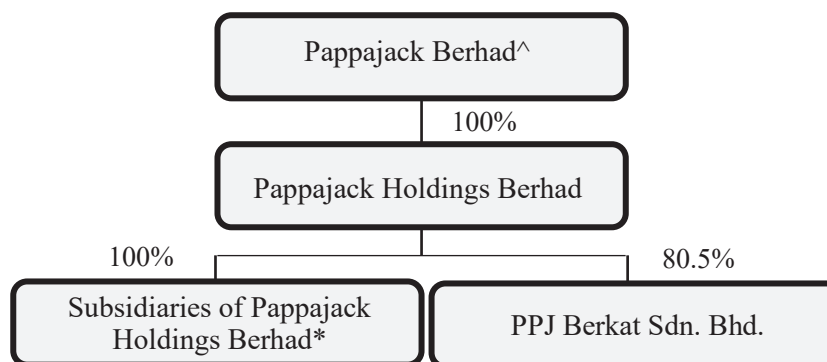
1. (Continued)

1.2 (Continued)

**1.2.1 Pre-IPO Reorganisation (Continued)**

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

**After the Pre-IPO Reorganisation**



^ Pappajack Berhad is the listed company.

**1.2.2 Public Issue**

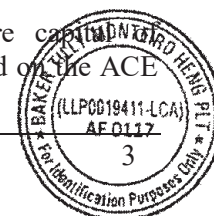
The public issue of 167,000,000 new ordinary shares in Pappajack (“Shares”), at the IPO price of RM0.30 for each Share, representing 25.0% of the enlarged number of shares of Pappajack, to be allotted in the following manner:

- (i) 33,400,000 new Shares available for application by the Malaysian public;
- (ii) 6,680,000 new Shares available for application other than directors and employees of the Group;
- (iii) 43,420,000 new Shares by way of private placement to selected investors; and
- (iv) 83,500,000 new Shares by way of private placement to identified Bumiputera investors approved by the Ministry of International Trade and Industry Malaysia.

(Collectively hereinafter referred to as “Public Issue”).

**1.3 Listing on Bursa Securities**

Upon completion of the IPO, Pappajack’s entire enlarged issued share capital of approximately RM158.1 million comprising 668,000,000 Shares will be listed on the ACE Market of Bursa Securities.



**12. FINANCIAL INFORMATION (Cont'd)**

**PAPPAJACK BERHAD**

**2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

- 2.1 The pro forma consolidated statements of financial position have been prepared to illustrate that the pro forma consolidated financial position of the Group as at 30 September 2021, adjusted for the Pre-IPO Reorganisation, the Public Issue and the use of proceeds as described in Notes 1.2.1, 1.2.2 and 3.2.2 respectively.
- 2.2 The pro forma consolidated statements of financial position have been prepared based on the audited financial statements for the financial period ended 30 September 2021 (“FPE 2021”) of the Group .
- 2.3 The audited financial statements of the Group for the financial period under review were reported by the auditors to their respective members without any modifications.
- 2.4 The pro forma consolidated statements of financial position of the Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.
- 2.5 The pro forma consolidated statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma consolidated statements of financial position based on the audited financial statements of the Group for the FPE 2021 which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.
- 2.6 The pro forma consolidated statements of financial position of the Group have been prepared in a manner consistent with both the format of the audited financial statements and accounting policies adopted by the Group in the preparation of its audited financial statements for the FPE 2021 and the adoption of the following new accounting policies, which had been adopted by the Group as the group’s accounting policies.



**12. FINANCIAL INFORMATION (Cont'd)****PAPPAJACK BERHAD****2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

## 2.6 (Continued)

**Merger accounting**

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

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

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entity and is accounted for as follows:

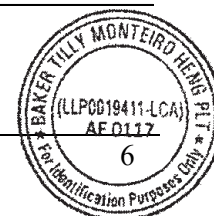
- the assets and liabilities of the acquired entity is recognised and measured in the consolidated financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and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



**12. FINANCIAL INFORMATION (Cont'd)****PAPPAJACK BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP**

3.1 The pro forma consolidated statements of financial position of the Group as set out below, for which the directors of the Group are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of the Group as at 30 September 2021, had the Pre-IPO Reorganisation, the Public Issue and the use of proceeds as described in the Notes 1.2.1, 1.2.2 and 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	<b>Audited Statement of Financial Position as at 30 September 2021 RM'000</b>	<b>Pro Forma I After the Pre-IPO Reorganisation RM'000</b>	<b>Pro Forma II After Pro Forma I and the Public Issue RM'000</b>	<b>Pro Forma III After Pro Forma II and the use of proceeds RM'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	-	9,154	9,154	9,154
Investment property	-	1,333	1,333	1,333
<b>Total non-current assets</b>	-	10,487	10,487	10,487
<b>Current assets</b>				
Inventories	-	467	467	467
Current tax assets	-	233	233	233
Trade and other receivables	-	116,784	116,784	115,834
Cash and bank balances	-	5,128	55,228	52,803
<b>Total current assets</b>	-	122,612	172,712	169,337
<b>TOTAL ASSETS</b>	-	133,099	183,199	179,824
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Group</b>				
Share capital	*	108,021	158,121	157,777
Reorganisation deficit	-	(11,518)	(11,518)	(11,518)
Retained earnings	(10)	16,947	16,947	13,916
	(10)	113,450	163,550	160,175
Non-controlling interest	-	766	766	766
<b>TOTAL EQUITY</b>	(10)	114,216	164,316	160,941



12. FINANCIAL INFORMATION (Cont'd)

PAPPAJACK BERHAD

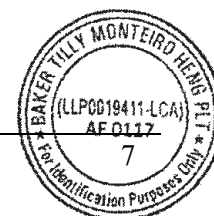
3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.1 (Continued)

	Audited Statement of Financial Position as at 30 September 2021 RM'000	Pro Forma I After the Pre-IPO Reorganisation RM'000	Pro Forma II After Pro Forma I and the Public Issue RM'000	Pro Forma III After Pro Forma II and the use of proceeds RM'000
<b>Non-current liabilities</b>				
Loans and borrowings	-	4,531	4,531	4,531
Deferred tax liabilities	-	47	47	47
Other payables	-	9,000	9,000	9,000
<b>Total non-current liabilities</b>	-	13,578	13,578	13,578
<b>Current liabilities</b>				
Loans and borrowings	-	1,164	1,164	1,164
Current tax liabilities	-	978	978	978
Other payables	10	3,163	3,163	3,163
<b>Total current liabilities</b>	10	5,305	5,305	5,305
<b>TOTAL LIABILITIES</b>	10	18,883	18,883	18,883
<b>TOTAL EQUITY AND LIABILITIES</b>	-	133,099	183,199	179,824
Number of ordinary shares assumed to be in issue ('000)	-	501,000	668,000	668,000

NA^ (RM'000)	(10)	113,450	163,550	160,175
NA per ordinary share (RM)	-	0.23	0.24	0.24
^ attributable to owners of the Group				

\* Amount is less than RM 1,000.



**12. FINANCIAL INFORMATION (Cont'd)****PAPPAJACK BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 Notes to the pro forma consolidated statements of financial position are as follows:

3.2.1 The pro forma consolidated statements of financial position of the Group, for which the directors of the Group are solely responsible, have been prepared for illustrative purposes only, to show the effects on the consolidated audited statement of financial position of the Group as at 30 September 2021, had the transactions as described in Note 1.2 and the use of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.2.2 The proceeds from the Public Issue would be utilised in the following manner:

Purpose	RM'000	%	Time frame for utilisation from the date of listing
<b>Not reflected in pro forma consolidated statements of financial position</b>			
Expansion of pawnbroking outlets	19,220	38.36	Within 12 months
Cash capital for existing 20 pawnbroking outlets	27,080	54.05	Within 12 months
<b>Reflected in pro forma consolidated statements of financial position</b>			
Estimated listing expenses	3,800	7.58	Immediate
<b>Gross proceeds</b>	<b>50,100</b>	<b>100.00</b>	

3.2.3 The pro forma consolidated statements of financial position should be read in conjunction with the notes below:

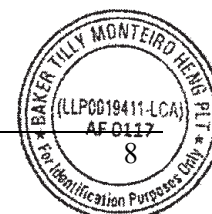
**(a) Pro Forma I**

Pro Forma I incorporate the effects of the Pre-IPO Reorganisation as described in Note 1.2.1 on the pro forma consolidated statements of financial position of Pappajack as at 30 September 2021.

**Acquisition of Pappajack Holdings**

The reorganisation deficit arising from the Acquisition of Pappajack Holdings are as below:

	RM'000
Purchase consideration	108,021
Less: Share capital of Pappajack Holdings	(106,940)
Reorganisation deficit	<u>1,081</u>

**Pro Forma Consolidated Statements of Financial Position**

**12. FINANCIAL INFORMATION (Cont'd)****PAPPAJACK BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

**(a) Pro Forma I (Continued)**

The Pre-IPO Reorganisation had the following impact on the pro forma audited statement of financial position of Pappajack as at 30 September 2021:

	<b>Increase/(Decrease)</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity/ Liabilities RM'000</b>
Property, plant and equipment	9,154	-
Investment property	1,333	-
Inventories	467	-
Current tax assets	233	-
Trade and other receivables	116,784	-
Cash and bank balances	5,128	-
Share capital	-	108,021
Reorganisation deficit	-	(11,518)
Retained earnings	-	16,957
Non-controlling interest	-	766
Loans and borrowings		
- non-current	-	4,531
- current	-	1,164
Deferred tax liabilities	-	47
Other payables		
- non-current	-	9,000
- current	-	3,153
Current tax liabilities	-	978
	<b>133,099</b>	<b>133,099</b>





**12. FINANCIAL INFORMATION (Cont'd)****PAPPAJACK BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

**(b) Pro Forma II**

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

The Public Issue will have the following impact on the pro forma consolidated statements of financial position of the Group as at 30 September 2021:

	<b>Increase/(Decrease)</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity RM'000</b>
Cash and bank balances	50,100	-
Share capital	-	50,100
	50,100	50,100

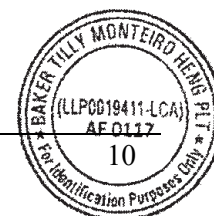
**(c) Pro Forma III**

Pro Forma III incorporates the cumulative effects of Pro Forma II and the use of proceeds from the Public Issue of RM50.1 million after netting off RM3.8 million for estimated listing expenses.

The remaining proceeds expected from the Public Issue of RM46.3 million will be utilised in the manner as described in Note 3.2.2.

The proceeds arising from the Public Issue earmarked for the expansion of pawnbroking outlets and cash capital for existing 20 pawnbroking outlets of RM46.3 million will be included in the Cash and Bank Balances Account.

As at 30 September 2021, out of the RM3.8 million estimated listing expenses, RM1.38 million has already been incurred of which RM0.43 million is charged to Retained Earnings Account and RM0.95 million has been recognised as prepayment. The RM0.95 million is recognised as prepayment as these are directly attributable expenses relating to the new issuance of shares which will be capitalised under Share Capital Account upon Listing. RM3.03 million will be charged to Retained Earnings Account.



**12. FINANCIAL INFORMATION (Cont'd)****PAPPAJACK BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

**(c) Pro Forma III (continued)**

The use of proceeds will have the following impact on the pro forma consolidated statements of financial position of the Group as at 30 September 2021:

	<b>Increase/(Decrease)</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity/ Liabilities RM'000</b>
Cash and bank balances	(2,425)	-
Prepayment	(950)	-
Share capital	-	(344)
Retained earnings	-	(3,031)
	<b>(3,375)</b>	<b>(3,375)</b>



**12. FINANCIAL INFORMATION (Cont'd)**

**PAPPAJACK BERHAD**

**3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

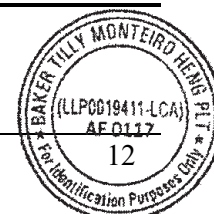
	Share capital RM'000	Reorganisation deficit RM'000	Retained earnings RM'000
Consolidated statements of financial position of the Group as at 30 September 2021	*	-	(10)
Arising from the Pre-IPO Reorganisation	108,021	(11,518)	16,957
Per Pro Forma I	108,021	(11,518)	16,947
Arising from the Public Issue	50,100	-	-
Per Pro Forma II	158,121	(11,518)	16,947
Arising from the defrayment of estimated listing expenses in relation to the Listing	(344)	-	(3,031)
Per Pro Forma III	157,777	(11,518)	13,916

\* Amount is less than RM 1,000.

3.2.5 Movements in cash and bank balances are as follows:

	RM'000
Consolidated statements of financial position of the Group as at 30 September 2021	-
Arising from the Pre-IPO Reorganisation	5,128
Per Pro Forma I	5,128
Arising from the Public Issue	50,100
Per Pro Forma II	55,228
Arising from the defrayment of estimated listing expenses in relation to the Listing	(2,425)
Per Pro Forma III	52,803

**Pro Forma Consolidated Statements of Financial Position**



**12. FINANCIAL INFORMATION (Cont'd)**


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**PAPPAJACK BERHAD**

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**APPROVAL BY THE BOARD OF DIRECTORS**

Approved and adopted on behalf of the Board of Directors of Pappajack Berhad in accordance with a resolution dated 18 February 2022.

  
.....  
**Lim Boon Hua**  
**Director**  
.....  
**Law Book Ching**  
**Director**

**12. FINANCIAL INFORMATION (Cont'd)****12.2 HISTORICAL FINANCIAL INFORMATION**

Our historical financial information throughout the Period Under Review has been prepared in accordance with the MFRSs and IFRSs. Additionally, the unaudited financial information for FPE 2020 has been prepared for comparison purposes only. MFRS 16 is early adopted with the initial application date of 1 January 2018 to enhance comparability of financial statements for the Period Under Review, the details of which are set out in Note 2.2 of the Accountants' Report.

We completed the Acquisition on 27 January 2022. All companies acquired by Pappajack pursuant to the Acquisition are assumed to be under common control with our Group since their incorporation and prior to the Acquisition. As such, the historical financial information of our Group for the Period Under Review is presented based on the audited combined financial statements of the Group.

**12.2.1 Combined statements of profit or loss and other comprehensive income**

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for the Period Under Review as well as the historical unaudited combined statement of profit or loss and other comprehensive income of our Group for the FPE 2020, which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.3 and 13 of this Prospectus respectively.

	Audited			Unaudited	Audited
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FPE 2020 RM'000	FPE 2021 RM'000
Revenue	10,010	19,207	30,769	20,315	25,407
Cost of sales	(6,052)	(13,263)	(16,951)	(11,034)	(14,895)
<b>GP</b>	<b>3,958</b>	<b>5,944</b>	<b>13,818</b>	<b>9,281</b>	<b>10,512</b>
Other income	46	62	366	316	80
Administrative expenses	(1,492)	(2,316)	(2,328)	(1,125)	(2,082)
<b>Operating profit</b>	<b>2,512</b>	<b>3,690</b>	<b>11,856</b>	<b>8,472</b>	<b>8,510</b>
Finance costs	(196)	(373)	(744)	(472)	(506)
<b>PBT</b>	<b>2,316</b>	<b>3,317</b>	<b>11,112</b>	<b>8,000</b>	<b>8,004</b>
Taxation	(745)	(1,355)	(2,907)	(1,891)	(2,578)
<b>PAT/ Total comprehensive income for the financial year/period</b>	<b>1,571</b>	<b>1,962</b>	<b>8,205</b>	<b>6,109</b>	<b>5,426</b>
<b>Profit/(Loss) attributable to:</b>					
- Owners of the Group	1,571	1,962	8,209	6,110	5,436
- Non-controlling interests	-	-	(4)	(1)	(10)
	<b>1,571</b>	<b>1,962</b>	<b>8,205</b>	<b>6,109</b>	<b>5,426</b>
EBITDA <sup>(1)</sup>	3,074	4,780	13,381	9,557	9,993
GP margin (%) <sup>(2)</sup>	39.54	30.95	44.91	45.69	41.37
PBT margin (%) <sup>(3)</sup>	23.14	17.27	36.11	39.38	31.50
PAT margin (%) <sup>(3)</sup>	15.69	10.22	26.67	30.07	21.36
Basic EPS (sen) <sup>(4)</sup>	0.31	0.39	1.64	1.22	1.09
Diluted EPS (sen) <sup>(5)</sup>	0.24	0.29	1.23	0.91	0.81

**12. FINANCIAL INFORMATION (Cont'd)**

Notes:

- (1)
- The interest income, finance costs and depreciation for the Period Under Review are as follows:-*

	<b>Audited</b>			<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2018 RM'000</b>	<b>FYE 2019 RM'000</b>	<b>FYE 2020 RM'000</b>	<b>FPE 2020 RM'000</b>	<b>FPE 2021 RM'000</b>
<i>Interest income</i>	-	-	(9)	(6)	-
<i>Finance costs</i>	196	373	744	472	506
<i>Depreciation</i>	562	1,090	1,534	1,091	1,483

*EBITDA is a supplemental measure of our performance and is not required by or presented in accordance with the MFRS.*

- (2) *Calculated based on GP over revenue.*
- (3) *Calculated based on PBT/ PAT over revenue.*
- (4) *Calculated based on PAT attributable to the owners for the financial year/period over our number of Shares in issue of 501,000,000 Shares before our IPO.*
- (5) *Calculated based on PAT attributable to the owners for the financial year/period over our enlarged number of Shares in issue of 668,000,000 Shares after our IPO.*

*[The rest of this page is intentionally left blank]*

**12. FINANCIAL INFORMATION (Cont'd)****12.2.2 Combined statements of financial position**

The following table sets out the combined statements of financial position of our Group as at 31 December 2018, 2019 and 2020 as well as at 30 September 2021, which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.3 and 13 of this Prospectus respectively.

	Audited			
	As at 31 December			As at 30 September
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
<b>Non-current assets</b>				
Property, plant and equipment	4,429	7,257	9,156	9,154
Investment property	1,387	1,367	1,347	1,333
Deferred tax assets	8	25	-	-
<b>Total non-current assets</b>	<b>5,824</b>	<b>8,649</b>	<b>10,503</b>	<b>10,487</b>
<b>Current assets</b>				
Inventories	1,924	1,252	873	467
Current tax assets	1	23	24	233
Trade receivables	26,616	50,195	98,779	114,359
Other receivables	20,288	3,549	2,641	2,425
Cash and bank balances	5,910	11,643	15,658	5,128
<b>Total current assets</b>	<b>54,739</b>	<b>66,662</b>	<b>117,975</b>	<b>122,612</b>
<b>Total assets</b>	<b>60,563</b>	<b>75,311</b>	<b>128,478</b>	<b>133,099</b>
<b>Equity</b>				
Invested equity	53,400	61,200	106,940	106,940
Reorganisation deficit	-	-	(10,437)	(10,437)
Retained earnings	1,526	3,488	11,511	16,947
	<b>54,926</b>	<b>64,688</b>	<b>108,014</b>	<b>113,450</b>
Non-controlling interests	-	-	776	766
<b>Total equity</b>	<b>54,926</b>	<b>64,688</b>	<b>108,790</b>	<b>114,216</b>
<b>Non-current liabilities</b>				
Loans and borrowings	3,621	8,801	4,732	4,531
Deferred tax liabilities	1	11	48	47
Other payables	-	-	12,000	9,000
<b>Total non-current liabilities</b>	<b>3,622</b>	<b>8,812</b>	<b>16,780</b>	<b>13,578</b>
<b>Current liabilities</b>				
Loans and borrowings	512	795	1,001	1,164
Current tax liabilities	746	521	1,151	978
Other payables	170	495	756	3,163
Contract liabilities <sup>(1)</sup>	587	-	-	-
<b>Total current liabilities</b>	<b>2,015</b>	<b>1,811</b>	<b>2,908</b>	<b>5,305</b>
<b>Total liabilities</b>	<b>5,637</b>	<b>10,623</b>	<b>19,688</b>	<b>18,883</b>
<b>Total equity and liabilities</b>	<b>60,563</b>	<b>75,311</b>	<b>128,478</b>	<b>133,099</b>

Note:

- (1) *Contract liabilities comprise of sale invoices issued as at the end of FYE 2018 for sale of unredeemable or bid pledges and payments received, but the related revenue was recognised after the financial year-end in FYE 2019, mainly due to the related unredeemable or bid pledges were only delivered to the scrap collectors in January 2019.*

**12. FINANCIAL INFORMATION (Cont'd)****12.2.3 Combined statements of cash flows**

The following table sets out the combined statements of cash flows of our Group for the Period Under Review as well as the historical unaudited combined statement of cash flows of our Group for the FPE 2020 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.3 and 13 of this Prospectus respectively.

	Audited			Unaudited	Audited
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FPE 2020 RM'000	FPE 2021 RM'000
<b>Cash flows from operating activities</b>					
PBT	2,316	3,317	11,112	8,000	8,004
Adjustments for:					
Depreciation of property, plant and equipment	542	1,070	1,514	1,077	1,469
Gain on disposal of property, plant and equipment	-	*	*	-	-
Depreciation of investment property	20	20	20	14	14
Impairment loss on inventories	-	-	-	-	137
Trade receivable written off	87	117	147	78	37
Finance costs	196	373	744	472	506
Finance income	-	-	(9)	(6)	-
Operating profit before working capital changes	3,161	4,897	13,528	9,635	10,167
Changes in working capital:					
Inventories	(1,526)	671	379	(974)	269
Trade and other receivables	(8,711)	(24,582)	(49,121)	(31,229)	(16,181)
Other payables	(80)	325	185	(135)	(451)
Contract liability	587	(587)	-	-	-
Net cash generated from operations	(6,569)	(19,276)	(35,029)	(22,703)	(6,196)
Income tax paid	(236)	(1,610)	(2,223)	(881)	(2,961)
Income tax refund	-	1	6	-	-
Finance income	-	-	9	6	-
<b>Net cash used in operating activities</b>	<b>(6,805)</b>	<b>(20,885)</b>	<b>(37,237)</b>	<b>(23,578)</b>	<b>(9,157)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(587)	(1,921)	(2,289)	(1,417)	(655)
Proceeds from disposal of property, plant and equipment	-	4	1	-	-
<b>Net cash used in investing activities</b>	<b>(587)</b>	<b>(1,917)</b>	<b>(2,288)</b>	<b>(1,417)</b>	<b>(655)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issuance of ordinary shares	28,000	7,800	36,083	-	-
Proceeds from issuance of redeemable preference shares	-	4,125	4,190	4,190	-
Redemption of redeemable preference shares	-	-	(8,315)	-	-
Interests paid	(196)	(373)	(744)	(472)	(506)
Repayment of term loans	(36)	(39)	(8)	(2)	(33)
Net changes of lease liabilities	(269)	(604)	(855)	(607)	(817)
Net change in advance from/ (to) shareholders	(17,713)	17,626	14,155	24,723	(42)
Net change in amount owing from minority interest	-	-	(780)	-	680
Dividend paid	-	-	(186)	(186)	-
<b>Net cash from/(used in) financing activities</b>	<b>9,786</b>	<b>28,535</b>	<b>43,540</b>	<b>27,646</b>	<b>(718)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,394</b>	<b>5,733</b>	<b>4,015</b>	<b>2,651</b>	<b>(10,530)</b>
Cash and cash equivalents at the beginning of the financial year/period	3,516	5,910	11,643	11,643	15,658
<b>Cash and cash equivalents at the end of the financial year/period</b>	<b>5,910</b>	<b>11,643</b>	<b>15,658</b>	<b>14,294</b>	<b>5,128</b>

Note:

\* Amount less than RM1,000.



**12. FINANCIAL INFORMATION (Cont'd)**

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**12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The following discussion and segmental analysis of our combined financial statements for the Period Under Review should be read with the Accountants' Report included in Section 13 of this Prospectus.

**12.3.1 Overview of our operations****(i) Principal activities**

Our Group is principally involved in the provision of pawnbroking services through a network of 25 pawnbroking outlets in Malaysia as at the LPD. Each pawnbroking outlet is held and operated by a subsidiary of our Group and each subsidiary is individually licensed by the KPKT.

Pawnbroking services are provided by pawnbrokers who principally offer pledges-backed short-term financing or pawn loan with a short repayment period to pawners (i.e. persons with pledges for pawn to pawnbrokers) who are the customers of pawnbroking services. A pawn loan is commonly defined as a micro-loan provided against the security of pledges or deposits of personal properties such as gold jewellery and other high value personal items such as luxury watches. Pawn tickets are receipts that are issued to pawners as proofs of pawn transactions. The repayment duration for the pawn loans is up to 6 months and upon expiration of pawn tickets, pawners who opt to redeem the pledges later than the validity period of the pawn tickets are required to re-pawn the pledges to obtain new pawn tickets with new validity period.

Please refer to Section 6 of this Prospectus for our Group's detailed business overview and Section 4 of this Prospectus for the risk factors that may affect our revenue and financial performance.

**(ii) Revenue**

We operate pawnbroking outlets which are licensed by the KPKT and as such, we adhere to the regulations under the Pawnbrokers Act 1972 and guidelines issued by the KPKT, amongst others, prescribed interest rate, administrative fees chargeable to customers and all administrative procedures set by the KPKT including procedures to sell the unredeemed or bid pledges and obligations to customers.

Our Group's revenue is derived from the following:

- (a) Revenue from pawnbroking comprises the monthly interest charges earned from the pawn loan and one-off administrative fees from our pawnbroking services as below:
  - (i) Monthly interest charges earned from the pawn loan is recognised on time-proportion basis using the effective interest method. A maximum monthly interest charge of 2.00% on the pawn amount which is payable upon redemption of pledges; and
  - (ii) One-off administrative fees for our pawnbroking services are recognised at a point in time when the performance obligation is satisfied upon the transfer of the services to the customer. We may charge a maximum one-off administrative fee of RM0.50 for the issuance of pawn tickets for any pawn loans amounting to more than RM10.00.

**12. FINANCIAL INFORMATION (Cont'd)**

Pawnbroking is the key driver of our Group's revenue and the growth of revenue from pawnbroking depends on our ability to maintain substantial Cash Capital for provision of pawn loans to our customers, the market demand of pawn loans and the prevailing competition in the industry.

Revenue generated from pawnbroking contributed 45.76%, 37.97%, 45.12%, 52.51%, and 56.37% of our group's total revenue for the FYE 2018, FYE 2019, FYE 2020, FPE 2020 and FPE 2021 respectively.

- (a) Revenue from sale of unredeemed or bid pledges such as gold jewellery and luxury watches is derived when our Group takes possession of the unredeemed pledges from our customers as the cash recovery process for the unredeemed pawn ticket upon the expiry of the pawn ticket. We proceed to sell the unredeemed pledge if our customers do not redeem the pledge and have no intention to redeem the pledge upon the expiration of the pawn ticket.

Gold jewellery was the main contributor for the sale of unredeemed or bid pledges, which comprise 100.00%, 100.00%, 99.99%, 99.86% and 99.89% for the FYE 2018, FYE 2019, FYE 2020, FPE 2020 and FPE 2021 respectively. For pawns not exceeding RM200.00, we will sell the unredeemed pledges (i.e. gold) directly to scrap collectors. For pawns exceeding RM200.00, the unredeemed pledges (i.e. gold or luxury watches) are sold via public auctions conducted by licensed auctioneers (i.e. auctioneers recognised by the KPKT) which we generally participate once a month. We will bid for and if successful, we will purchase the bid pledges (i.e. gold and luxury watches) during the public auctions and thereafter sell the gold to scrap collectors and the luxury watches to watch purchasers through an online luxury watch trading platform. Prices of gold and luxury watches are determined according to their respective prevailing market value.

Revenue from the sale of unredeemed or bid pledges is recognised at a point in time when the performance obligation is satisfied upon the transfer of the goods to the buyer, which generally coincides with the delivery and acceptance of the pledge sold. Revenue is not recognised when to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from sales of unredeemed or bid pledges represented approximately 54.24%, 62.03%, 54.88%, 47.49% and 43.63% of our Group's total revenue for the FYE 2018, FYE 2019, FYE 2020, FPE 2020 and FPE 2021 respectively.

The fluctuation in revenue from sale of unredeemed or bid pledges depends on the total amount of the unredeemed pledges from customers in the cash recovery process for the unredeemed pawn tickets and the prevailing market prices of the unredeemed pledges.

**(iii) Cost of sales**

Our Group's cost of sales comprises of the followings:

- (a) Costs for pawnbroking comprises:
- (i) Pawnbroking outlet operating costs which consist of depreciation, license fees, insurance, utilities and rental of pawnbroking outlets. Pawnbroking outlets' operating costs represent the second largest component in our total cost of sales with approximately 12.94%, 11.88%, 14.21%, 15.23% and 14.04% of our total cost of sales for the FYE 2018, FYE 2019, FYE 2020, FPE 2020 and FPE 2021 respectively.

## 12. FINANCIAL INFORMATION (Cont'd)

(ii) Staff costs which consist of salaries, employees' provident funds contributions, commissions, bonuses and other staff related benefits. Staff costs represent approximately 10.57%, 8.75%, 11.78%, 11.52% and 14.86% of our Group's total cost of sales for the FYE 2018, FYE 2019, FYE 2020, FPE 2020 and FPE 2021 respectively.

(b) Costs for unredeemed or bid pledges comprises:

(i) These are costs of unredeemed or bid gold pledges sold to scrap collectors and costs of unredeemed or bid luxury watches to watch purchasers through an online luxury watch trading platform. Costs for unredeemed or bid pledges comprise of the unredeemed pawn loans and accrued interests for the pawn loans.

Costs of unredeemed or bid pledges accounted for approximately 74.62%, 78.42% 73.28%, 72.50% and 70.33% of our Group's total cost of sales for the FYE 2018, FYE 2019, FPE 2020 and FPE 2021 respectively.

(ii) Auction fees incurred from the public auctions conducted by licensed auctioneers (i.e. auctioneers recognised by the KPKT). The auction fee rates ranging from 1% to 2% on the amount of auctioned pledges during the Period Under Review. The auction fees represent approximately 1.87%, 0.95%, 0.73%, 0.75% and 0.76% of our Group's total cost of sales for the FYE 2018, FYE 2019, FPE 2020 and FPE 2021 respectively.

(iv) **Other income**

Other income comprises mainly government wage subsidies received, rental income and interest received from licensed banks.

(v) **Administrative expenses**

Administrative expenses comprise mainly overheads incurred to maintain our operations such as remunerations for administrative staff and directors, legal and professional fees, repair and maintenance costs, trade receivables written off, inventory written off, travelling and accommodation expenses and depreciation of property, plant and equipment.

(vi) **Finance costs**

Finance costs comprise interest for redeemable preference shares, interest for advances from shareholders and lease interests pursuant to the adoption of MFRS 16 on Leases for leasing of the pawnbroking outlets and term loan interests for financing the purchase of an investment property.

(vii) **Changes to accounting policies and estimates**

Save as disclosed in Section 13 of this Prospectus, there were no other changes to our accounting policies and estimates during the Period Under Review.

(viii) **Recent developments**

Save for the Acquisition, there were no significant events subsequent to our Group's audited combined financial statements for the FPE 2021.

**12. FINANCIAL INFORMATION (Cont'd)**

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**(ix) Exceptional and extraordinary items and audit qualifications**

There were no exceptional or extraordinary items during the Period Under Review. In addition, our audited combined financial statements for the Period Under Review were not subject to any audit qualifications.

**(x) Significant Factors Affecting Our Business**

Section 4 of this Prospectus detailed a number of risk factors relating to our business and industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect revenue and profits include but are not limited to the following:

**(a) Exposure to Unlawful and Suspicious Pawn Transactions and Transactions of Stolen Gold or Luxury Watches**

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

The measures taken to prevent unlawful and suspicious dealings include ensuring that pledges received are directly from the rightful owners, verifying the identity of customers before pawn transactions, recording the identification details of customers and pledge assessment, as disclosed in Section 6.3.2(i)(a) and (b) and Section 6.3.5(i) of this Prospectus. Further, the adequacy of our Group's internal system to minimise the risk of stolen items being received at pawnbroking outlets had been reviewed by our management team and an independent internal control advisor. However, there is no assurance that the measures taken for prevention of unlawful dealings can fully eliminate transactions of stolen gold or luxury watches in our pawnbroking outlets. In the event of transactions of stolen gold or luxury watches, we face the risk of losing the pledges when confiscated by the police and as a result may not be able to recover the losses incurred. This may subsequently adversely affect our profitability. In the past 3 FYE 2018 to FYE 2020, FPE 2021 and up to the LPD, there were 8 occurrences whereby our customers' pledges were confiscated by the police. There were no pledges confiscated by the police from 1<sup>st</sup> October 2021 up to the LPD. The total loss incurred from the confiscation was RM79,326.90 and was not recovered. Any loss arising from confiscation of pledges are not covered under the jeweller's block insurance policy and will be written off 12 months from the date of pawn ticket issuance.

**(b) Changes in Regulatory Requirements for Pawnbroking Business**

Our business operations are governed by the KPKT, and are governed by the regulations under the Pawnbrokers Act 1972. Under the Pawnbrokers Act 1972, a pawnbroking licence is mandatory for opening and operating a pawnbroking outlet. Such a licence is valid for a period of 2 years and is subject to renewal provided that the pawnbroking outlet adheres to the regulations enforced by the KPKT.

**12. FINANCIAL INFORMATION (Cont'd)**

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

**(c) We Require Cash Capital to Grow Our Business Operations**

We require Cash Capital for the provision of pawn loans to our customers. To finance our Cash Capital requirements, we have been relying on internally generated funds as well as capital injections from shareholders and shareholders' advances. Our internally generated funds are used to fund all operating costs and expenses and the issuance of new pawn loans. The capital injections from shareholders and shareholders' advances are used to fund the issuance of new pawn loans and the paid-up capital required for each new pawnbroking outlet. As such, we have been dependent on capital injections from shareholders and shareholders' advances in the past 3 FYE 2018 to FYE 2020 to expand our business in terms of the issuance of new pawn loans and the number of pawnbroking outlets. In the FYE 2018, FYE 2019 and FYE 2020, capital injections from shareholders and shareholders' advances amounted to approximately RM10.29 million, RM29.55 million and RM46.11 million, respectively. In FPE 2021, there was no capital injections from shareholders and shareholders' advances. As at the LPD, the outstanding shareholders' advances amounted to RM12.00 million.

In the past 3 FYE 2018 to FYE 2020, FPE 2021 and up to the LPD, we did not obtain bank financing to fund our Cash Capital requirements as capital injections from shareholders and shareholders' advances can be raised and at a shorter timeframe as oppose to obtaining bank financing. For the next 12 months from the date of this Prospectus, our Group plans to finance our Cash Capital requirements from our IPO proceeds, internally generated funds and existing shareholders' funds. Moving forward, after 12 months from the date of this Prospectus, we will continue to utilise our internally generated funds and existing shareholders' funds to finance our Cash Capital requirements. Further, we may also raise additional funds from bank borrowings and/or the capital market to finance future expansions of our pawnbroking business when required. The issuance of additional securities could result in dilution of our shareholders. The incurrence of indebtedness through issuance of debt securities would result in increased in debt service obligation which may impact our financial performance. We do not foresee any major difficulties in obtaining bank financing for purposes of financing Cash Capital requirements after our Listing. However, if we obtain bank financing to finance our Cash Capital requirements, our borrowing cost is subject to interest rates imposed by the banks. Any material increase in the interest rates imposed on us by the banks will increase our finance costs which may impact our overall profit margin.

As at the LPD, we have not failed to obtain Cash Capital to deploy pawn loans to our customers. However, there is no assurance that we will be able to continue to obtain and maintain our Cash Capital for our operations. In the event that we are unable to obtain and maintain our Cash Capital, our business operations may be affected as we may be required to reduce our pawn loan offerings to customers. This may affect our ability to generate more revenue in terms of interest charges and/or sale of unredeemed pledges, which may adversely impact our financial performance.

**12. FINANCIAL INFORMATION (Cont'd)**

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**(d) Exposure to Liquidity Risk**

Our pawnbroking business requires substantial Cash Capital for our business operations and thus, the liquidity of our pawnbroking business is dependent on our timely access to, and the costs associated with, raising and maintaining Cash Capital. In the event we receive an increase in demand for new pawn loans from customers, a decrease in pawn loan repayment from our customers, as well as a delay in the sale of unredeemed or bid pledges to scrap collectors and watch purchasers, our pawnbroking business may be exposed to liquidity risk. The decrease in pawn loan repayment from our customers and the delay in the sale of unredeemed or bid pledges to scrap collectors and watch purchasers may cause temporary deficit in our internally generated funds which may potentially impact our ability in maintaining sufficient liquidity and funds to meet daily cash needs (i.e. operating costs and expenses as well as the issuance of new pawn loans). Subsequently, this may thus impact our business operations and financial performance. However, for the past 3 FYE 2018 to 2020, FPE 2021 and up to the LPD, we have not experienced any instances whereby we are not able to maintain sufficient funds to meet our daily cash needs.

In the past 3 FYE 2018 to 2020, FPE 2021 and up to the LPD, our Cash Capital was generated from internally generated funds, as well as capital injections from shareholders and shareholders' advances. Moving forward, we will continue to utilise our IPO proceeds, internally generated funds and existing shareholders' funds to maintain our Cash Capital requirements. Further, we may also raise funds from bank borrowings and/or the capital market to finance future expansions of our pawnbroking business when required. In the event we raise funds through bank borrowings, we may face the risk of a mismatch in timing to generate sufficient cash flow through the repayment of pawn loans by our customers and the sale of unredeemed or bid pledges to scrap collectors and watch purchasers to repay our bank borrowings on time. As such, this may impact our financial performance as well as adversely affect our credibility as a borrower.

**(e) Dependency on Skilled, Reliable and Trustworthy Outlet Personnel for the Provision of Pawnbroking Services**

We believe that one of the key factors for the continuous growth and success of our business is the extensive knowledge and experience of our skilled outlet personnel in providing pawnbroking services to our customers, particularly their skills in pledge assessment and price valuation. Further, our ability to provide quality customer service is also largely dependent on the performance of our outlet personnel. In the event our outlet personnel are not able to execute their responsibilities in a satisfactory manner to our customers or if our Group is unable to retain and maintain our team of capable outlet personnel or replace any possible loss of such skilled personnel, our customer satisfaction levels may decline causing our business operations to be adversely affected.

**12. FINANCIAL INFORMATION (Cont'd)**

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However, on certain occasions in the past, we have had outlet personnel with insufficient experience in identifying or verifying counterfeit pledges or pledges with low gold purity, which had caused us to accept these counterfeit pledges or pledges with low gold purity. Since the incorporation of our business up to the LPD, there were 16 transactions whereby our customers' pledges were identified as counterfeit items or pledges with low gold purity after the pledges were accepted and upon internal audit checks conducted by our Area Manager. The total loss of all these transactions combined was approximately RM40,000 and was not recovered. Nevertheless, this loss incurred was not material to our Group. Any loss arising from counterfeit pledges or pledges with low gold purity are not covered under our jeweller's block insurance policy and will be written off. Subsequently, upon implementation of an enhanced standard operating procedure involving consultations with our Area Managers in identifying the authenticity of pledges effective March 2020, there has been no occurrence whereby our customers' pledges were identified as counterfeit items or pledges with low gold purity, as at the LPD.

Further, due to the nature of our business which involves cash and valuable pledges, we are dependent on reliable and trustworthy outlet personnel for our operations. Failure to employ reliable and trustworthy outlet personnel may expose us to the risks of fraud, mismanagement or mishandling of cash and pledges, and we may be subject to loss and damages, which may adversely damage our reputation and profitability. In the past 3 FYE 2018 to FYE 2020, FPE 2021 and up to the LPD, we did not experience any occurrences of fraud, mismanagement or mishandling of cash and pledges in any of our pawnbroking outlets.

**(f) Exposure to the Gold Price Volatility**

We primarily receive gold as pledges for the provision of pawn loans to our customers. In the past 3 FYE 2018 to FYE 2020 and FPE 2021, the pledge value of gold against our total pledge value was 100.00%, 99.55% and 99.42%, and 98.72% respectively. As such, the pledge value is influenced by gold price volatility as we offer pawn loans to our customers against the pledges of gold based on a loan margin which factors in the prevailing market value of the pledge.

Further, we also sell our unredeemed or bid pledges (i.e. gold) to scrap collectors at an agreed amount which is guided by the prevailing market value of gold. Gold is a commodity and hence, its price fluctuates. Gold prices are affected by various factors, amongst others, interest rates, fluctuation in foreign currencies, global or regional economic or political circumstances, market speculations as well as market supply and demand of gold.

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

**12. FINANCIAL INFORMATION (Cont'd)**

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**(g) Dependency on Our Ability to Implement Our Business Strategy**

We plan to grow our pawnbroking business by further expanding our network of pawnbroking outlets. In order to successfully implement our business strategy, we are required to identify suitable locations for our new pawnbroking outlets. In accordance with the policy and criteria for the issuance of new pawnbroking licence by KPKT, a minimum paid-up capital of RM4.00 million is required to obtain a pawnbroking licence for each new pawnbroking outlet. The minimum paid-up capital of RM4.00 million can be used as our working capital to fund the pawn loans and other operating costs for the new establishments as well as to cover the renovation costs for each of our new pawnbroking outlet.

There is no assurance that we will be successful in executing our business strategy, nor can we assure that we will be able to anticipate all business, operational and industry risks arising from our business strategy.

**(h) Exposure to Electronic Security Breaches and/or Disruptions in Our Pawn System**

Our pawn system stores a large database of confidential information of our customers. Storing data electronically may expose our database to external security threats such as malware attacks, hacking, espionage and cyber intrusion, as well as internal electronic security breaches which include unauthorised access to restricted information by employees.

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

**(i) Exposure to Physical Security Risks**

We offer pawn loans to our customers against the pledges of gold and luxury watches and the pledges are stored in our pawnbroking outlets until the customers redeem the pledges or until the sale of unredeemed or bid pledge to scrap collectors. As the pledges are valuable items, we are exposed to physical security risks of burglary, theft, fraud or misappropriation of cash or pledges by third parties or by our employees. Further, we are exposed to the risks arising from the potential accumulation of customer pledges with an aggregate value that is substantial in a single pawnbroking outlet.

There is no assurance that we will not be exposed to such security risks. If such events were to occur, we may be subject to loss and damages, which may adversely impact our financial performance and damage our reputation and business operations. Since the commencement of operations and up to the LPD, we did not experience any burglary, theft or robbery cases in any of our pawnbroking outlets. As such we have not incurred any losses due to such physical security risks.



**12. FINANCIAL INFORMATION (Cont'd)**

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**(j) Adequacy Insurance Coverage to Cover All Losses or Liabilities That May Arise in Connection With Our Operations**

We maintain insurance coverage at levels that are customary in the pawnbroking industry to protect against various losses and liabilities in our business operations. From 1 January 2021 to the LPD, our Group has taken up a jeweller's block insurance policy for our pawnbroking outlets from third party insurance providers with an aggregate sum insured of approximately RM135.63 million. Please refer to Section 6.14 of this Prospectus for further information on the insurance taken up by our Group.

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

In December 2021, we filed for an insurance claim which amounted to approximately RM50,000 to recover our loss caused by flooding which damaged the fittings, furniture, electrical appliances and operating equipment of PG TSE, our pawnbroking outlet located in Shah Alam, Selangor. As at the LPD, the insurance claim is still under processing and we will only receive the insurance compensation upon approval by the insurance company. If the insurance claim is not approved, the loss caused by flooding will be borne by our Group. Safe for the above claim, there were no other material claims under the jeweller's block insurance policy in the past 3 FYE 2018 to FYE 2020, FPE 2021 and up to the LPD.

**(k) Exposure to Non-renewal of Existing Tenancies and/or Increase in the Rental Rates of Our Existing and New Pawnbroking Outlets**

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

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

In the FPE 2021, our rental costs amounted to RM1.03 million, or 6.92% of our total cost of sales. Any significant increase in rental costs for existing and new pawnbroking outlets in the future, will have an adverse and material impact on our financial position as well as our business operations.

**12. FINANCIAL INFORMATION (Cont'd)**

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**(l) Disruptions Caused by Sudden Crisis Such As the COVID-19 Pandemic**

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

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

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

**(m) Competition Risk Due to the Highly Competitive and Fragmented Nature of the Industry**

We operate in a highly fragmented and competitive industry, and we expect to face competition from existing industry players who are chain pawnbroking outlets and other industry players who operate individual pawnbroking outlets, as well as potential new entrants. According to the IMR Report, based on the latest available information, there are 716 companies with pawnbroking licences issued by the KPKT in Malaysia. Further, we also face competition from moneylenders who are also involved in the provision of short-term micro-loans for the same target customers who may be financially underserved, as well as Islamic pawnbroking services (Ar-Rahnu) provided by Ar-Rahnu providers.

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

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**12. FINANCIAL INFORMATION (Cont'd)****12.3.2 Review of results of operations****(i) Revenue****Analysis of Revenue by Business Segment**

Revenue by Business Segment	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Pawnbroking #	4,581	45.76	7,292	37.97	13,884	45.12
Sale of unredeemed or bid pledges	5,429	54.24	11,915	62.03	16,885	54.88
<b>Total revenue</b>	<b>10,010</b>	<b>100.00</b>	<b>19,207</b>	<b>100.00</b>	<b>30,769</b>	<b>100.00</b>

Revenue by Business Segment	Unaudited		Audited	
	FPE 2020		FPE 2021	
	RM'000	%	RM'000	%
Pawnbroking #	10,667	52.51	14,321	56.37
Sale of unredeemed or bid pledges	9,648	47.49	11,086	43.63
<b>Total revenue</b>	<b>20,315</b>	<b>100.00</b>	<b>25,407</b>	<b>100.00</b>

Note:

# Pawnbroking comprises predominantly interest charges and one-off administrative fees.

**Analysis of Revenue by Geographical Region**

Revenue by Geographical Region	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Central <sup>(1)</sup>	9,479	94.70	16,711	87.00	25,595	83.19
Northern <sup>(2)</sup>	531	5.30	2,412	12.56	3,573	11.61
Southern <sup>(3)</sup>	-	-	84	0.44	1,601	5.20
<b>Total revenue</b>	<b>10,010</b>	<b>100.00</b>	<b>19,207</b>	<b>100.00</b>	<b>30,769</b>	<b>100.00</b>

Revenue by Geographical Region	Unaudited		Audited	
	FPE 2020		FPE 2021	
	RM'000	%	RM'000	%
Central <sup>(1)</sup>	17,077	84.06	18,212	71.68
Northern <sup>(2)</sup>	2,458	12.10	4,479	17.63
Southern <sup>(3)</sup>	780	3.84	2,716	10.69
<b>Total revenue</b>	<b>20,315</b>	<b>100.00</b>	<b>25,407</b>	<b>100.00</b>

Notes:

- (1) Central comprises of Selangor and Kuala Lumpur.  
(2) Northern comprises of Penang and Perak.  
(3) Southern comprises of Negeri Sembilan and Johor.

Number of Pawnbroking Outlets by Geographical Region	As at 31 December		
	<sup>(1)</sup> 2018	2019	2020
	Number	Number	Number
Central <sup>(2)</sup>	7	13	15
Northern	1	3	7
Southern	-	1	3
<b>Total number of pawnbroking outlets</b>	<b>8</b>	<b>17</b>	<b>25</b>

**12. FINANCIAL INFORMATION (Cont'd)**

Number of Pawnbroking Outlets by Geographical Region	As at 30 September	
	2020	2021
	Number	Number
Central <sup>(2)</sup>	15	15
Northern	5	<sup>(3)</sup> 7
Southern	3	3
<b>Total number of pawnbroking outlets</b>	<b>23</b>	<b>25</b>

Notes:

- (1) Our Group has set up 1 new pawnbroking outlet at the central region and no new outlet were set up for northern and southern regions during the FYE 2018.
- (2) The central region contributed approximately 94.70%, 87.00%, 83.19%, 84.06% and 71.68% of our Group's total revenue for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively.
- (3) The additional 2 new pawnbroking outlets at the northern region were set up in October 2020.

The classifications of our Group's revenue by geographical market are based on the regions of the business operations of our Group.

**(ii) Cost of Sales****Analysis of Cost of Sales by Business Segment**

Cost of Sales by Business Segment	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
<b><u>Pawnbroking</u></b>						
Pawnbroking outlets operating costs #	783	12.94	1,575	11.88	2,409	14.21
Staff costs	640	10.57	1,161	8.75	1,996	11.78
<b>Sub-total</b>	<b>1,423</b>	<b>23.51</b>	<b>2,736</b>	<b>20.63</b>	<b>4,405</b>	<b>25.99</b>
<b><u>Sale of unredeemed or bid pledges</u></b>						
Costs of unredeemed or bid pledges	4,516	74.62	10,401	78.42	12,422	73.28
Auction fees	113	1.87	126	0.95	124	0.73
<b>Sub-total</b>	<b>4,629</b>	<b>76.49</b>	<b>10,527</b>	<b>79.37</b>	<b>12,546</b>	<b>74.01</b>
<b>Total cost of sales</b>	<b>6,052</b>	<b>100.00</b>	<b>13,263</b>	<b>100.00</b>	<b>16,951</b>	<b>100.00</b>

Cost of Sales by Business Segment	Unaudited		Audited	
	FPE 2020		FPE 2021	
	RM'000	%	RM'000	%
<b><u>Pawnbroking</u></b>				
Pawnbroking outlets operating costs #	1,680	15.23	2,095	14.07
Staff costs	1,271	11.52	2,211	14.84
<b>Sub-total</b>	<b>2,951</b>	<b>26.75</b>	<b>4,306</b>	<b>28.91</b>
<b><u>Sale of unredeemed or bid pledges</u></b>				
Costs of unredeemed or bid pledges	8,000	72.50	10,476	70.33
Auction fees	83	0.75	113	0.76
<b>Sub-total</b>	<b>8,083</b>	<b>73.25</b>	<b>10,589</b>	<b>71.09</b>
<b>Total cost of sales</b>	<b>11,034</b>	<b>100.00</b>	<b>14,895</b>	<b>100.00</b>

**12. FINANCIAL INFORMATION (Cont'd)**Note:

- # Consist of depreciation, license fees, insurance, utilities and rental of pawnbroking outlets.

**Analysis of Cost of Sales by Geographical Region**

Cost of Sales by Geographical Region	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Central <sup>(1)</sup>	5,695	94.10	11,282	85.07	14,158	83.52
Northern <sup>(2)</sup>	357	5.90	1,877	14.15	2,129	12.56
Southern <sup>(3)</sup>	-	-	104	0.78	664	3.92
<b>Total cost of sales</b>	<b>6,052</b>	<b>100.00</b>	<b>13,263</b>	<b>100.00</b>	<b>16,951</b>	<b>100.00</b>

Cost of Sales by Geographical Region	Unaudited		Audited	
	FPE 2020		FPE 2021	
	RM'000	%	RM'000	%
Central <sup>(1)</sup>	9,238	83.72	10,373	69.64
Northern <sup>(2)</sup>	1,491	13.52	2,865	19.23
Southern <sup>(3)</sup>	305	2.76	1,657	11.13
<b>Total cost of sales</b>	<b>11,034</b>	<b>100.00</b>	<b>14,895</b>	<b>100.00</b>

## Notes:

- (1) Central comprises of Selangor and Kuala Lumpur.  
(2) Northern comprises of Penang and Perak.  
(3) Southern comprises of Negeri Sembilan and Johor.

**(iii) GP and GP Margin****Analysis of GP and GP Margin by Business Segments**

GP Margin by Business Segments	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	GP RM'000	GP Margin %	GP RM'000	GP Margin %	GP RM'000	GP Margin %
Pawnbroking	3,158	68.94	4,556	62.48	9,479	68.27
Sale of unredeemed or bid pledges	800	14.74	1,388	11.65	4,339	25.70
<b>Total GP/ Overall GP margin</b>	<b>3,958</b>	<b>39.54</b>	<b>5,944</b>	<b>30.95</b>	<b>13,818</b>	<b>44.91</b>

GP Margin by Business Segments	Unaudited		Audited	
	FPE 2020		FPE 2021	
	GP RM'000	GP Margin %	GP RM'000	GP Margin %
Pawnbroking	7,716	72.34	10,015	69.93
Sale of unredeemed or bid pledges	1,565	16.22	497	4.48
<b>Total GP/ Overall GP margin</b>	<b>9,281</b>	<b>45.69</b>	<b>10,512</b>	<b>41.37</b>

**12. FINANCIAL INFORMATION (Cont'd)****Analysis of GP and GP Margin by Geographical Region**

GP Margin by Geographical Region	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	GP RM'000	GP Margin %	GP RM'000	GP Margin %	GP RM'000	GP Margin %
Central <sup>(1)</sup>	3,784	39.92	5,429	32.49	11,437	44.68
Northern <sup>(2)</sup>	174	32.77	535	22.18	1,444	40.41
Southern <sup>(3)</sup>	-	-	(20) <sup>(4)</sup>	(23.81)	937	58.53
<b>Total GP/ Overall GP margin</b>	<b>3,958</b>	<b>39.54</b>	<b>5,944</b>	<b>30.95</b>	<b>13,818</b>	<b>44.91</b>

GP Margin by Geographical Region	Unaudited		Audited	
	FPE 2020		FPE 2021	
	GP RM'000	GP Margin %	GP RM'000	GP Margin %
Central <sup>(1)</sup>	7,839	45.90	7,839	43.04
Northern <sup>(2)</sup>	967	39.34	1,614	36.03
Southern <sup>(3)</sup>	475	60.90	1,059	38.99
<b>Total GP/ Overall GP margin</b>	<b>9,281</b>	<b>45.69</b>	<b>10,512</b>	<b>41.37</b>

Notes:

- (1) Central comprises of Selangor and Kuala Lumpur.  
(2) Northern comprises of Penang and Perak.  
(3) Southern comprises of Negeri Sembilan and Johor.  
(4) Gross loss due to operating costs incurred by Pappajack Holdings, which had commenced its pawnbroking operation in September 2019.

**Financial Commentaries****(a) Comparison between FYE 2019 and FYE 2018**

Our Group's revenue increased by approximately RM9.20 million or 91.91% from RM10.01 million in the FYE 2018 to RM19.21 million in the FYE 2019. The increase was mainly due to the increase in revenue from pawnbroking from RM4.58 million in the FYE 2018 to RM7.29 million in the FYE 2019 as well as the increase in revenue from unredeemed or bid pledges by customers from RM5.43 million in the FYE 2018 as compared to RM11.92 million in the FYE 2019.

Our existing pawnbroking outlets were the main contributor to the increase in revenue for the FYE 2019, which recorded revenue growth of 79.65% from RM10.0 million in the FYE 2018 to RM17.96 million in the FYE 2019. The said increase was attributable to the Cash Capital injections, which enabled us to offer more pawn loans to our customers. Our Group has set up an additional 9 (2018: 1) new pawnbroking outlets, which has recorded an aggregate revenue of RM1.24 million (2018: RM0.01 million) for the FYE 2019.

Central region remained our main revenue contributor region, which recorded revenue growth of 76.27% from RM9.48 million in the FYE 2018 to RM16.71 million in the FYE 2019.

**12. FINANCIAL INFORMATION (Cont'd)**

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Our Group recorded a higher GP of RM5.94 million in the FYE 2019, which increased by approximately RM1.98 million or 50.00% to RM5.94 million in the FYE 2019. All existing pawnbroking outlets recorded GP, however, out of 9 newly set up pawnbroking outlets during FYE 2019, 7 pawnbroking outlets recorded gross loss, mainly attributable to the initial operating costs and the gestation period required for these outlets to generate profits. In the FYE 2018, all our pawnbroking outlets recorded GP, except for one newly set up pawnbroking outlet in the last quarter of the FYE 2018, which recorded gross loss due to the same reason stated above. The newly set up pawnbroking outlet in FYE 2018 had recorded GP in the subsequent financial year.

**Pawnbroking**

Revenue from our pawnbroking increased by approximately RM2.71 million or 59.17% from RM4.58 million in the FYE 2018 to RM7.29 million in the FYE 2019. The said increase was mainly due to the increase in total pawn values by approximately RM43.99 million or 77.60%, from RM56.69 million in the FYE 2018 to RM100.68 million in the FYE 2019. The Cash Capital injections have contributed to the increase in total pawn values, which enabled our existing pawnbroking outlets to offer more pawn loans to our customers. The increase in total pawn values was also attributable to the additional 9 new pawnbroking outlets set up in the FYE 2019, which had contributed to the increase in total revenue by approximately RM1.24 million or 6.45% of the total revenue in the FYE 2019.

The pawnbroking operating costs of our Group increased by approximately RM0.80 million or 102.56% from RM0.78 million in the FYE 2018 to RM1.58 million in the FYE 2019. The increase was mainly attributable to expenses incurred pursuant to the additional 9 new pawnbroking outlets during the FYE 2019, which recorded the total operating costs of RM0.71 million for the FYE 2019.

Our Group's GP for our pawnbroking business increased by approximately RM1.40 million or 44.30% from RM3.16 million in the FYE 2018 to RM4.56 million in the FYE 2019. The increase in our pawnbroking business GP was mainly due to the increase in revenue from pawnbroking by approximately 59.17%..

Our Group's GP margin for our pawnbroking business decrease from 68.94% in the FYE 2018 to 62.48% in the FYE 2019, mainly attributable to the initial operating costs incurred for the additional 9 new pawnbroking outlets in the FYE 2019, and the gestation period is taken for new pawnbroking outlets to generate profit.

**Sale of unredeemed or bid pledges**

Revenue from the sale of unredeemed or bid pledges increased by approximately RM6.49 million or 119.52% from the FYE 2018 was mainly due to the increase in the total amount of the unredeemed pledges from customers in the cash recovery process for the unredeemed pawn tickets as well as the increase in gold price from USD1,279.00 per ounce (equivalent to approximately USD41.12 per gram) at the end of December 2018 to USD1,514.75 per ounce (equivalent to approximately USD48.70 per gram) at the end of December 2019, an increase of approximately 18.43%.

**12. FINANCIAL INFORMATION (Cont'd)**

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Our Group's costs of unredeemed or bid pledges increased by approximately RM5.90 million or 127.43% from RM4.63 million in the FYE 2018 to RM10.53 million in the FYE 2019. The increase was mainly due to the increase in total amount of the unredeemed pledges for the cash recovery process for the unredeemed pawn tickets. The increase was in tandem with the increase in revenue from the sale of unredeemed or bid pledges.

The fluctuation in auction fees for FYE 2019 is not in tandem with the fluctuations in the sale of unredeemed or bid pledges mainly due to that fact that our Group was able to negotiate for more favourable auction fee rates during the FYE 2019 with the average auction fee rate of approximately 1.23% in FYE 2019 as compared with approximately 1.89% in FYE 2018.

Our Group's GP for the sale of our unredeemed or bid pledges increased by approximately RM0.59 million or 73.75% from RM0.80 million in the FYE 2018 to RM1.39 million in the FYE 2019. The central region contributed to the highest GP in the FYE 2019.

The increase in GP was mainly due to increase in revenue from sales of unredeemed or bid pledges by approximately 119.52%.

Our Group's GP margin for sale of our unredeemed or bid pledges decreased from 14.74% in FYE 2018 to 11.65% in FYE 2019. The said decrease was mainly due to the proceeds from the sale of our unredeemed or bid pledges at the prevailing gold prices at the point of cash recovery was not able to generate similar GP margin for the FYE 2018 due to overall higher loan margin offered for unredeemable pawn loans.

**(b) Comparison between FYE 2020 and FYE 2019**

Our Group's revenue grew by approximately RM11.56 million or 60.18% from RM19.21 million in the FYE 2019 to RM30.77 million in the FYE 2020. The increase was due to the increase in revenue from pawnbroking from RM7.29 million in FYE 2019 to RM13.88 million in FYE 2020 as well as the growth in revenue from sales of unredeemed or bid pledges from RM11.92 million in FYE 2019 to RM16.89 million in FYE 2020.

Our existing pawnbroking outlets remained the main contributor to the increase in our revenue for the FYE 2020, which recorded revenue growth of 65.59% from RM17.96 million in the FYE 2019 to RM29.74 million in the FYE 2020. The said increase was attributable to the Cash Capital injections, which enabled us to offer more pawn loans to our customers. Our Group has set up an additional 8 (2019: 9) new pawnbroking outlets, which has recorded an aggregate revenue of RM1.03 million (2019: RM1.24 million) for the FYE 2020.

Central region remained our main revenue contributor region, which recorded revenue growth of 53.18% from RM16.71 million in the FYE 2019 to RM25.60 million in the FYE 2020.

Our Group's GP grew further by approximately RM7.88 million or 132.66% to RM13.82 million in the FYE 2020, and all our pawnbroking outlets recorded GP in the FYE 2020.



**12. FINANCIAL INFORMATION (Cont'd)**

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**Pawnbroking**

Revenue from our pawnbroking increased by approximately RM6.59 million or 90.40% from RM7.29 million in the FYE 2019 to RM13.88 million in the FYE 2020. The increase was mainly due to an increase in total pawn values by approximately RM84.31 million or 83.74% from approximately RM100.68 million in the FYE 2019 to approximately RM184.99 million in the FYE 2020. The increase in total pawn values for FYE 2020 was mainly due to the additional 8 new pawnbroking outlets set up in the FYE 2020 and the increase in revenue from our existing pawnbroking outlets. Another contributing factor to the increase was the capital injections during the FYE 2020 as Cash Capital which enabled us to offer more pawn loans to our customers.

The pawnbroking operating costs of our Group increased by approximately RM0.83 million or 52.53% from RM1.58 million in the FYE 2019 to RM2.41 million in the FYE 2020. These increases were mainly attributable to the expenses incurred for the additional 8 new pawnbroking outlets during the FYE 2020, which recorded the total operating costs of RM0.55 million for the FYE 2020. The operating costs for our 17 existing pawnbroking outlets increased by RM0.28 million, mainly due to increased depreciation charges, insurance, and license fees.

Our Group's GP for pawnbroking increased by approximately RM4.92 million or 107.89% from RM4.56 million in the FYE 2019 to RM9.48 million in the FYE 2020. The increase in GP was mainly due to the increase in our revenue from pawnbroking by approximately 90.40%.

Our Group's GP margin increased from 62.48% in the FYE 2019 to 68.27% in the FYE 2020. This was mainly due to the further increase in our Group's revenue from our existing and new pawnbroking outlets as the increase in our Group's operating costs was not in line with our Group's revenue growth. The majority of our pawnbroking operating costs for our pawnbroking outlets are fixed in nature.

**Sale of unredeemed or bid pledges**

Revenue from the sale of unredeemed or bid pledges also increased by approximately RM4.97 million or 41.69% from RM11.92 million in the FYE 2019 to RM16.89 million in the FYE 2020, mainly due to an increase in the total amount of the unredeemed pledges from customers in the cash recovery process for the unredeemed pawn tickets and an increase in the gold price from USD1,514.75 per ounce (equivalent to approximately USD48.70 per gram) at the end of December 2019 to USD1,887.60 per ounce (equivalent to approximately USD60.69 per gram) at the end of December 2020, an increase of approximately 24.62%.

Our Group's costs of unredeemed or bid pledges increased by approximately RM2.01 million or 19.09% from RM10.53 million in the FYE 2019 to RM12.54 million in the FYE 2020. The increase was mainly contributed by an increase in the total values of the unredeemed pledges from customers in the cash recovery process for the unredeemed pawn tickets in the FYE 2020. The increase was in tandem with the increase in revenue from the sale of unredeemed or bid pledges.

**12. FINANCIAL INFORMATION (Cont'd)**

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The decrease in auction fees for FYE 2020 as compared with FYE 2019 was attributable to our Group being able to secure more favourable auction fee rates during the FYE 2020 with the average auction fee rate of approximately 1.05% in FYE 2020 as compared with approximately 1.23% in FYE 2019.

Our Group's GP for sale of unredeemed or bid pledges increased by approximately RM2.95 million or 212.23% from RM1.39 million in the FYE 2019 to RM4.34 million in the FYE 2020. The central and northern regions mainly contributed to the increase in GP in the FYE 2020.

The increase in GP for sale of unredeemed or bid pledges was mainly due to the increase in revenue from the sales of unredeemed or bid pledges by approximately 41.69%.

Our Group's GP margin for sale of unredeemed or bid pledges increased from 11.65% in FYE 2019 to 25.70% in FYE 2020, mainly due to the higher gold prices at the point of the cash recovery process. During the FYE 2020, gold prices increased from USD1,514.75 per ounce (equivalent to approximately USD48.70 per gram) at the end of December 2019 to USD1,887.60 per ounce (equivalent to approximately USD60.69 per gram) at the end of December 2020.

**(c) Comparison between FPE 2021 and FPE 2020**

Our Group's revenue increased by approximately RM5.09 million or 25.05% from RM20.32 million in the FPE 2020 to RM25.41 million in the FPE 2021. The increase was mainly contributed by the increase in revenue from pawnbroking from RM10.67 million in the FPE 2020 to RM14.32 million in the FPE 2021 as well as the increase in revenue from unredeemed or bid pledges by customers from RM9.65 million in the FPE 2020 as compared to RM11.09 million in the FPE 2021.

No new pawnbroking outlet was set up during FPE 2021. Our Group's revenue for the FPE 2021 was contributed by our existing pawnbroking outlets. The growth in our revenue for the FPE 2021 was mainly attributable to the growth in our customer base by our existing pawnbroking outlets, and the Cash Capital injections, amounted to RM12.00 million, in the fourth quarter of FYE 2020, which enabled us to offer more pawn loans to our customers.

The central region has remained our main revenue contributor, which recorded revenue growth of 6.62% from RM17.08 million in the FPE 2020 to RM18.21 million in the FPE 2021. Our Group's revenue from northern and southern regions grew by approximately RM2.02 million or 82.11% to RM4.48 million in the FPE 2021 and RM1.94 million or 248.72% to RM2.72 million in the FPE 2021, respectively, mainly contributed by the growth in our customer base by our existing pawnbroking outlets and new pawnbroking outlets set up during 2020.

Our Group's GP increased further by approximately RM1.23 million or 13.25% to RM10.51 million in the FPE 2021. Except for 4 pawnbroking outlets for the FPE 2020 and 2 pawnbroking outlets for the FPE 2021, which were newly set up in 2020 recorded gross losses, our other pawnbroking outlets registered GP in both FPE 2020 and FPE 2021. These newly set up pawnbroking outlets recorded gross losses mainly attributable to the initial operating costs and the gestation period required for these outlets to generate profit.

**12. FINANCIAL INFORMATION (Cont'd)**

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**Pawnbroking**

Revenue from our pawnbroking increased by approximately RM3.65 million or 34.21% from RM10.67 million in the FPE 2020 to RM14.32 million in the FPE 2021. The increase was mainly due to the increase in total pawn values by approximately RM41.31 million or 31.76%, from RM130.07 million in the FPE 2020 to RM171.38 million in the FPE 2021. The increase in total pawn values for FPE 2021 was mainly attributable to the Cash Capital injections in the fourth quarter of FYE 2020 and our improved internally generated funds, which enabled us to offer more pawn loans to our customers. The additional 8 new pawnbroking outlets set up in 2020 and the increase in revenue from our existing pawnbroking outlets also contributed to our revenue growth for FPE 2021.

The pawnbroking operating costs of our Group increased by approximately RM0.42 million or 25.00% from RM1.68 million in the FPE 2020 to RM2.10 million in the FPE 2021, mainly attributable to full-period pawnbroking operating costs and staff costs in FPE 2021 of the 8 new pawnbroking outlets set up during 2020.

Our Group's GP for pawnbroking increased by approximately RM2.30 million or 29.79% from RM7.72 million in the FPE 2020 to RM10.02 million in the FPE 2021. The increase in GP was mainly due to the further increase in revenue from our existing pawnbroking outlets, and the increase in our Group's operating costs was not in line with our Group's revenue growth. The majority of our pawnbroking operating costs for our pawnbroking outlets are fixed in nature.

Our Group's GP margin for pawnbroking business decreased from 72.34% in the FPE 2020 to 69.93% in the FPE 2021, mainly attributable to the increase in staff costs for our existing pawnbroking outlets. Higher staff costs were primarily due to full-period staff costs in FPE 2021 of the 8 new pawnbroking outlets set up during 2020, and the gestation period is taken for these new pawnbroking outlets to generate profit.

**Sale of unredeemed or bid pledges**

Revenue from the sale of unredeemed or bid pledges increased by approximately RM1.44 million or 14.92% from RM9.65 million in the FPE 2020 to RM11.09 million in the FPE 2021. The increase was mainly due to an increase in the total amount of the unredeemed pledges from customers in the cash recovery process for the unredeemed pawn tickets.

Our Group's costs of unredeemed or bid pledges increased by approximately RM2.51 million or 31.06% from RM8.08 million in the FPE 2020 to RM10.59 million in the FPE 2021, which was not in line with the increase in our Group's related revenue of 14.92%, mainly due to the following:

- (a) during the cash recovery process, the lower the prevailing market gold prices had resulted in the subsequent sale of the unredeemable and bid pledges at lower gold prices and recorded lower GP; and
- (b) increase in auction fees for FPE 2021 as compared with FPE 2020 was attributable to higher values of the unredeemable or bid pledges purchased via the public auctions during the FPE 2021 couple with a higher average auction fee rate of approximately 1.12% in FPE 2021 as compared with approximately 0.94% in FPE 2020.

**12. FINANCIAL INFORMATION (Cont'd)**

As a result, our Group's GP for the sale of our unredeemed or bid pledges decreased by approximately RM1.07 million or 68.15% from RM1.57 million in the FPE 2020 to RM0.50 million in the FPE 2021 and our Group's GP margin for sale of unredeemed or bid pledges decreased from 16.22% in FPE 2020 to 4.48% in FPE 2021.

In the Period Under Review, we did not sell any of the unredeemed or bid pledges during our cash recovery process at a loss.

**(iv) Other Income**

The breakdown of our other income for the Period Under Review is as follows:

Other Income	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Government wage subsidy	-	-	-	-	250	68.31
Rental income	46	100.00	61	98.39	99	27.05
Interest income	-	-	-	-	9	2.46
Others #	-	-	1	1.61	8	2.18
<b>Total</b>	<b>46</b>	<b>100.00</b>	<b>62</b>	<b>100.00</b>	<b>366</b>	<b>100.00</b>

Other Income	Unaudited		Audited	
	FPE 2020		FPE 2021	
	RM'000	%	RM'000	%
Government wage subsidy	221	69.93	19	23.75
Rental income	83	26.27	48	60.00
Interest income	6	1.90	-	-
Others #	6	1.90	13	16.25
<b>Total</b>	<b>316</b>	<b>100.00</b>	<b>80</b>	<b>100.00</b>

Note:

# Others comprise mainly insurance refunds and rebates from licensed banks.

**Financial Commentaries on Other Income****(a) Comparison between FYE 2019 and FYE 2018**

Our Group's other income increased by approximately RM0.01 million or 20.00% from RM0.05 million in FYE 2018 to RM0.06 million in FYE 2019. This was mainly due to an increase in rental received from an investment property and sub-letting of office spaces to a third party.

**(b) Comparison between FYE 2020 and FYE 2019**

Our Group's other income increased by approximately RM0.31 million or 516.67% from RM0.06 million in FYE 2019 to RM0.37 million in FYE 2020. This was mainly due to the wage subsidy received from the Government of Malaysia of RM0.25 million. The wage subsidy was a temporary financial assistance programme introduced to assist small and medium enterprises as a result of COVID-19 pandemic ("Wage Subsidy").

**(c) Comparison between FPE 2021 and FPE 2020**

Our Group's other income decreased by approximately RM0.24 million or 75.00% from RM0.32 million in FPE 2020 to RM0.08 million in FPE 2021. The decrease was mainly due to the lower new wage subsidy received by our Group from the Government of Malaysia during FPE 2021, which decreased by approximately RM0.20 million.

**12. FINANCIAL INFORMATION (Cont'd)****(v) Administrative Expenses**

The breakdown of our administrative expenses for the Period Under Review is as follows:

Administrative Expenses	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Staff costs <sup>(1)</sup>	228	15.28	307	13.26	739	31.74
Legal and professional fees	441	29.56	1,263	54.53	684	29.38
Repair and maintenance	104	6.97	198	8.55	364	15.64
Trade receivables written off <sup>(2)</sup>	87	5.83	117	5.05	147	6.31
Impairment loss on inventories <sup>(3)</sup>	-	-	-	-	-	-
Travelling and accommodation expenses <sup>(4)</sup>	17	1.14	66	2.85	110	4.73
Depreciation <sup>(5)</sup>	134	8.98	122	5.27	65	2.79
Directors' remuneration	401	26.88	17	0.73	2	0.09
Rental expenses	1	0.07	2	0.09	22	0.95
Printing and stationery	27	1.81	73	3.15	62	2.66
Others <sup>(6)</sup>	52	3.48	151	6.52	133	5.71
<b>Total</b>	<b>1,492</b>	<b>100.00</b>	<b>2,316</b>	<b>100.00</b>	<b>2,328</b>	<b>100.00</b>

Administrative Expenses	Unaudited		Audited	
	FPE 2020		FPE 2021	
	RM'000	%	RM'000	%
Staff costs <sup>(1)</sup>	450	40.00	565	27.14
Legal and professional fees	46	4.09	406	19.50
Repair and maintenance	236	20.98	225	10.81
Trade receivables written off <sup>(2)</sup>	78	6.93	37	1.78
Impairment loss on inventories <sup>(3)</sup>	-	-	137	6.58
Travelling and accommodation expenses <sup>(4)</sup>	76	6.76	68	3.26
Depreciation <sup>(5)</sup>	97	8.62	162	7.78
Directors' remuneration	-	-	178	8.55
Rental expenses	9	0.80	37	1.78
Printing and stationery	40	3.56	107	5.14
Others <sup>(6)</sup>	93	8.26	160	7.68
<b>Total</b>	<b>1,125</b>	<b>100.00</b>	<b>2,082</b>	<b>100.00</b>

Notes:

- (1) Staff costs comprise of salaries, employees' provident funds contributions, commissions, bonuses, staff refreshments, and other staff related benefits
- (2) Trade receivables written off comprise mainly the unrecoverable unredeemable pawn loans due to low market prices of gold. Included in the receivables written-off for the FYE 2020, FPE 2020 and FPE 2021 were amounts totalling approximately RM0.02 million, RM0.01 million and RM0.04 million, respectively, concerning 2 cases, 1 case and 4 cases, respectively under police investigations.
- (3) Impairment loss on inventories was written down inventories values to net realisable values. i.e. the prevailing market of gold price at the end of the financial years/periods.
- (4) Travelling and accommodation expenses comprises accommodation, petrol, tolls and parking fees.
- (5) Depreciation comprises of depreciation charges incurred by non-operating entities. Upon the commencement of pawnbroking operations, the related depreciation of that entity will be recognised as cost of sales.
- (6) Others comprises mainly printing, stationery and postages, security charges, advertising expenses, insurances, medical expenses, and tax penalties.

**12. FINANCIAL INFORMATION (Cont'd)****Financial Commentaries on Administrative Expenses****(a) Comparison between FYE 2019 and FYE 2018**

For FYE 2019, administrative expenses increased by approximately RM0.83 million or 55.70% from RM1.49 million in the FYE 2018 to RM2.32 million in the FYE 2019. The increase was mainly contributed by an increase in legal and professional fees by approximately RM0.82 million or 186.36% due mainly to professional fees incurred in relation to identifying and opening of new pawnbroking outlets.

The increase in the abovementioned administrative expenses was offset by the decrease in directors' remuneration by approximately RM0.38 million or 95.00% due to the special directors' fee of RM0.36 million incurred in the FYE 2018 for achieving the Group target performance. There was no recurring of the special directors' fee for FYE 2019 as the cash flows have been reserved for the expansion of our pawnbroking business.

**(b) Comparison between FYE 2020 and FYE 2019**

The marginal increase in administrative expenses of approximately RM0.01 million or 0.43% to RM2.33 million in the FYE 2020 as compared with the FYE 2019 was mainly attributable to the increase in the staff costs by approximately RM0.43 million or 138.71% in the FYE 2020 as compared with the FYE 2019. This was a result of the staff recruitment in line with the business expansion of our Group. Our workforce increased from 51 employees as at 31 December 2019 to 74 employees as at 31 December 2020.

The said increase in the abovementioned administrative expenses was offset by the decrease in legal and professional fees by approximately RM0.58 million or 46.03%. The legal and professional fees incurred for the FYE 2020 comprise mainly the professional fees incurred for the Listing.

**(c) Comparison between FPE 2021 and FPE 2020**

Administrative expenses increased by approximately RM0.95 million or 84.07% to RM2.08 million in the FPE 2021 as compared with the FPE 2020 was mainly attributable to the following:

- (i) legal and professional fees increased by approximately RM0.36 million or 782.61%, mainly due to the increase in professional fees incurred for the Listing of RM0.12 million and stamp duty for the share sales agreement for the Acquisition of RM0.15 million;
- (ii) impairment loss on inventories increased by approximately RM0.14 million or 100.00%, mainly due to impairment loss on inventories to net realisable values, i.e., the prevailing market gold price at the end of the FPE 2021;
- (iii) director remuneration increased by approximately RM0.18 million or 100.00%, mainly due to payments of directors' remuneration since January 2021;
- (iv) staff costs increased by approximately RM0.10 million or 22.67%, mainly due to full-period staff costs incurred for the 8 new pawnbroking outlets set up in 2020 and the appointment of 2 key management personnel during the 2<sup>nd</sup> quarter of 2020;

**12. FINANCIAL INFORMATION (Cont'd)**

- (v) depreciation increased by approximately RM0.07 million or 67.01%, mainly due to full-period depreciation charges for new pawnbroking outlets set up in 2020;
- (vi) printing and stationery increased by approximately RM0.07 million or 167.50%, mainly due to charges incurred for the Listing;
- (vii) rental expenses increased by approximately RM0.03 million or 311.11%, mainly due to full period rental expenses for new pawnbroking outlets set up in 2020; and
- (viii) tax penalties of approximately RM0.04 million, mainly due to underestimated tax payables for FYE 2020.

**(vi) Finance Costs**

The breakdown of our finance costs for the Period Under Review is as follows:

Finance Costs	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Redeemable preference share interest	-	-	-	-	364	48.92
Lease liabilities	126	64.29	271	72.65	275	36.96
Term loan	41	20.92	38	10.19	29	3.90
Advances from shareholders	29	14.79	64	17.16	76	10.22
<b>Total</b>	<b>196</b>	<b>100.00</b>	<b>373</b>	<b>100.00</b>	<b>744</b>	<b>100.00</b>

Finance Costs	Unaudited		Audited	
	FPE 2020		FPE 2021	
	RM'000	%	RM'000	%
Redeemable preference share interest	227	48.09	-	-
Lease liabilities	223	47.25	203	40.12
Term loan	22	4.66	19	3.75
Advances from shareholders	-	-	284	56.13
<b>Total</b>	<b>472</b>	<b>100.00</b>	<b>506</b>	<b>100.00</b>

The proceeds from the issuance of redeemable preference shares were used to finance our Group's Cash Capital purposes, which bore interest at the rates ranging from 6.0% to 7.0% per annum. The redeemable preference shares were fully redeemed in the FYE 2020.

Interest on lease liabilities for the leasing of pawnbroking outlets for FYE 2018 to FPE 2021 are recognised pursuant to MRFS 16 Leases for leasing of the pawnbroking outlets.

Term loan facility was used to finance the purchase of our Group's investment property, which bore interest at the rate of bank's base lending rate minus 2.20% per annum. The base lending rates incurred by our Group ranges from 5.47% to 6.97% for the Period Under Review.

Advances from shareholders were used to finance our Group's pawnbroking Cash Capital purposes, which bore interests at the rates ranging from 4% to 7% per annum during the Period Under Review.

**12. FINANCIAL INFORMATION (Cont'd)****Financial Commentaries on Finance Costs****(a) Comparison between FYE 2019 and FYE 2018**

Our finance costs increased by approximately RM0.17 million or 85.00% from RM0.20 million in FYE 2018 to RM0.37 million in FYE 2019. The increase was due to increase in interest for lease liabilities incurred for leasing of pawnbroking outlets of RM0.14 million (107.69%) as well as interests on advances from shareholders of RM0.03 million (100.00%).

**(b) Comparison between FYE 2020 and FYE 2019**

Our finance costs increased by approximately RM0.38 million or 102.70% from RM0.37 million in FYE 2019 to RM0.75 million in FYE 2020 mainly due to the increase in redeemable preference share interest of RM0.36 million.

**(c) Comparison between FPE 2021 and FPE 2020**

Our finance costs increased by approximately RM0.04 million or 8.51% from RM0.47 million in FPE 2020 to RM0.51 million in FPE 2021, mainly due to the interests on advances from shareholders of RM0.28 million incurred in the FPE 2021.

The increase in the abovementioned finance costs was offset by the decrease in redeemable preference share interest of RM0.23 million in the FPE 2021 following the full redemption of the redeemable preference shares in the FPE 2021.

**(vii) PBT and PBT Margin**

	Audited		
	FYE 2018	FYE 2019	FYE 2020
PBT (RM'000)	2,316	3,317	11,112
PBT margin (%)	23.14	17.27	36.11

	Unaudited	Audited
	FPE 2020	FPE 2021
PBT (RM'000)	8,000	8,004
PBT margin (%)	39.38	31.50

**Financial Commentaries on PBT and PBT Margin****(a) Comparison between FYE 2019 and FYE 2018**

Our Group's PBT increased by approximately RM1.00 million or 43.10% from RM2.32 million in the FYE 2018 to RM3.32 million in the FYE 2019. This was mainly due to growth of GP by 50.25% for the FYE 2019 as compared with the FYE 2018. Despite increased in PBT, our Group recorded decrease in PBT margin from 23.14% in FYE 2018 to 17.27% in the FYE 2019. This was mainly due to the expenses incurred for the additional 9 new pawnbroking outlets set up in the FYE 2019 as well as the professional fees incurred for identifying and opening of new pawnbroking outlets.



**12. FINANCIAL INFORMATION (Cont'd)****(b) Comparison between FYE 2020 and FYE 2019**

Our Group's PBT increased by approximately RM7.79 million or 234.64% from RM3.32 million in the FYE 2019 to RM11.11 million in the FYE 2020. This was due to growth in GP by 132.66% for the FYE 2020 as compared with the FYE 2019 resulting in an increase in PBT margin from 17.27% in FYE 2019 to 36.11% in the FYE 2020. The increase in PBT margin was mainly due to the further increase in our Group's revenue from our existing and new pawnbroking outlets as compared to our pawnbroking operating costs which are stable as well as the marginal increase in the administrative expenses of RM0.01 million or 0.43% from the FYE 2019 to FYE 2020.

**(c) Comparison between FPE 2021 and FPE 2020**

Our Group's PBT increased marginally by approximately RM4,000 or 0.05% to RM8.00 million in the FPE 2021. This was due to GP increased by 13.26% for the FPE 2021 compared with the FPE 2020. However, our Group's PBT margin decreased from 39.38% in FPE 2020 to 31.50% in the FPE 2021. The decrease in PBT margin in the FPE 2021, was mainly due to lower GP margin and higher administrative expenses for the FPE 2021.

**(viii) Taxation**

	Audited		
	FYE 2018	FYE 2019	FYE 2020
Taxation (RM'000)	745	1,355	2,907
Effective tax rate (%)	32.17	40.85	26.16
Statutory tax rate (%)	24.00	24.00	24.00

	Unaudited	Audited
	FPE 2020	FPE 2021
Taxation (RM'000)	1,891	2,578
Effective tax rate (%)	23.64	32.21
Statutory tax rate (%)	24.00	24.00

**Financial Commentaries on Taxation****(a) Comparison between FYE 2019 and FYE 2018**

Our Group's tax expenses increased by approximately RM0.61 million or 81.33% to RM1.36 million in the FYE 2019 due to the increase in profits earned from the provision for pawnbroking services.

**12. FINANCIAL INFORMATION (Cont'd)**

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The effective tax rate for FYE 2019 was higher at 40.85% as compared to 32.17% in the FYE 2018 mainly due to no deferred tax assets being provided in respect of the unutilised losses and unabsorbed capital allowances of our loss-making subsidiaries during the FYE 2019. The non-recognition of deferred tax assets in respect of the unutilised losses and unabsorbed capital allowances was due to the uncertainty of whether any future taxable profit will be available for utilisation of these deferred tax assets by the respective subsidiaries.

**(b) Comparison between FYE 2020 and FYE 2019**

Our Group's tax expenses increased by approximately RM1.55 million or 113.97% to RM2.91 million in the FYE 2020 due to the increase in profits earned from the provision for pawnbroking services.

The effective tax rate for FYE 2020 was at 26.16% as compared to the statutory tax rate of 24.00% due to utilisation of the unutilised losses and unabsorbed capital allowances in which no deferred tax assets were provided in the prior financial years.

**(c) Comparison between FPE 2021 and FPE 2020**

Our Group's tax expenses increased by approximately RM0.69 million or 36.51% to RM2.58 million in the FPE 2021 due to the increase in profits earned from the provision for pawnbroking services.

The effective tax rate for FPE 2021 was at 32.21% as compared to the statutory tax rate of 24.00% due to underprovision of tax in prior years of RM0.24 million and certain expenses incurred for the FPE 2021 that were not deductible for tax reporting purposes of approximately RM1.38 million, which comprise mainly of the following:

- (aa) professional fees incurred for the Listing of RM0.12 million;
- (bb) stamp duty for the share sales agreement for the Acquisition of RM0.15 million;
- (cc) interest for advances from shareholders of RM0.28 million;
- (dd) impairment loss on inventories of RM0.14 million; and
- (ee) expenses incurred by our non-operating subsidiaries.

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**12. FINANCIAL INFORMATION (Cont'd)****12.3.3 Review of financial position**

The following table sets out the summary of the assets and liabilities for the Period Under Review which have been extracted from the Accountants' Report set out in Section 13 of this Prospectus and should be read with:

**(i) Assets**

	<b>Audited</b>			
	<b>As at 31 December</b>			<b>As at 30 September</b>
	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2020 RM'000</b>	<b>2021 RM'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	4,429	7,257	9,156	9,154
Investment property	1,387	1,367	1,347	1,333
Deferred tax assets	8	25	-	-
<b>Total non-current assets</b>	<b>5,824</b>	<b>8,649</b>	<b>10,503</b>	<b>10,487</b>
<b>Current assets</b>				
Inventories	1,924	1,252	873	467
Current tax assets	1	23	24	233
Trade receivables	26,616	50,195	98,779	114,359
Other receivables	20,288	3,549	2,641	2,425
Cash and bank balances	5,910	11,643	15,658	5,128
<b>Total current assets</b>	<b>54,739</b>	<b>66,662</b>	<b>117,975</b>	<b>122,612</b>
<b>TOTAL ASSETS</b>	<b>60,563</b>	<b>75,311</b>	<b>128,478</b>	<b>133,099</b>

**(a) Comparison between FYE 2019 and FYE 2018*****Total non-current assets***

Our Group's total non-current assets increased by approximately RM2.83 million or 48.63%, mainly due to the renovation costs and the purchase of equipment amounted to RM1.92 million for the additional 9 new pawnbroking outlets set up in the FYE 2019 as well as the recognition of the additional rights-of-use assets of RM1.98 million in FYE 2019 pursuant to the adoption of MFRS 16 Leases for leasing of the pawnbroking outlets. This increase was offset by the depreciation expenses of RM1.07 million incurred in the FYE 2019.

***Total current assets***

Our Group's total current assets increased by approximately RM11.92 million or 21.78% in the FYE 2019 mainly as a result of the following:

- (aa) a decrease in inventory by approximately RM0.67 million or 34.90% in FYE 2019 as compared with the FYE 2018, which was attributable to our Group adopting the strategy of expediting the cash recovery process in order to have sufficient Cash Capital for our pawnbroking operations;
- (bb) an increase in trade receivables by approximately RM23.58 million or 88.58% in FYE 2019 as compared with the FYE 2018, which was due to the trade receivables from the additional 9 new pawnbroking outlets set up in the FYE 2019 of RM15.18 million and also the increase in trade receivables from our existing pawnbroking outlets by approximately RM8.40 million or 31.56% from RM26.62 million in the FYE 2018 to RM35.02 million in the FYE 2019 due to the growth in our customer base from our existing pawnbroking outlets, resulting in the growth of our total pawn loans offered to our customers; and

**12. FINANCIAL INFORMATION (Cont'd)**

- (cc) cash and bank balances increased by approximately RM5.73 million or 96.95% in FYE 2019 as a result of the Cash Capital injections in the FYE 2019, which have yet to be deployed for new pawn loans.

The increase in our Group's total current assets was partially offset by the decrease in other receivables of RM16.74 million in the FYE 2019 mainly due to the repayments of amounts owing from shareholders of RM17.63 million.

**(b) Comparison between FYE 2020 and FYE 2019*****Total non-current assets***

Our Group's total non-current assets increased by approximately RM1.85 million or 21.39% mainly due to the renovation costs and the purchase of equipment amounted to RM2.29 million for the additional 8 new pawnbroking outlets set up in the FYE 2020 as well as the recognition of the additional rights-of-use assets of RM1.40 million in FYE 2020 pursuant to the adoption of MFRS 16 Leases for leasing of the pawnbroking outlets. This increase was offset by the depreciation expenses of RM1.51 million incurred in the FYE 2020.

***Total current assets***

Our Group's total current assets increased by approximately RM51.32 million or 76.99% in the FYE 2020 mainly due to:

- (aa) a decrease in inventory by approximately RM0.38 million or 30.40% in FYE 2020 as compared with the FYE 2019, which was attributable to our Group's continuous efforts to expedite the cash recovery process for our Group's Cash Capital requirements;
- (bb) an increase in trade receivables by approximately RM48.58 million or 96.77% in the FYE 2020 as a result of the trade receivables for the additional 8 new pawnbroking outlets in the FYE 2020 of RM13.58 million and the increase in trade receivables for our existing pawnbroking outlets by approximately RM34.92 or 69.56% from RM50.20 million in the FYE 2019 to RM85.12 million in the FYE 2020 as a result of the growth in our customer base for our existing pawnbroking outlets, resulted in the growth of our total pawn loans offered to our customers; and
- (cc) an increase in cash and bank balances by approximately RM4.02 million or 34.54% in the FYE 2020 as a result of the advances from shareholders of RM12.00 million to our Group in the last quarter of the FYE 2020 (advanced made in 3 equal tranches of RM4.00 million per month) which have yet to be fully deployed for new pawn loans.

The increase in our Group's total current assets was partially offset by the decrease in other receivables of approximately RM0.91 million or 25.63% in the FYE 2020 mainly due to:

- (aa) a decrease in repayments of amounts owing from shareholders of RM2.08 million;
- (bb) an increase in advances to a non-controlling interest of a subsidiary of RM0.78 million;
- (cc) an increase in deposits and prepayments of RM0.16 million; and
- (dd) an increase in advances to staffs of RM0.23 million.

**12. FINANCIAL INFORMATION (Cont'd)****(c) Comparison between FPE 2021 and FYE 2020****Total non-current assets**

Our Group's total non-current assets decreased by approximately RM0.02 million or 0.15%, mainly due to the depreciation expenses of RM1.47 million incurred in the FPE 2021. This decrease was offset by the following:

- (aa) renovation costs and the purchase of equipment amounted to RM0.66 million for our existing pawnbroking outlets, and
- (bb) the recognition of the additional rights-of-use assets of RM1.06 million in the FPE 2021 for leasing of our existing pawnbroking outlets.

**Total current assets**

Our Group's total current assets increased by approximately RM4.64 million or 3.93% in the FPE 2021 mainly due to the increase in trade receivables by approximately RM15.58 million or 15.77% in FPE 2021 as compared with the FYE 2020. The increase in trade receivables was primarily due to the growth in our customer base from our existing pawnbroking outlets and the increase in our total pawn loans offered to our customers. The increase in trade receivables was also due to a delay in the Group's cash recovery process due to limited auction activities conducted by the KPKT.

The abovementioned increase in our Group's total current assets was partially offset by the following:

- (aa) a decrease in inventory by approximately RM0.41 million or 46.51% in FPE 2021 as compared with the FYE 2020, which was attributable to our Group's continuous efforts to expedite the cash recovery process for our Group's Cash Capital requirements; and
- (bb) a decrease in cash and bank balances of approximately RM10.53 million or 67.25% in the FPE 2021 due to the deployment of pawn loans.

**(ii) Liabilities**

	<b>Audited</b>			
	<b>As at 31 December</b>			<b>As at 30 September</b>
	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2020 RM'000</b>	<b>2021 RM'000</b>
<b>Non-current liabilities</b>				
Loans and borrowings	3,621	8,801	4,732	4,531
Deferred tax liabilities	1	11	48	47
Other payables	-	-	12,000	9,000
<b>Total non-current liabilities</b>	<b>3,622</b>	<b>8,812</b>	<b>16,780</b>	<b>13,578</b>
<b>Current liabilities</b>				
Loans and borrowings	512	795	1,001	1,164
Current tax liabilities	746	521	1,151	978
Other payables	170	495	756	3,163
Contract liabilities	587	-	-	-
<b>Total current liabilities</b>	<b>2,015</b>	<b>1,811</b>	<b>2,908</b>	<b>5,305</b>
<b>TOTAL LIABILITIES</b>	<b>5,637</b>	<b>10,623</b>	<b>19,688</b>	<b>18,883</b>

**12. FINANCIAL INFORMATION (Cont'd)**

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**(a) Comparison between FYE 2019 and FYE 2018*****Total non-current liabilities***

Our Group's total non-current liabilities increased by approximately RM5.19 million or 143.37% in the FYE 2019 mainly due to:

- (aa) issuance of redeemable preference shares amounting to RM4.12 million during the FYE 2019 to finance our Group's pawnbroking operations (refers to Note 13(c) of the Accountants' Report in Section 13 of this Prospectus for the salient terms for the redeemable preference shares); and
- (bb) recognition of additional non-current lease liabilities of RM1.11 million pursuant to the adoption of MFRS 16 Leases for leasing of the pawnbroking outlets.

***Total current liabilities***

Our Group's total current liabilities decreased by approximately RM0.21 million or 10.40% due to the decrease contract liabilities of RM0.59 million as well as the decrease in current tax liabilities by RM0.23 million in the FYE 2019 mainly due to higher tax instalments paid during the FYE 2019 based on the estimated tax liabilities for the FYE 2019.

This decrease was partially offset by an increase in lease liabilities of RM0.28 million due to the additional 9 new pawnbroking outlets set up in the FYE 2019 as well as the increase in other payables of RM0.33 million due to increase in accrued staff costs for the month of December 2019 and audit fees for the FYE 2019.

**(b) Comparison between FYE 2020 and FYE 2019*****Total non-current liabilities***

Our Group's total non-current liabilities increased by approximately RM7.97 million or 90.47% in the FYE 2020 mainly due to advances from shareholders of RM12.00 million in the fourth quarter of 2020 which are unsecured, bearing interest at the rate of 4.00% per annum, and will be repaid over 4 equal quarterly instalments commencing from 30 September 2022. The said increase was partially offset by the full redemption of redeemable preference shares via the proceeds from issuance of new ordinary shares during the FYE 2020.

***Total current liabilities***

Our Group's total current liabilities increased by approximately RM1.10 million or 60.77% in the FYE 2020 mainly due to the increase in tax payable of RM0.63 million as a result of the increase in tax payable arising from the additional 8 new pawnbroking outlets set up during the FYE 2020. In addition, the increase in lease liabilities was due to renting of additional 8 new pawnbroking outlets of RM0.21 million as well as the increase in other payables of RM0.26 million due to increase in accrued staff costs for the month of December 2020 and audit fees for the FYE 2020 had also contributed to the increase in our Group's total current liabilities.

**12. FINANCIAL INFORMATION (Cont'd)****(c) Comparison between FPE 2021 and FYE 2020*****Total non-current liabilities***

Our Group's total non-current liabilities decreased by approximately RM3.20 million or 19.08% in the FPE 2021, mainly due to repayment of lease liabilities of RM0.17 million and the classification of advance from shareholders due and payable within a year of RM3.00 million to the current liabilities.

***Total current liabilities***

Our Group's total current liabilities increased by approximately RM2.40 million or 82.43% in the FPE 2021 mainly attributable to the increase in other payable of RM2.47 million as a result of the classification of advance from shareholders in the abovementioned.

**12.3.4 Review of Cash Flows**

The following table sets out the summary of the combined statements of cash flows for the Period Under Review which have been extracted from the Accountants' Report set out in Section 13 of this Prospectus and should be read in with:

	Audited			Unaudited	Audited
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FPE 2020 RM'000	FPE 2021 RM'000
Net cash used in operating activities	(6,805)	(20,885)	(37,237)	(23,578)	(9,157)
Net cash used in investing activities	(587)	(1,917)	(2,288)	(1,417)	(655)
Net cash from/(used in) financing activities	9,786	28,535	43,540	27,646	(718)
<b>Cash and cash equivalents</b>					
<b>Net changes</b>	<b>2,394</b>	<b>5,733</b>	<b>4,015</b>	<b>2,651</b>	<b>(10,530)</b>
At the beginning of the financial year/period	3,516	5,910	11,643	11,643	15,658
<b>At the end of the financial year/period</b>	<b>5,910</b>	<b>11,643</b>	<b>15,658</b>	<b>14,294</b>	<b>5,128</b>

As tabulated above, our Group recorded net cash flows used in operations during the Period Under Review, mainly attributable to the expansion of our pawnbroking business operations where more pawn loans were offered to our customers. Our total pawnbroking outlets grew from 8 outlets as at 31 December 2018 to 25 outlets as at 30 September 2021, and our total pawn values disbursed to our customers increased from RM56.69 million for the FYE 2018 to RM171.38 million for the FPE 2021.

**12. FINANCIAL INFORMATION (Cont'd)**

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

	Audited			Unaudited	Audited
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FPE 2020 RM'000	FPE 2021 RM'000
<b>Cash flows from operating activities</b>					
PBT	2,316	3,317	11,112	8,000	8,004
Adjustments for:					
Depreciation of property, plant and equipment	542	1,070	1,514	1,077	1,469
Gain on disposal of property, plant and equipment	-	*	*	-	-
Trade receivable written off	87	117	147	78	37
Impairment loss on inventories	-	-	-	-	137
Depreciation of investment property	20	20	20	14	14
Finance costs	196	373	744	472	506
Finance income	-	-	(9)	(6)	-
<b>Operating profit before working capital changes</b>	<b>3,161</b>	<b>4,897</b>	<b>13,528</b>	<b>9,635</b>	<b>10,167</b>
Changes in working capital:					
Inventories	(1,526)	671	379	(974)	269
Trade and other receivables	(8,711)	(24,582)	(49,121)	(31,229)	(16,181)
Other payables	(80)	325	185	(135)	(451)
Contract liability	587	(587)	-	-	-
Net cash generated from operations	(6,569)	(19,276)	(35,029)	(22,703)	(6,196)
Income tax paid	(236)	(1,610)	(2,223)	(881)	(2,961)
Income tax refund	-	1	6	-	-
Finance income	-	-	9	6	-
<b>Net cash used in operating activities</b>	<b>(6,805)</b>	<b>(20,885)</b>	<b>(37,237)</b>	<b>(23,578)</b>	<b>(9,157)</b>

Note:

\* Amount less than RM1,000.

As tabulated above, our Group had recorded an increasing operating profit before changes in working capital during the Period Under Review, which increased from approximately RM3.16 million for FYE 2018 to RM10.17 million for FPE 2021. This demonstrated that our Group's pawnbroking business is sustainable and profitable after fulfilling all related operating expenses for our pawnbroking business operations.

The changes in working capital which attributed to the negative operating cash flows during the Period Under Review, were mainly due to the increase in trade receivables, whereby more pawn loans were being deployed from FYE 2018 to FPE 2021. As our Group's business entails the provision of pawnbroking services, the increase in trade receivables demonstrates that our Group's pawnbroking business was able to deploy more pawn loans from FYE 2018 to FYE 2020 to earn interests income.

The inherent nature of pawnbroking results in negative cash flows from operating activities as it involves the issuance of pawn loans, which are recorded as a cash outflow pursuant to accounting standards, whereas the funding of the deployment of pawn loans is captured in cash flow from financing. This is similar to our pawnbroking business operations which entails the continuous deployment of cash flows as pawn loans to earn interest income, where external funding such as Cash Capital injections by our shareholders and advances from shareholders were undertaken to support increased business activities of our Group.



**12. FINANCIAL INFORMATION (Cont'd)**

Our pawn loans extended to customers are classified as trade receivables as working capital cash flows while the source of funds for the pawn loans are capital injections by our shareholders and advances from shareholders which were injected as cash flows for our operating activities were classified as financing activities. The classification of capital injection by our shareholders and advances from shareholders as financing activities is in accordance with the disclosure requirements of MFRS 107 Statement of Cash Flows.

As a result, our Group recorded negative operating cash flow position of RM6.81 million, RM20.89 million, RM37.24 million, RM23.58 million and RM9.16 million in the FYE 2018, FYE 2019, FYE 2020, FPE 2020 and FPE 2021 respectively.

**FOR ILLUSTRATIVE PURPOSES, after adjusting the Cash Capital injection by our shareholders and advances from our shareholders to working capital cash flows, we would have recorded positive operating cash flows, except for the FPE 2021 as below:**

	Audited			Unaudited	Audited
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FPE 2020 RM'000	FPE 2021 RM'000
Net cash used in operating activities	(6,805)	(20,885)	(37,237)	(23,578)	(9,157)
Adjusted for:					
Proceeds from issuance of ordinary shares	28,000	7,800	36,083	-	-
Proceeds from issuance of redeemable preference shares	-	4,125	4,190	4,190	-
Redemption of redeemable preference shares	-	-	(8,315)	-	-
Net change in advance from/(to) shareholders	(17,713)	17,626	14,155	24,723	(42)
Net change in amount owing from minority interest	-	-	(780)	-	680
<b>Adjusted net cash generated from operating activities</b>	<b>3,482</b>	<b>8,666</b>	<b>8,096</b>	<b>5,335</b>	<sup>(1)</sup> <b>(8,519)</b>

Note:

- (1) *The net cash used in operating activities for FPE 2021 was mainly attributable to higher trade receivables due to the increase in deployment of pawn loans to our customers, and a delay in the Group's cash recovery process due to limited auction activities conducted by the KPKT. The Cash Capital injections amounted to RM12.00 million in the fourth quarter of FYE 2020 had enabled us to deploy more pawn loans to our customers during FPE 2021. However as there were no additional shareholders' Cash Capital injections and shareholders' advances received during FPE 2021, this resulted in a deficit in adjusted net cash generated from operating activities for FPE 2021.*

**Financial Commentaries on Cash Flows****(i) FYE 2018****(a) Net Cash Used in Operating Activities**

In the FYE 2018, our Group recorded net operating cash outflow of approximately RM6.81 million. We collected approximately RM52.84 million from the following:

- (i) receipts from the redemptions of pawn loans by our customers of approximately RM46.73 million;
- (ii) receipts from sale of unredeemed or bid pledges of approximately RM6.02 million;
- (iii) repayment of advances to staff of RM0.04 million; and

## 12. FINANCIAL INFORMATION (Cont'd)

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- (iv) other income received of approximately RM0.05 million.

The above collections were offset by cash payments of approximately RM59.64 million in respect of the following:

- (i) disbursement of pawn loans to our customers of approximately RM56.69 million;
- (ii) deposits paid of approximately RM0.01 million for new pawnbroking outlets' rental and utilities;
- (iii) payment of administrative and other pawnbroking operating expenses of approximately RM2.70 million; and
- (iv) payment of tax liabilities of approximately RM0.24 million.

### (b) Net Cash Used in Investing Activities

Our Group recorded a net cash outflow of RM0.59 million in our investing activities in the FYE 2018, which was attributable to renovation costs and the purchase of equipment for the additional 1 new pawnbroking outlet set up in FYE 2018.

### (c) Net Cash for Financing Activities

In the FYE 2018, our Group recorded net cash inflow for financing activities of RM9.79 million mainly due to:

- (i) proceeds of RM28.00 million from the issuance of new ordinary shares by our subsidiaries for our Group's pawnbroking business operations;
- (ii) repayment of term loan of approximately RM0.07 million;
- (iii) advances to shareholders of approximately RM19.71 million;
- (iv) repayment from advances to shareholders of approximately RM2.00 million;
- (v) interests paid to shareholders of approximately RM0.03 million; and
- (vi) lease payments made for leasing of pawnbroking outlets of approximately RM0.40 million.

## (ii) FYE 2019

### (a) Net Cash Used in Operating Activities

In the FYE 2019, our Group recorded net operating cash outflow of approximately RM20.89 million. We collected approximately RM85.94 million from the following:

- (i) receipts from the redemptions of pawn loans by our customers of approximately RM74.55 million;
- (ii) receipts from sale of unredeemed or bid pledges of approximately RM11.33 million; and

**12. FINANCIAL INFORMATION (Cont'd)**

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- (iii) other income received of approximately RM0.06 million.

The above collections were offset by cash payments of approximately RM106.83 million in respect of the following:

- (i) disbursement of pawn loans to our customers of approximately RM100.68 million;
- (ii) advances to staff of approximately RM0.02 million;
- (iii) deposits paid of approximately RM0.17 million for new pawnbroking outlets' rental and utilities;
- (iv) payment of administrative and other pawnbroking operating expenses of approximately RM4.35 million; and
- (v) payment of tax liabilities of approximately RM1.61 million.

**(b) Net Cash Used in Investing Activities**

Our Group recorded a net cash outflow of RM1.92 million in our investing activities in the FYE 2019, which was attributable to renovation costs and the purchase of equipment for the additional 9 new pawnbroking outlets set up in the FYE 2019.

**(c) Net Cash for Financing Activities**

In the FYE 2019, our Group recorded net cash inflow for financing activities of RM28.54 million mainly due to:

- (i) proceeds of RM7.80 million from the issuance of new ordinary shares by our subsidiaries for our Group's pawnbroking business operations;
- (ii) proceeds from issuance of redeemable preference shares of approximately RM4.12 million to finance our Group's pawnbroking business operations;
- (iii) repayment of term loan of approximately RM0.07 million;
- (iv) interests paid on advances from shareholders of approximately RM0.06 million;
- (v) repayment from advances to shareholders of approximately RM17.63 million; and
- (vi) lease payments made for leasing of pawnbroking outlets of approximately RM0.88 million.

**12. FINANCIAL INFORMATION (Cont'd)**

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**(iii) FYE 2020****(a) Net Cash Used in Operating Activities**

In the FYE 2020, our Group recorded net operating cash outflow of approximately RM37.24 million. We collected approximately RM155.35 million from the following:

- (i) receipts from the redemptions of pawn loans by our customers of approximately RM138.10 million;
- (ii) receipts from sale of unredeemed or bid pledges of approximately RM16.89 million;
- (iii) Wage Subsidy received of approximately RM0.25 million;
- (iv) interest received of approximately RM0.01 million; and
- (v) other income received of approximately RM0.10 million.

The above collections were offset by cash payments of approximately RM192.59 million in respect of the following:

- (i) disbursement of pawn loans to our customers of approximately RM184.99 million;
- (ii) advances to staff of approximately RM0.24 million;
- (iii) deposits paid of RM0.01 million for new pawnbroking outlets' rental and utilities;
- (iv) payment of administrative and other pawnbroking operating expenses of approximately RM5.14 million; and
- (v) payment of tax liabilities of approximately RM2.21 million.

**(b) Net Cash Used in Investing Activities**

We recorded a net cash outflow of RM2.29 million for our investing activities in the FYE 2020, which was attributable to renovation costs and the purchase of equipment for the opening of 8 new pawnbroking outlets.

**(c) Net Cash for Financing Activities**

During the FYE 2020, we recorded a net cash inflow for financing activities of RM43.54 million which was mainly due to:

- (i) proceeds of RM36.08 million from the issuance of new ordinary shares by a subsidiary in which RM27.76 million for our Group's pawnbroking business operations and RM8.32 million to fund the full redemption of redeemable preference shares;
- (ii) proceeds from issuance of redeemable preference shares of RM4.19 million for our Group's pawnbroking business operations;
- (iii) cash payment for the full redemption of redeemable preference shares issued in the FYE 2019 and FYE 2020 totalling RM8.32 million;

**12. FINANCIAL INFORMATION (Cont'd)**

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- (iv) interests paid in respect of redeemable preference share of approximately RM0.36 million;
- (v) repayment of term loan of approximately RM0.03 million;
- (vi) repayment from advances to shareholders of approximately RM2.08 million;
- (vii) advances from shareholders of approximately RM12.00 million for our Group's pawnbroking business operations;
- (viii) advances to non-controlling interests of approximately RM0.78 million for funding his investment in one of our new pawnbroking outlet, and the said amount had been fully settled subsequent to FYE 2020;
- (ix) dividends paid of approximately RM0.19 million; and
- (x) lease payments made for leasing of pawnbroking outlets of approximately RM1.13 million.

**(iv) FPE 2020**

**(a) Net Cash Used in Operating Activities**

In the FPE 2020, our Group recorded net operating cash outflow of approximately RM23.58 million. We collected approximately RM111.19 million from the following:

- (i) receipts from the redemptions of pawn loans by our customers of approximately RM101.20 million;
- (ii) receipts from sale of unredeemed or bid pledges of approximately RM9.65 million;
- (iii) Wage Subsidy received of approximately RM0.22 million;
- (iv) interest received of approximately RM0.01 million;
- (v) other income received of approximately RM0.08 million; and
- (vi) repayment of advances to staff of approximately RM0.03 million.

The above collections were offset by cash payments of approximately RM134.77 million in respect of the following:

- (i) disbursement of pawn loans to our customers of approximately RM130.07 million;
- (ii) deposits paid of RM0.41 million for new pawnbroking outlets' rental and utilities;
- (iii) payment of administrative and other pawnbroking operating expenses of approximately RM3.41 million; and
- (iv) payment of tax liabilities of approximately RM0.88 million.

**12. FINANCIAL INFORMATION (Cont'd)**

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**(b) Net Cash Used in Investing Activities**

We recorded a net cash outflow of RM1.42 million for our investing activities in the FPE 2020, which was attributable to renovation costs and the purchase of equipment for our pawnbroking outlets.

**(c) Net Cash for Financing Activities**

During the FPE 2020, we recorded a net cash inflow for financing activities of RM27.65 million which was mainly due to:

- (i) proceeds from issuance of redeemable preference shares of RM4.19 million for our Group's pawnbroking business operations;
- (ii) interests paid in respect of redeemable preference share of approximately RM0.23 million;
- (iii) repayment of term loan of approximately RM0.02 million;
- (iv) advances from shareholders of approximately RM24.72 million;
- (v) dividends paid of approximately RM0.18 million; and
- (vi) lease payments made for leasing of pawnbroking outlets of approximately RM0.83 million.

**(v) FPE 2021****(a) Net Cash Used in Operating Activities**

In the FPE 2021, our Group recorded net operating cash outflow of approximately RM9.16 million. We collected approximately RM171.34 million from the following:

- (i) receipts from the redemptions of pawn loans by our customers of approximately RM159.88 million;
- (ii) receipts from sale of unredeemed or bid pledges of approximately RM11.08 million;
- (iii) Wage Subsidy received of approximately RM0.01 million;
- (iv) other income received of approximately RM0.07 million; and
- (v) repayment of advances to staff of approximately RM0.30 million.

The above collections were offset by cash payments of approximately RM180.50 million in respect of the following:

- (i) disbursement of pawn loans to our customers of approximately RM171.38 million;
- (ii) deposits paid of RM0.05 million for new pawnbroking outlets' rental and utilities;

**12. FINANCIAL INFORMATION (Cont'd)**

- (iii) payment of administrative and other pawnbroking operating expenses of approximately RM6.11 million; and
- (iv) payment of tax liabilities of approximately RM2.96 million.

**(b) Net Cash Used in Investing Activities**

We recorded a net cash outflow of RM0.66 million for our investing activities in the FPE 2021, which was attributable to renovation costs and the purchase of equipment for our pawnbroking outlets.

**(c) Net Cash Used in Financing Activities**

During the FPE 2021, we recorded a net cash outflow for financing activities of RM0.72 million which was mainly due to:

- (i) interests paid for advances from shareholders of RM0.29 million, respectively;
- (ii) repayment of term loan of approximately RM0.05 million;
- (iii) repayment for advances from shareholders of approximately RM0.04 million for our Group's pawnbroking business operations; and
- (iv) repayment from non-controlling interests of approximately RM0.68 million; and
- (v) lease payments made for leasing of pawnbroking outlets of approximately RM1.02 million.

**12.4 LIQUIDITY AND CAPITAL RESOURCES****12.4.1 Working Capital**

Our pawnbroking business requires substantial Cash Capital for our business operations. Thus, the liquidity of our pawnbroking business is dependent on our timely access to, and the costs associated with raising and maintaining Cash Capital. Our business operation depends on the sufficiency of funds to support our pawn loan business. Our operations were funded by a combination of internal and external sources of funds. Our internal sources of funds comprised share capital and cash generated from our operating activities, while our external sources of funds are advances from our shareholders. For the next 12 months from the date of this Prospectus, our Group plans to finance our Cash Capital requirements from our IPO proceeds, internally generated funds and existing shareholders' funds. Moving forward, after 12 months from the date of this Prospectus, we will continue to utilise our internally generated funds and existing shareholders' funds to finance our Cash Capital requirements. Our primary uses of cash are to disburse pawn loans to our customers and to satisfy our working capital needs.

Our Group has an internal cash management policy where our individual pawnbroking outlets maintain a level of cash for each business day and supported by other pawnbroking outlets and Pappajack Holdings, should further need arises for the utilisation of cash for working capital and taking into consideration the obligation to meet payment for bank borrowings, if bank borrowings are obtained. Cash management can be viewed as our benchmark for our liquidity position. However, such benchmark may vary between other competitors' pawnbroking outlets as the competitors would adopt their own methodology in managing their pawnbroking business operation. Should our Group needs to raise any funds for future expansion, our Group may consider bank borrowings and/or raising funds from the capital market.

**12. FINANCIAL INFORMATION (Cont'd)**

Our Board is of the opinion that after taking into consideration the existing level of cash and cash equivalents, impact of COVID-19 as detailed in Section 6.10 of this Prospectus as well as the gross proceeds raised from our Public Issue, our Group has adequate working capital to support our pawnbroking business operations for a period of 12 months from the date of this Prospectus.

As at LPD, we have cash and bank balances of RM11.74 million.

Based on the pro forma consolidated statements of the financial position of our Group as at 30 September 2021 (after the Pre-IPO Reorganisation but before the Public Issue), our NA position stood at RM113.45 million and our gearing level was approximately 0.01 times. Our NA position and gearing level after the Pre-IPO Reorganisation and Public Issue (and utilisation of proceeds) is RM160.18 million and approximately 0.005 times respectively.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Due to the nature of the pawnbroking business, our Group does not have any dispute or material trade receivables written-off, as the pawn loans are secured by pledges which have been agreed upfront with the customers at the point of pawning. Accordingly, we are entitled to dispose of the relevant unredeemed pawn pledges to recover the unredeemed pawn loans via our cash recovery process.

**12.5 BORROWINGS**

Our total outstanding borrowings as at 30 September 2021 stood at RM5.70 million, details of which are set out as follows. All our borrowings are interest-bearing and denominated in RM.

	Purpose	Tenure	Interest Rate % Per Annum	Audited as at 30 September 2021 RM'000
<b>Interest bearing short-term borrowings, payable within 1 year:</b>				
Term loan	Financing the purchase of investment properties	15 years	BLR-2.2%	28
Lease liabilities <sup>(1)</sup>	Rental of premises	2 to 9 years	5.49% to 6.95%	1,136
			<b>Sub-total</b>	<b>1,164</b>
<b>Interest bearing long-term borrowings, payable after 1 year:</b>				
Term loan	Financing the purchase of investment properties	15 years	BLR-2.2%	740
Lease liabilities <sup>(1)</sup>	Rental of premises	2 to 9 years	5.49% to 6.95%	3,791
			<b>Sub-total</b>	<b>4,531</b>
			<b>Total borrowings</b>	<b>5,695</b>
<b>Pro forma gearing (excluding lease liabilities) (times)</b>				
After the Pre-IPO Reorganisation before the Public Issue <sup>(2)</sup>				0.01
After the Public Issue <sup>(3)</sup>				0.005



**12. FINANCIAL INFORMATION (Cont'd)***Notes:*

- (1) For the MFRS 16 Lease compliance purposes, our Group has computed the lease liabilities on the basis that our Group will exercise the renewal option stipulated in the respective tenancy agreements to renew our tenancies upon expiry.
- (2) Computed based on our pro forma shareholders' funds of RM113.45 million in the pro forma consolidated statements of financial position after the Pre-IPO Reorganisation before the Public Issue.
- (3) Computed based on our pro forma shareholders' funds of RM160.18 million in the pro forma consolidated statements of financial position after the Pre-IPO Reorganisation and Public Issue (and utilisation of proceeds).

Our pro forma gearing ratio (excluding lease liabilities) is expected to register approximately 0.01 times before the Public Issue, and approximately 0.005 times after the Public Issue (and utilisation of proceeds) after inclusion of proceeds arising from the issuance of new Shares pursuant to the Public Issue.

Our borrowings carry the following interest rates for the Period Under Review:

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FPE 2021
	Per Annum			
<b>Floating rates</b>				
Term loans	6.97%	6.72%	5.47% to 6.47%	5.47% to 6.47%
<b>Fixed rates</b>				
Lease liabilities	6.95%	6.74%	5.49%	5.49% to 6.95%
Redeemable preference shares	-	7.0%	6.0% to 7.0%	-

The following table sets out the maturities of our borrowings:

	Audited			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FPE 2021 RM'000
<b>Term loan</b>				
Within the next 12 months	39	48	25	28
After the next 12 months:				
Later than 1 year but not later than 2 years	48	28	26	29
Later than 2 years but not later than 5 years	89	95	164	102
Later than 5 years	672	638	586	609
<b>Lease liabilities</b>				
Within the next 12 months	473	747	976	1,136
After the next 12 months:				
Later than 1 year but not later than 5 years	1,710	2,926	3,385	3,408
Later than 5 years	1,102	989	571	383
<b>Redeemable preference shares</b>				
Later than 2 years but not later than 3 years	-	4,125	-	-

**12. FINANCIAL INFORMATION (Cont'd)**

As at the LPD, we do not have any bank borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any bank borrowings throughout the Period Under Review and the subsequent financial period up to the LPD.

As at the LPD, neither the Company nor our subsidiaries are in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities. We do not encounter any seasonality in our bank borrowings trend and there are no restrictions on our committed borrowing facilities i.e. our banker.

**12.6 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

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

As at the LPD, save as disclosed in Section 12.4 of this Prospectus, we do not have or utilise any other financial instruments. We finance our operations mainly through cash generated from our operations and external sources of funds are mainly advances from shareholders. The principal use of the term loan is for financing the purchase of investment properties.

**12.7 MATERIAL CAPITAL EXPENDITURE, DIVESTITURES AND CAPITAL COMMITMENTS**

We do not have any material capital expenditures, material divestitures and material capital commitments for the Period Under Review and up to the LPD.

**12.8 MATERIAL LITIGATION AND CONTINGENT LIABILITIES**

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and to the extent known to our Directors, there are no proceeding pending or threatened or of any facts likely to give rise to any proceeding which might materially or adversely affect our position or business as at the LPD.

To the extent known to our Company, there are no contingent liability incurred by us or our subsidiaries, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries as at the LPD.

**12.9 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for the Period Under Review are as follows:

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FPE 2021
Trade receivables turnover (days) (1)	134	130	137	157
Inventory turnover (days) <sup>(2)</sup>	92	55	31	17
Current ratio (times) <sup>(3)</sup>	27.17	36.81	40.57	23.11
Gearing ratio (times) <sup>(4)</sup>	0.02	0.08	0.01	0.01

**12. FINANCIAL INFORMATION (Cont'd)**

Notes:

- (1) Due to the nature of the pawnbroking business of the Group, the trade receivables of the Group comprise of pawn loans outstanding and interest receivable from pawnbroking services. Therefore, to reflect more meaningful trade receivables turnover, the computation is based on the average trade receivables over the aggregate of total pawn loans and interest income from pawnbroking services for the financial year/period multiplied by 365/273 days for each financial year.
- (2) Computed based on the average inventory over cost for sale of unredeemed or bid pledges for the financial year/period multiplied by 365/273 days for each financial year.
- (3) Computed based on current assets over current liabilities as at each financial year/period end.
- (4) Computed based on our total loans and borrowings (excluding lease liabilities) over total equity attributable to the owners of the Company for each financial year/period end.

**12.9.1 Trade Receivables Turnover**

	<b>Audited</b>			
	<b>FYE 2018 RM'000</b>	<b>FYE 2019 RM'000</b>	<b>FYE 2020 RM'000</b>	<b>FPE 2021 RM'000</b>
Opening trade receivables				
- pawn loans	17,075	25,024	47,578	93,340
- interest receivables	1,130	1,592	2,617	5,439
	18,205	26,616	50,195	98,779
Closing trade receivables				
- pawn loans outstanding	25,024	47,578	93,340	107,049
- interest receivables	1,592	2,617	5,439	7,311
	26,616	50,195	98,779	114,359
Average trade receivables				
- pawn loans outstanding	21,050	36,301	70,459	100,194
- interest receivables	1,361	2,105	4,028	6,375
	22,411	38,406	74,487	106,569
Total pawn values	56,688	100,680	184,987	171,380
Interest income from pawnbroking services	4,581	7,292	13,884	14,321
	61,269	107,972	198,871	185,701
Average trade receivables turnover period (days)				
- Pawn loans outstanding	136	132	139	160
- Interest receivables	108	105	106	122
- Overall	134	130	137	157

For our pawnbroking business, we offer pawn loans to our customers based on the pawn pledges. The validity of the pawn tickets to customers is up to 6 months period. Upon the expiry of the pawn loan tickets, our customers may be allowed to redeem the pawn pledges or re-pawn the pawn pledges (upon settlement of interests due). All re-pawn loans were recorded as new loans under "within credit period" in our ageing analysis, as we issued new pawn tickets to our customers when they re-pawn their pawn pledges. For our pawnbroking segment, we charged monthly interest rates ranging from 1.3% to 2.0% on the pawn loan amounts during the Period Under Review, which are payable upon redemption or re-pawn of pledges. We sell our unredeemed or bid pledges, i.e. gold to scrap collectors and luxury watches to watch purchasers on a cash term basis.

**12. FINANCIAL INFORMATION (Cont'd)**

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Our average receivables turnover periods for pawn loan outstanding and interest receivables for the Period Under Review are within the maximum pawn loan tickets validity of 6 months. The fluctuations in the average trade receivables turnover periods for the Period Under Review depend on the timing our customers redeem their pawn tickets.

Our Group has no significant concentration of credit risk from our trade receivables. Our Group minimises credit risk by requiring collateral from customers.

Our Group assumed that the credit risk on trade receivables has increased if it is more than 90 days past due. Our Group considers a trade receivable to be in default when:

- (a) the pawn customer is unable to pay its credit obligations to the Group in full without taking into account any credit enhancements held by the Group, in which the assessment will be performed at the expiry of the maximum pawn loan tickets validity of 6 months or an extended period if the customer requested for a repawn of the pawn loan; or
- (b) the contractual payment of the trade receivables is more than 90 days past due from the expiry of the maximum pawn loan tickets validity of 6 months unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notwithstanding the above, we do not make provision for impairment losses in respect of these balances solely because they are past due as they are secured by pledges. During the Period Under Review, we had written off our trade receivables in respect of the following circumstances:

- (a) loss incurred, being the balance of the unrecoverable unredeemed pawn loans after netting off the proceeds from the sale of bid pledges; and
- (b) when police temporarily retain the pawn pledge for disputed pawn tickets under police investigation caused by our pawn customer's personal matter.

We have recorded trade receivables written-off of RM0.09 million, RM0.12 million, RM0.15 million, RM0.08 million and RM0.04 million for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021. These receivables were written-off mainly due to the loss incurred as a result of the unredeemed pawn pledges sold during the cash recovery process. Included in the receivables written-off for the FYE 2020, FPE 2020 and FPE 2021 were amounts totaling to RM0.02 million, RM0.01 million and RM0.04 million, respectively in relation to 2 cases, 1 case and 4 cases, respectively under police investigations due to our pawn pledges being retained temporarily by police caused by our pawn customers' personal matters.

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**12. FINANCIAL INFORMATION (Cont'd)****Ageing analysis of trade receivables as at 30 September 2021**

	Audited as at 30 September 2021		Amount Collected from 1 October 2021 up to the LPD	Balance of Trade Receivables Which Have Yet to be Collected as at the LPD
	RM'000 (a)	Percentage of Trade Receivables (%) (a)/ total of (a)	RM'000 (b)	RM'000 (c) = (a)-(b)
Within credit period	84,694	74.06	62,446	22,248
Past due:				
• 1 to 30 days	6,808	5.95	6,808	-
• 31 to 60 days	4,487	3.92	4,487	-
• 61 to 90 days	3,386	2.96	3,386	-
• 91 to 120 days	3,783	3.31	3,783	-
• More than 120 days	11,201	9.80	11,201	-
	29,665	25.94	29,665	-
<b>Total</b>	<b>114,359</b>	<b>100.00</b>	<b>92,111</b>	<b>22,248</b>

As at the LPD, approximately RM92.11 million of the outstanding trade receivables as at 30 September 2021 have been collected and/or recovered from the disposal of unredeemed or bid pledges via auctions and subsequent sales to scrap collectors. The remaining unsettled balances of approximately RM22.25 million as at the LPD are receivable within the credit period. There was no impairment loss on these trade receivables as the pawn loans disbursed are secured by the pledges of gold jewellery and watches.

**12.9.2 Inventories**

	Audited			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FPE 2021 RM'000
Opening inventories	398	1,924	1,252	873
Closing inventories	1,924	1,252	873	467
Average inventories	1,161	1,588	1,063	670
Costs for sale of unredeemed or bid pledges	4,629	10,527	12,546	10,589
Average inventory turnover period (days)	92	55	31	17

Our inventories comprise of bid pledges purchased by our Group via public auction and are pending for the subsequent resell to the scrap collectors at an agreed amount which is guided by the prevailing market rate. We have a computerised pawnbroking system in place which tracks the movement of our inventory on a real time basis.

Our average inventories turnover periods for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021 were 92, 55, 31 and 17 days respectively. The decrease in inventory turnover periods for FYE 2019 and FYE 2020 were mainly due to our Group has adopted the strategy to expedite the cash recovery process in order to turnaround our Cash Capital for our pawnbroking operations.

**12. FINANCIAL INFORMATION (Cont'd)**

During the Period Under Review, our Group had written down inventories values of RM0.14 million in the FPE 2021 due to impairment loss on inventories to net realisable values, i.e., the prevailing market gold price as a result of the decrease in prevailing market gold prices at the end of FPE 2021.

**12.9.3 Current Ratio**

Our current ratio throughout the Period Under Review review is as follows:

	<b>Audited</b>			
	<b>FYE 2018</b> RM'000	<b>FYE 2019</b> RM'000	<b>FYE 2020</b> RM'000	<b>FPE 2021</b> RM'000
Current assets	54,739	66,662	117,975	122,612
Current liabilities	2,015	1,811	2,908	5,305
<b>Net current assets</b>	<b>52,724</b>	<b>64,851</b>	<b>115,067</b>	<b>117,307</b>
Current ratio (times)	27.17	36.81	40.57	23.11

Our current ratio ranges from 23.11 times to 40.57 times for the Period Under Review. Our Group can meet our current obligations as our inventories and trade receivables, which comprise of the bid pledges (for inventories) and the related pledged items (for trade receivables) are majority commodity in nature (gold) and can be easily and readily monetised based on the prevailing market price, and together with our bank balances are sufficient to meet our current liabilities.

In the FYE 2019, our current ratio increased from 27.17 times as at 31 December 2018 to 36.81 times as at 31 December 2019 mainly contributed by the increase in trade receivables of approximately RM23.58 million, which was mainly due to an increase in total pawn values disbursed to our customers of RM43.99 million, and was funded by the proceeds from the issuance of redeemable preference shares by a subsidiary and new ordinary shares issued by some of our subsidiaries.

In the FYE 2020, our current ratio further increased to 40.57 times mainly due to the increase in trade receivables of approximately RM48.58 million, which was mainly due to an increase in total pawn values disbursed to our customers of RM84.31 million, which was funded by the proceeds from the issuance of redeemable preference shares, new ordinary shares issued by some of our subsidiaries and advances from shareholders and related parties.

In the FPE 2021, our current ratio decreased to 23.11 times mainly due to classification of advance from shareholders due and payable within a year of RM3.00 million from non-current liabilities and the marginal increase in current asset pursuant to the increase in total pawn values disbursed to our customers of RM41.31 million as compared to FPE 2020.

Our operations are funded by a combination of internal and external sources of funds. Our internal sources of funds comprise share capital and cash generated from our operating activities, while our external sources of funds are advances from our shareholders.

**12. FINANCIAL INFORMATION (Cont'd)****12.9.4 Gearing Ratio**

Our gearing ratio throughout the financial Period Under Review is as follows:

	Audited			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FPE 2021 RM'000
Loans and borrowings (excluding lease liabilities)	848	4,934	801	768
Total equity attributable to the owners of the Group	54,926	64,688	108,014	113,450
Gearing ratio (times)	0.02	0.08	0.01	0.01

Our Group's gearing ratio ranged from 0.01 times to 0.08 during the Period Under Review. As at 30 September 2020, our Group has no unutilised credit facilities.

**12.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

There were no government, economic, fiscal, or monetary policies or factors which materially affected our operations during the Period Under Review. However, there is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

Our business operations are governed by the KPKT, and are governed by the regulations under the Pawnbrokers Act 1972. Under the Pawnbrokers Act 1972, a pawnbroking licence is mandatory for opening and operating a pawnbroking outlet. Such licence is valid for a period of 2 years and is subject to renewal provided that the pawnbroking outlet adheres to the regulations enforced by the KPKT.

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

**12.11 IMPACT OF INFLATION**

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

**12. FINANCIAL INFORMATION (Cont'd)****12.12 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS****12.12.1 Impact of foreign exchange rates**

Our transactions are solely denominated in RM.

**12.12.2 Impact of interest rates**

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FPE 2021
Interest coverage ratio (times)#	12.82	9.89	15.92	16.82

Note:

# Computed based on EBIT over finance costs.

Our interest coverage ratio was between 9.89 times to 16.82 times for the Period Under Review, indicating that our Group has been able to generate sufficient profits from operations to meet our interest serving obligations.

Our Group's financial results for the Period Under Review were not materially affected by fluctuations in interest rates.

**12.12.3 Impact of commodity prices**

We primarily receive gold as pledges for the provision of pawn loans to our customers. The pledge value of gold against total pledge value was 100.00%, 99.55%, 99.42% and 98.72%, for FYE 2018, FYE 2019, FYE 2020 and FPE 2021, respectively. As such, the pledge value is influenced by gold price volatility as we offer pawn loans to our customers against the pledges of gold based on a loan margin which factors in the prevailing market value of the pledge. Further, we also sell our unredeemed or bid pledges (i.e. gold) to scrap collectors at an agreed amount which is guided by the prevailing market value of gold. Gold is a commodity and hence, its price fluctuates. Gold prices are affected by various factors, amongst others, interest rates, fluctuation in USD, global or regional economic or political circumstances, market speculations as well as market supply and demand of gold.

For the Period Under Review and up to LPD, the price of gold has fluctuated between USD1,279.00 per ounce (equivalent to approximately USD41.12 per gram) and USD1,866.15 per ounce (equivalent to approximately USD60.00 per gram).

**12.13 ORDER BOOK**

Due to the nature of our pawnbroking business, we do not have an order book.



**12. FINANCIAL INFORMATION (Cont'd)**

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**12.14 TREND INFORMATION**

Based on our track record for the Period Under Review, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

- (i) During the Period Under Review, the revenue from provision of pawnbroking services is the main driver for our Group's profit. In view of our plan to further expand our pawnbroking segment as stated in Sections 4.9(i) and 7.17 of this Prospectus, we expect the pawnbroking segment continued to be the key revenue contributor of our Group in the future;
- (ii) During the Period Under Review, we derived all our revenue from the domestic market. As we intend to focus and further expand our presence in the domestic market, we expect Malaysia to continue to be our principal market; and
- (iii) We expect our operating expenses to increase due mainly to (i) the increase in employee benefits expenses as a result of higher headcount and increments in salaries and wages as we expand our business; (ii) the increase in lease liabilities as we set up new pawnbroking outlets; and (iii) expenses in relation to the Listing and the costs of maintaining a listing on the Ace Market of Bursa Securities.

As at the LPD, after all reasonable enquiries, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

- (i) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Sections 12.2, 12.9, 12.10 and 12.11 of this Prospectus;
- (ii) Material commitments for capital expenditure;
- (iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 12.2, 12.9, 12.10 and 12.11 of this Prospectus;
- (iv) Known trends, demands, commitments, events, or uncertainties that have resulted in a substantial increase in our Group revenue save for those that were discussed in Sections 12.2, 12.9, 12.10 and 12.11 of this Prospectus; and
- (v) Known trends, demands, commitments, events, or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 12.2, 12.9, 12.10 and 12.11 of this Prospectus.

Our Board is optimistic about the future prospects of our Group given our Group's competitive strengths as set out in Section 7.16 and the outlook of the pawnbroking industry in Malaysia as set out in the IMR Report in Section 7 of this Prospectus.

**12. FINANCIAL INFORMATION (Cont'd)****12.15 DIVIDEND POLICY**

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from the financiers of our Group as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

Our Group presently does not have any formal dividend policy, the declaration of dividends is subject to the discretion of our Board. It is our intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

As at the LPD, there are no dividend restrictions imposed on our subsidiaries.

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

Dividends declared by our Group from the FYE 2018 to FYE 2020 and FPE 2021 are as follows:

	Audited			Unaudited	Audited
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FPE 2020 RM'000	FPE 2021 RM'000
Dividends declared	-	-	186	186	-

**12.16 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness as at 31 January 2022 and after adjusting for the effects of the Pre-IPO Reorganisation and Public Issue including the utilisation of proceeds.

	Unaudited As at 31 January 2022 RM'000	I After the Pre- IPO Reorganisation RM'000	II After I and Public Issue RM'000	III After II and Utilisation of Proceeds RM'000
<b>Capitalisation</b>				
Shareholders' equity	-	116,330	166,430	163,055
<b>Total capitalisation</b>	-	<b>116,330</b>	<b>166,430</b>	<b>163,055</b>
<b>Indebtedness <sup>(1)</sup></b>				
<u>Current</u>				
Secured and guaranteed				
- Term loans	-	28	28	28

**12. FINANCIAL INFORMATION (Cont'd)**

	<b>Unaudited As at 31 January 2022 RM'000</b>	<b>I After the Pre- IPO Reorganisation RM'000</b>	<b>II After I and Public Issue RM'000</b>	<b>III After II and Utilisation of Proceeds RM'000</b>
Non-current Secured and guaranteed Term loans	-	716	716	716
<b>Total indebtedness</b>	-	<b>744</b>	<b>744</b>	<b>744</b>
<b>Total capitalisation and indebtedness</b>	<b>7</b>	<b>117,074</b>	<b>167,174</b>	<b>163,799</b>
<b>Gearing ratio <sup>(2)</sup></b>	-	<b>0.006</b>	<b>0.004</b>	<b>0.005</b>

Notes:

- (1) All of our indebtedness is secured and guaranteed.  
(2) Calculated based on total indebtedness divided by total capitalisation.

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### 13. ACCOUNTANTS' REPORT

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18 February 2022

The Board of Directors  
**Pappajack Berhad**  
11B, Jalan TK 1/11A  
Taman Kinrara, Seksyen 1  
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Selangor Darul Ehsan

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Dear Sirs,

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#### **Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Pappajack Berhad ("Pappajack" or the "Company")**

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##### **Opinion**

We have audited the accompanying combined financial statements of the Company and its operating entities as defined in Note 2 to the combined financial statements (collectively known as the "Group"), which comprise of the combined statements of financial position as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 September 2021, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years/period then ended and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 6 to 93.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report give a true and fair view of the combined financial positions of the Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 September 2021, and of their financial performance and their cash flows for the financial years/period then ended in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guideline as issued by the Securities Commission Malaysia.

##### **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 *Reporting Accountants' Responsibilities for the Audit of the Combined 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.

Baker Tilly Monteiro Heng PLT 201906000600 (LLP0019411-LCA) (AF 0117) is a member of the Baker Tilly International network, the members of which are separate and independent legal entities.

### 13. ACCOUNTANTS' REPORT (Cont'd)

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**PAPPAJACK BERHAD**  
(Incorporated in Malaysia)



#### **Responsibilities of the Directors for the Combined Financial Statements**

The directors of the Group are responsible for the preparation of the combined financial statements contained in the Accountants' Report, so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the 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.

The directors of the Group are responsible for overseeing the Group's financial reporting process.

#### **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 a Reporting 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.

**13. ACCOUNTANTS' REPORT (Cont'd)**

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**PAPPAJACK BERHAD**  
(Incorporated in Malaysia)



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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 financial information 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.

**13. ACCOUNTANTS' REPORT (Cont'd)**

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**PAPPAJACK BERHAD**  
(Incorporated in Malaysia)



**Other Matters**

The comparative information for the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows and notes to the combined financial statements for the financial period ended 30 September 2020 has not been audited.

This report is made solely to the board of directors of the Group and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of the Group in connection with the listing and quotation for the entire enlarged issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon any other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT  
201906000600 (LLP0019411-LCA) & AF 0117  
Chartered Accountants

A handwritten signature in black ink, appearing to read "Paul Tan Hong".

Paul Tan Hong  
No. 03459/11/2023 J  
Chartered Accountant

Kuala Lumpur

Date: 18 February 2022

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**  
Accountants' Report

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**STATEMENT BY DIRECTORS**

We, **LIM BOON HUA** and **LAW BOOK CHING**, being two of the directors of PAPPAJACK BERHAD, do hereby state that in the opinion of the directors, the accompanying 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 2018, 31 December 2019, 31 December 2020 and 30 September 2021 and of its financial performance and cash flows for the financial years then ended 31 December 2018, 31 December 2019, 31 December 2020 and financial periods then ended 30 September 2020 and 30 September 2021.

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



.....  
**LIM BOON HUA**  
Director



.....  
**LAW BOOK CHING**  
Director

Kuala Lumpur

Date: 18 February 2022



**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	← Audited as at →			
		31.12.2018 RM '000	31.12.2019 RM '000	31.12.2020 RM '000	30.09.2021 RM '000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	4,429	7,257	9,156	9,154
Investment property	6	1,387	1,367	1,347	1,333
Deferred tax assets	7	8	25	-	-
<b>Total non-current assets</b>		<b>5,824</b>	<b>8,649</b>	<b>10,503</b>	<b>10,487</b>
<b>Current assets</b>					
Inventories	8	1,924	1,252	873	467
Current tax assets		1	23	24	233
Trade and other receivables	9	46,904	53,744	101,420	116,784
Cash and bank balances	10	5,910	11,643	15,658	5,128
<b>Total current assets</b>		<b>54,739</b>	<b>66,662</b>	<b>117,975</b>	<b>122,612</b>
<b>TOTAL ASSETS</b>		<b>60,563</b>	<b>75,311</b>	<b>128,478</b>	<b>133,099</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Group</b>					
Invested equity	11	53,400	61,200	106,940	106,940
Reorganisation deficit	12	-	-	(10,437)	(10,437)
Retained earnings		1,526	3,488	11,511	16,947
		54,926	64,688	108,014	113,450
Non-controlling interest		-	-	776	766
<b>TOTAL EQUITY</b>		<b>54,926</b>	<b>64,688</b>	<b>108,790</b>	<b>114,216</b>
<b>Non-current liabilities</b>					
Loans and borrowings	13	3,621	8,801	4,732	4,531
Deferred tax liabilities	7	1	11	48	47
Other payables	14	-	-	12,000	9,000
<b>Total non-current liabilities</b>		<b>3,622</b>	<b>8,812</b>	<b>16,780</b>	<b>13,578</b>
<b>Current liabilities</b>					
Loans and borrowings	13	512	795	1,001	1,164
Current tax liabilities		746	521	1,151	978
Other payables	14	170	495	756	3,163
Contract liabilities	15	587	-	-	-
<b>Total current liabilities</b>		<b>2,015</b>	<b>1,811</b>	<b>2,908</b>	<b>5,305</b>
<b>TOTAL LIABILITIES</b>		<b>5,637</b>	<b>10,623</b>	<b>19,688</b>	<b>18,883</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>60,563</b>	<b>75,311</b>	<b>128,478</b>	<b>133,099</b>

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

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	← Audited → FYE 31 December			Audited	Unaudited
		2018 RM '000	2019 RM '000	2020 RM '000	FPE 30 September 2021 RM '000	2020 RM '000
Revenue	16	10,010	19,207	30,769	25,407	20,315
Cost of sales		(6,052)	(13,263)	(16,951)	(14,895)	(11,034)
<b>Gross profit</b>		3,958	5,944	13,818	10,512	9,281
Other income	17	46	62	366	80	316
Administrative expenses		(1,492)	(2,316)	(2,328)	(2,082)	(1,125)
<b>Operating profit</b>		2,512	3,690	11,856	8,510	8,472
Finance costs	18	(196)	(373)	(744)	(506)	(472)
<b>Profit before tax</b>	19	2,316	3,317	11,112	8,004	8,000
Income tax expense	21	(745)	(1,355)	(2,907)	(2,578)	(1,891)
<b>Profit for the financial years/periods, representing total comprehensive income for the financial years/periods</b>		<b>1,571</b>	<b>1,962</b>	<b>8,205</b>	<b>5,426</b>	<b>6,109</b>
<b>Profit/(Loss) attributable to:</b>						
Owners of the Group		1,571	1,962	8,209	5,436	6,110
Non-controlling interests		-	-	(4)	(10)	(1)
		<b>1,571</b>	<b>1,962</b>	<b>8,205</b>	<b>5,426</b>	<b>6,109</b>
<b>Total comprehensive income/(loss) attributable to:</b>						
Owners of the Group		1,571	1,962	8,209	5,436	6,110
Non-controlling interests		-	-	(4)	(10)	(1)
		<b>1,571</b>	<b>1,962</b>	<b>8,205</b>	<b>5,426</b>	<b>6,109</b>
<b>Earnings per share (RM)</b>						
- Basic and diluted	22	0.03	0.03	0.08	0.05	0.15

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

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**COMBINED STATEMENTS OF CHANGES IN EQUITY**

	← Attributable to owners of the Group →					
	(Accumulated losses)/					
	Invested equity	Reorganisation deficit	Retained earnings	Total equity	Non controlling interest	Total equity
Note	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>At 1 January 2018</b>	<b>25,400</b>	-	<b>(10)</b>	<b>25,390</b>	-	<b>25,390</b>
Effect of MFRS 16	-	-	(35)	(35)	-	(35)
Total comprehensive income for the financial year	-	-	1,571	1,571	-	1,571
<b>Transaction with owners</b>						
Issuance of shares	28,000	-	-	28,000	-	28,000
<b>At 31 December 2018</b>	<b>53,400</b>	-	<b>1,526</b>	<b>54,926</b>	-	<b>54,926</b>
Total comprehensive income for the financial year	-	-	1,962	1,962	-	1,962
<b>Transaction with owners</b>						
Issuance of shares	7,800	-	-	7,800	-	7,800
<b>At 31 December 2019</b>	<b>61,200</b>	-	<b>3,488</b>	<b>64,688</b>	-	<b>64,688</b>
Total comprehensive income/ (loss) for the financial year	-	-	8,209	8,209	(4)	8,205
<b>Transaction with owners</b>						
Issuance of shares	102,940	-	-	102,940	780	103,720
Reorganisation deficit	12 (57,200)	(10,437)	-	(67,637)	-	(67,637)
Dividends paid on shares	23 -	-	(186)	(186)	-	(186)
Total transaction with owners	45,740	(10,437)	(186)	35,117	780	35,897
<b>At 31 December 2020</b>	<b>106,940</b>	<b>(10,437)</b>	<b>11,511</b>	<b>108,014</b>	<b>776</b>	<b>108,790</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	← Attributable to owners of the Group →					
	Invested equity	Reorganisation deficit	Retained earnings	Total equity	Non controlling interest	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>1 January 2021</b>	106,940	(10,437)	11,511	108,014	776	108,790
Total comprehensive income/ (loss) for the financial period	-	-	5,436	5,436	(10)	5,426
<b>At 30 September 2021</b>	<b>106,940</b>	<b>(10,437)</b>	<b>16,947</b>	<b>113,450</b>	<b>766</b>	<b>114,216</b>

	← Attributable to owners of the Group →						
	Note	Invested equity	Reorganisation deficit	Retained earnings	Total equity	Non controlling interest	Total equity
				(Accumulated losses)/			
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	
<b>1 January 2020</b>		61,200	-	3,488	64,688	-	64,688
Total comprehensive income/ (loss) for the financial period		-	-	6,110	6,110	(1)	6,109
<b>Transaction with owners</b>							
Acquisition of subsidiaries arising from reorganisation		(20,000)	-	-	(20,000)	-	(20,000)
Issuance of shares		-	-	-	-	780	780
Dividends paid on shares	23	-	-	(186)	(186)	-	(186)
Total transaction with owners		(20,000)	-	(186)	(20,186)	780	(19,406)
<b>At 30 September 2020 (Unaudited)</b>		<b>41,200</b>	<b>-</b>	<b>9,412</b>	<b>50,612</b>	<b>779</b>	<b>51,391</b>

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

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**COMBINED STATEMENTS OF CASH FLOWS**

	← Audited →			Audited	Unaudited
	FYE 31 December			FPE 30 September	
Note	2018	2019	2020	2021	2020
	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Cash flows from operating activities</b>					
Profit before tax:	2,316	3,317	11,112	8,004	8,000
Adjustments for:					
Depreciation of property, plant and equipment	542	1,070	1,514	1,469	1,077
Gain on disposal of property, plant and equipment	-	*	*	-	-
Depreciation of investment property	20	20	20	14	14
Impairment loss on inventory	-	-	-	137	-
Trade receivable written off	87	117	147	37	78
Finance costs	196	373	744	506	472
Finance income	-	-	(9)	-	(6)
<b>Operating profit before changes in working capital</b>	<b>3,161</b>	<b>4,897</b>	<b>13,528</b>	<b>10,167</b>	<b>9,635</b>
<b>Changes in working capital:</b>					
Inventories	(1,526)	671	379	269	(974)
Trade and other receivables	(8,711)	(24,582)	(49,121)	(16,181)	(31,229)
Other payables	(80)	325	185	(451)	(135)
Contract liability	587	(587)	-	-	-
Net cash used in operations	(6,569)	(19,276)	(35,029)	(6,196)	(22,703)
Income tax paid	(236)	(1,610)	(2,223)	(2,961)	(881)
Income tax refund	-	1	6	-	-
Finance income	-	-	9	-	6
<b>Net cash used in operating activities</b>	<b>(6,805)</b>	<b>(20,885)</b>	<b>(37,237)</b>	<b>(9,157)</b>	<b>(23,578)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment (a)	(587)	(1,921)	(2,289)	(655)	(1,417)
Proceeds from disposal of property, plant and equipment	-	4	1	-	-
<b>Net cash used in investing activities</b>	<b>(587)</b>	<b>(1,917)</b>	<b>(2,288)</b>	<b>(655)</b>	<b>(1,417)</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

	Note	← Audited →			Audited	Unaudited
		FYE 31 December			FPE 30 September	
		2018	2019	2020	2021	2020
		RM '000	RM '000	RM '000	RM '000	
<b>Cash flows from financing activities</b>	<b>(b)</b>					
Proceeds from issuance of ordinary shares		28,000	7,800	36,083	-	-
Proceeds from issuance of redeemable preference shares		-	4,125	4,190	-	4,190
Redemption of redeemable preference shares		-	-	(8,315)	-	-
Interest paid		(196)	(373)	(744)	(506)	(472)
Repayment of term loans		(36)	(39)	(8)	(33)	(2)
Repayment of lease liabilities		(269)	(604)	(855)	(817)	(607)
Net change in advance from/(to) shareholders		(17,713)	17,626	14,155	(42)	24,723
Net change in amount owing from minority interest		-	-	(780)	680	-
Dividend paid		-	-	(186)	-	(186)
<b>Net cash from/(used in) financing activities</b>		<b>9,786</b>	<b>28,535</b>	<b>43,540</b>	<b>(718)</b>	<b>27,646</b>
Net increase/(decrease) in cash and cash equivalents		2,394	5,733	4,015	(10,530)	2,651
<b>Cash and cash equivalents at the beginning of the financial year/period</b>		<b>3,516</b>	<b>5,910</b>	<b>11,643</b>	<b>15,658</b>	<b>11,643</b>
<b>Cash and cash equivalents at the end of the financial year/period</b>	<b>10</b>	<b>5,910</b>	<b>11,643</b>	<b>15,658</b>	<b>5,128</b>	<b>14,294</b>

\* Amount is less than RM 1,000.

**(a) Purchase of property, plant and equipment**

	Note	← Audited →			Audited	Unaudited
		FYE 31 December			FPE 30 September	
		2018	2019	2020	2021	2020
		RM '000	RM '000	RM '000	RM '000	
Purchase of property, plant and equipment	<b>5</b>	3,282	3,902	3,685	1,716	2,172
Finance by way of lease liability arrangement		(2,695)	(1,981)	(1,396)	(1,061)	(755)
Cash payments on purchase of property, plant and equipment		587	1,921	2,289	655	1,417

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

## Accountants' Report

**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

(b) Reconciliation of liabilities arising from financing activities:

	1 January 2018	Cash flows RM '000	Non-cash		31 December 2018
			Right-of- use assets RM '000	Rent Concession RM '000	
Term loans	884	(36)	-	-	848
Lease liabilities	859	(269)	2,695	-	3,285
Advances to shareholders	(1,992)	(17,713)	-	-	(19,705)
	(249)	(18,018)	2,695	-	(15,572)

	1 January 2019	Cash flows RM '000	Non-cash		31 December 2019
			Right-of- use assets RM '000	Rent Concession RM '000	
Term loans	848	(39)	-	-	809
Redeemable preferences shares	-	4,125	-	-	4,125
Lease liabilities	3,285	(604)	1,981	-	4,662
Advances to shareholders	(19,705)	17,626	-	-	(2,079)
	(15,572)	21,108	1,981	-	7,517

	1 January 2020	Cash flows RM '000	Non-cash		31 December 2020
			Right-of- use assets RM '000	Rent Concession RM '000	
Term loans	809	(8)	-	-	801
Redeemable preferences shares	4,125	(4,125)	-	-	-
Lease liabilities	4,662	(820)	1,125	(35)	4,932
Advances to shareholders	(2,079)	2,079	-	-	-
Advances from shareholders	-	12,076	-	-	12,076
Amount owing from minority interest	-	(780)	-	-	(780)
	7,517	8,422	1,125	(35)	17,029

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**  
Accountants' Report

**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

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

	1 January	Cash flows	Non-cash		30 September
	2021		Right-of-	Rent	2021
	RM '000		use assets	Concession	RM '000
Term loans	801	(33)	-	-	768
Lease liabilities	4,932	(817)	812	-	4,927
Advances from shareholders	12,076	(42)	-	-	12,034
Amount owing from minority interest	(780)	680	-	-	(100)
	<u>17,029</u>	<u>(212)</u>	<u>812</u>	<u>-</u>	<u>17,629</u>

	1 January	Cash flows	Non-cash		30 September
	2020		Right-of-	Acquisition	2020
	RM '000		use assets	RM '000	RM '000
Term loans	809	(2)	-	-	807
Redeemable preferences shares	4,125	4,190	-	-	8,315
Lease liabilities	4,662	(607)	666	-	4,721
Advances to shareholders	(2,079)	2,079	-	-	-
Amount owing to shareholders	-	22,644	-	19,220	41,864
	<u>7,517</u>	<u>28,304</u>	<u>666</u>	<u>19,220</u>	<u>55,707</u>

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



**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

The Company was incorporated on 22 December 2020 under Companies Act 2016, as a private limited liability company, and is domiciled in Malaysia. The Company was converted to a public company limited by shares and assumed its present name on 24 June 2021. The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at No.11B, Jalan TK 1/11A, Taman Kinrara, Seksyen 1, 47180 Puchong, Selangor.

The principal activity of the Company is investment holding. The details of the combined entities are as follows:

<b>Combined entities</b>	<b>Principal place of business/ country of incorporation</b>	<b>Principal activities</b>
Pajak Gadai Tetap Sejiwa Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai Pappajack Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai Bertuah Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai PPJack Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai PPJ Sehati Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai PPJ Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai Pappajack Sehati Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai Consistent Reach Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai TSE Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai BT Cleaning Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai TMI Sdn. Bhd.	Malaysia	Licensed pawnshop
Dhoby Ghaut (Kapar) Sdn. Bhd.	Malaysia	Licensed pawnshop
Dhoby Ghaut Holdings Sdn. Bhd.	Malaysia	Licensed pawnshop
Dhoby Ghaut (M) Sdn. Bhd.	Malaysia	Licensed pawnshop
Mashita Holdings Sdn. Bhd.	Malaysia	Licensed pawnshop
Consistent Reach Holdings Sdn. Bhd.	Malaysia	Licensed pawnshop

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****1. GENERAL INFORMATION (CONTINUED)**

<b>Combined entities</b>	<b>Principal place of business/ country of incorporation</b>	<b>Principal activities</b>
Pappajack Holdings Berhad	Malaysia	Licensed pawnshop
Dhoby Ghaut (Sel) Sdn. Bhd.	Malaysia	Licensed pawnshop
DGH Sdn. Bhd.	Malaysia	Licensed pawnshop
Pajak Gadai PPJ Sejiwa Sdn. Bhd.	Malaysia	Licensed pawnshop
PPJ Sejaya Sdn. Bhd.	Malaysia	Licensed pawnshop
PPJ Rezeki Sdn. Bhd.	Malaysia	Licensed pawnshop
PPJ Sinar Sdn. Bhd.	Malaysia	Licensed pawnshop
PPJ Makmur Sdn. Bhd.	Malaysia	Licensed pawnshop
PPJ Abadi Sdn. Bhd.	Malaysia	Licensed pawnshop
PPJ Sukses Sdn. Bhd.	Malaysia	Licensed pawnshop
PPJ Landas Emas Sdn. Bhd.	Malaysia	Licensed pawnshop
PPJ Mandiri Sdn. Bhd.	Malaysia	Licensed pawnshop
PPJ Berkat Sdn. Bhd.	Malaysia	Licensed pawnshop
PPJ Maju Sdn. Bhd.	Malaysia	Licensed pawnshop

There have been no significant changes in the nature of these principal activities during the financial years/period under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 February 2022.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION**

The combined financial statements of the Company (as defined herein) for the financial years ended ("FYE") 31 December 2018, 31 December 2019, 31 December 2020 and financial period ended ("FPE") 30 September 2020 and 30 September 2021 have been prepared pursuant to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad which consist of the financial statements of the following entities under common control for each of the financial years/period.

Entities Under Common Control	FYE 31 December			FPE 30 September	
	2018	2019	2020	2020	2021
Pappajack Berhad	^	^	&	@	&
Pajak Gadai Tetap Sejiwa Sdn. Bhd.	#	#	&	@	&
Pajak Gadai Pappajack Sdn. Bhd.	#	#	&	@	&
Pajak Gadai Bertuah Sdn. Bhd.	#	#	&	@	&
Pajak Gadai PPJack Sdn. Bhd.	#	#	&	@	&
Pajak Gadai PPJ Sehati Sdn. Bhd.	#	#	&	@	&
Pajak Gadai PPJ Sdn. Bhd.	#	#	&	@	&
Pajak Gadai Pappajack Sehati Sdn. Bhd.	#	#	&	@	&
Pajak Gadai Consistent Reach Sdn. Bhd.	#	#	&	@	&
Pajak Gadai TSE Sdn. Bhd.	#	#	&	@	&
Pajak Gadai BT Cleaning Sdn. Bhd.	#	#	&	@	&
Pajak Gadai TMI Sdn. Bhd.	#	#	&	@	&
Dhoy Ghaut (Kapar) Sdn. Bhd.	#	#	&	@	&
Dhoby Ghaut Holdings Sdn. Bhd.	#	#	&	@	&
Dhoy Ghaut (M) Sdn. Bhd.	#	#	&	@	&
Mashita Holdings Sdn. Bhd.	#	#	&	@	&
Consistent Reach Holdings Sdn. Bhd.	#	#	&	@	&
Pappajack Holdings Berhad	*	#	&	@	&
Dhoby Ghaut (Sel) Sdn. Bhd.	*	#	&	@	&
DGH Sdn. Bhd.	*	#	&	@	&
Pajak Gadai PPJ Sejiwa Sdn. Bhd.	*	#	&	@	&
PPJ Sejaya Sdn. Bhd.	*	#	&	@	&
PPJ Rezeki Sdn. Bhd.	*	#	&	@	&
PPJ Sinar Sdn. Bhd.	*	#	&	@	&
PPJ Makmur Sdn. Bhd.	*	#	&	@	&
PPJ Abadi Sdn. Bhd.	*	#	&	@	&
PPJ Sukses Sdn. Bhd.	*	#	&	@	&
PPJ Landas Emas Sdn. Bhd.	*	#	&	@	&
PPJ Mandiri Sdn. Bhd.	*	#	&	@	&
PPJ Berkas Sdn. Bhd.	*	#	&	@	&
PPJ Maju Sdn. Bhd.	*	#	&	@	&

\* No financial statements were available as the Company was incorporated in 2019.

^ No financial statements were available as the Company was incorporated in 2020.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)**

- # *The combined financial statements of the Group for the respective financial years have been prepared based on the financial statements which were audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which were lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*
- & *The combined financial statements of the Group for the financial year/period have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.*
- @ *The combined statement of comprehensive income, combined statement of changes in equity, combined statement of cash flows and notes to the combined financial statements of the Company include the statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements of these combining entities prepared in accordance with the MFRSs and IFRSs for this respective financial period.*

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of the entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled 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.

The financial information presented in the combined financial statements may not correspond to those in the combined financial statements of the Group had the relevant proposed transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective financial years/period. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years/period.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years/period presented in these combined financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.1 Statement of compliance**

The combined financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

**2.2 Adoption of amendments/improvements to MFRSs and explanation of change in accounting policy****(a) Adoption of amendments/improvements to MFRSs**

The Group has adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139	Financial Instruments: Recognition and Measurement

\* Early adopted the MFRS 16 issued by Malaysian Accounting Standards Board ("MASB") on 15 April 2016 and the amendment to MFRS 16 *Leases* issued on 5 June 2020 or/and 6 April 2021.

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the combined financial statements of the Group and did not result in significant changes to the Group's existing accounting policies, except for those as discussed below.

**MFRS 16 Leases**

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 Leases and IC Int 4 Determining whether an Arrangement contains a Lease.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

**13. ACCOUNTANTS' REPORT** *(Cont'd)*

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**PAPPAJACK BERHAD**

Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2.2 Adoption of amendments/improvements to MFRSs and explanation of change in accounting policy (continued)**

**(a) Adoption of amendments/improvements to MFRSs (continued)**

**MFRS 16 Leases (continued)**

The Group have applied MFRS 16 using the full retrospective approach, as if the leases had already been effective at the commencement date of existing lease contracts.

***Definition of a lease***

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group except for those as discussed below.

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2.2 Adoption of amendments/improvements to MFRSs and explanation of change in accounting policy (continued)**

**(a) Adoption of amendments/improvements to MFRSs (continued)**

**MFRS 16 Leases (continued)**

**(i) Classification and measurement**

As a lessee, the Group previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group:

- recognised the right-of-use assets and lease liabilities in the statements of financial position;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

**(i) Short-term lease and low value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and IT equipment that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(ii) Other adjustments**

In addition to the adjustments described above, other items such as deferred taxes and non-controlling interests were adjusted to retained earnings as necessary upon application of MFRS 16 as at 1 January 2018.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.2 Adoption of amendments/improvements to MFRSs and explanation of change in accounting policy (continued)****(a) Adoption of amendments/improvements to MFRSs (continued)****MFRS 16 Leases (continued)**

The effects of adoption of MFRS 16 as at 1 January 2018 are as follows:

	<b>Adjustments</b>	<b>Increase RM '000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	(i)	822
Deferred tax assets	(iii)	3
<b>Total non-current assets</b>		<b>825</b>
<b>Total assets</b>		<b>825</b>
<b>Equity</b>		
Retained earnings		(35)
<b>Total equity</b>		<b>(35)</b>
<b>Non-current liabilities</b>		
Loans and borrowings	(i)	648
<b>Total non-current liabilities</b>		<b>648</b>
<b>Current liabilities</b>		
Loans and borrowings	(i)	212
<b>Total current liabilities</b>		<b>212</b>
<b>Total equity and liabilities</b>		<b>825</b>



**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective**

The Group has not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

<u>New MFRS</u>		<b>Effective for financial periods beginning on or after</b>
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRSs	1 January 2022 <sup>^</sup> / 1 January 2023 <sup>#</sup>
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023 <sup>#</sup>
MFRS 4	Insurance Contracts	1 January 2021
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 <sup>#</sup>
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023 <sup>#</sup>
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022 <sup>^</sup> / 1 January 2023 <sup>#</sup>
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 <sup>#</sup>
MFRS 16	Leases	1 January 2021/ 1 January 2022 <sup>^</sup>
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023 <sup>#</sup>
MFRS 107	Statements of Cash Flows	1 January 2023 <sup>#</sup>
MFRS 108	Accounting policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023 <sup>#</sup>
MFRS 119	Employee Benefits	1 January 2023 <sup>#</sup>
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 <sup>#</sup>
MFRS 132	Financial Instruments: Presentation	1 January 2023 <sup>#</sup>
MFRS 136	Impairment of Assets	1 January 2023 <sup>#</sup>

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs have been issued, but yet to be effective (continued)**

The Group has not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:  
(continued)

		<b>Effective for financial periods beginning on or after</b>
<u>Amendments/Improvements to MFRSs (continued)</u>		
MFRS 137	Provisions, Contingent Liabilities and contingent Assets	1 January 2022/ 1 January 2023 <sup>#</sup>
MFRS 138	Intangible Assets	1 January 2023 <sup>#</sup>
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023 <sup>#</sup>
MFRS 141	Agriculture	1 January 2022 <sup>^</sup>

<sup>^</sup> *The Annual Improvements to MFRSs 2018-2020*

<sup>#</sup> *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

**2.3.1** The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below.

**Annual Improvements to MFRSs 2018-2020**

Annual Improvements to MFRSs 2018-2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

**2.3.1** The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

***Amendments to MFRS 3 Business Combinations***

The amendments update MFRS 3 by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

***Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures***

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

***Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases***

The *Interest Rate Benchmark Reform – Phase 2* amends some specific requirements in MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, with respect to issues that affect the financial reporting during the reform of an interest rate benchmark.

The amendments provide a practical expedient whereby an entity would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

**2.3.1** The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

***Amendments to MFRS 101 Presentation of Financial Statements***

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

***Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors***

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

**13. ACCOUNTANTS' REPORT** *(Cont'd)*

**PAPPAJACK BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

**2.3.1** The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

***Amendments to MFRS 112 Income Taxes***

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

***Amendments to MFRS 116 Property, Plant and Equipment***

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while an entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

***Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets***

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

**2.4 Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency, and has been rounded to the nearest thousand, unless stated otherwise.

**2.5 Basis of measurement**

The combined financial statements of the Group have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years/period presented in the combined financial statements of the Group.

**3.1 Basis of combination**

The combined financial statements comprise the financial statements of Pajak Gadai Tetap Sejiwa Sdn. Bhd., Pajak Gadai Pappajack Sdn. Bhd., Pajak Gadai Bertuah Sdn. Bhd., Pajak Gadai PPJack Sdn. Bhd., Pajak Gadai PPJ Sehati Sdn. Bhd., Pajak Gadai PPJ Sdn. Bhd., Pajak Gadai Pappajack Sehati Sdn. Bhd., Pajak Gadai Consistent Reach Sdn. Bhd., Pajak Gadai TSE Sdn. Bhd., Pajak Gadai BT Cleaning Sdn. Bhd., Pajak Gadai TMI Sdn. Bhd., Dhoby Ghaut (Kapar) Sdn. Bhd., Dhoby Ghaut Holdings Sdn. Bhd., Dhoby Ghaut (M) Sdn. Bhd., Mashita Holdings Sdn. Bhd., Consistent Reach Holdings Sdn. Bhd., Pappajack Holdings Berhad, Dhoby Ghaut (Sel) Sdn. Bhd., DGH Sdn. Bhd., PPJ Sejiwa Sdn. Bhd., PPJ Sejaya Sdn. Bhd., PPJ Rezeki Sdn. Bhd., PPJ Sinar Sdn. Bhd., PPJ Makmur Sdn. Bhd., PPJ Abadi Sdn. Bhd., PPJ Sukses Sdn. Bhd., PPJ Landas Emas Sdn. Bhd., PPJ Mandiri Sdn. Bhd., PPJ Berkat Sdn. Bhd., PPJ Maju Sdn. Bhd and Pappajack Sdn Bhd.. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the combined financial statements of the Group is a continuation of the Group and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings, and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

**13. ACCOUNTANTS' REPORT** *(Cont'd)*

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.1 Basis of combination (continued)**

**(a) Business combination**

The Group applies the merger method of accounting.

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

**(b) Transactions eliminated on combination**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the combined financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Financial instruments**

Financial instruments are recognised in the combined statement of financial position when, and only when, the Group becomes a party to the contract provisions of the financial instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

**(a) Subsequent measurement**

The Group categorises the financial instruments as follows:

**(i) Financial assets**

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss



**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Financial instruments (continued)****(a) Subsequent measurement (continued)**

The Group categorises the financial instruments as follows: (continued)

**(i) Financial assets (continued)**

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**  
Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment in accordance with Note 3.9(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.
- **Fair value through other comprehensive income (FVOCI)**  
Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

**13. ACCOUNTANTS' REPORT** *(Cont'd)***PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Financial instruments (continued)****(a) Subsequent measurement (continued)**

The Group categorises the financial instruments as follows: (continued)

**(i) Financial assets (continued)**Debt instruments (continued)

- **Fair value through profit or loss (FVPL)**

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the combined statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Financial instruments (continued)****(a) Subsequent measurement (continued)**

The Group categorises the financial instruments as follows: (continued)

**(ii) Financial liabilities**

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

**(b) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**

Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments (continued)**

**(c) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group commits itself to purchase or sell an asset).

Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

**(d) Derecognition**

A financial asset or a part of it is derecognised when, and only when:

- (i) the contractual rights to receive cash flows from the financial asset expire; or
- (ii) the Group has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

**13. ACCOUNTANTS' REPORT** *(Cont'd)*

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments (continued)**

**(d) Derecognition (continued)**

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(e) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is presented in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Property, plant and equipment**

**(a) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

**(b) Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

**13. ACCOUNTANTS' REPORT** *(Cont'd)***PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Property, plant and equipment (continued)****(c) Depreciation**

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	<b>Useful lives (years)</b>
Furniture and fittings	10 years
Office equipment	5 years
Computer hardware and softwares	5 years
Renovation	10 years
Electrical appliances	10 years
Signboard	10 years
Motor vehicle	5 years

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

**(d) Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Leases**

**(a) Definition of a lease**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the 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;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

**(b) Lessee accounting**

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets and lease liabilities as separate lines in the statement of financial position.

Right-of-use asset

The right-of-use asset is initially recognised 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.



**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.4 Leases (continued)****(b) Lessee accounting (continued)**Right-of-use asset (continued)

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. The right-of-use asset is 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. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Leases (continued)**

**(b) Lessee accounting (continued)**

Lease liability (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "administrative expenses" in the statement of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Leases (continued)**

**(c) Lessor accounting**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group is an intermediate lessors, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.4(b), then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

**13. ACCOUNTANTS' REPORT** *(Cont'd)*

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Investment properties**

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs.

The Group uses the cost model to measure its investment properties after initial recognition. Accordingly, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use.

**3.6 Inventories**

Inventories principally comprise of unredeemed or bid pledges purchased on auction as a result of the Group's pawn broking activities. Inventories are measured at the lower of cost and net realisable value.

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 the estimated costs of completion and the estimated costs necessary to make the sale.

**13. ACCOUNTANTS' REPORT (Cont'd)**

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.7 Contract assets/(liabilities)**

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(a).

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or have billed the customers.

**3.8 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances.

**3.9 Impairment of assets**

**(a) Impairment of financial assets**

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.9 Impairment of assets (continued)**

**(a) Impairment of financial assets (continued)**

For trade receivables, the Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.9 Impairment of assets (continued)****(a) Impairment of financial assets (continued)**

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due.

**(b) Impairment of non-financial assets**

The carrying amounts of non-financial assets (except for inventories and deferred tax assets measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

**13. ACCOUNTANTS' REPORT** *(Cont'd)*

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.9 Impairment of assets (continued)**

**(b) Impairment of non-financial assets (continued)**

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.



**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.10 Equity instruments**

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**3.11 Employee benefits****(a) Short-term employee benefits**

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year/period where the employees have rendered their services to the Group.

**(b) Defined contribution plans**

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

**3.12 Revenue and other income**

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue recognition of the Group is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group reasonably expect that the effects on the combined financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

The Group measures revenue from sale of good at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and services tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group expects to better predict the amount of consideration to which it is entitled.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.12 Revenue and other income (continued)**

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group estimates it by using the adjusted market assessment approach .

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components

The Group has applied the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

**(a) Pawnbroking – Interest charges**

Interest charges from pawnbroking is recognised on a time-proportion basis using the effective interest method.

**(b) Sale of unredeemed or bid pledges**

Revenue from the sale of unredeemed or bid pledges is recognised at a point in time when the performance obligation is satisfied upon the transfer of the goods to the buyer, which generally coincides with delivery and acceptance of the pledge sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(c) Pawnbroking - Administrative fees**

Revenue from the pawnbroking-administrative fees is recognised at a point in time when the performance obligation is satisfied upon the transfer of the services to the customer.

**(d) Rental income**

Rental income is recognised on an accrual basis.

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 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

**3.14 Borrowing costs**

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

**3.15 Income tax**

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

**(a) Current tax**

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year/period, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.15 Income tax (continued)****(b) Deferred tax**

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in 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 at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

**3.16 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.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.17 Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

**3.18 Fair value measurements**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

**3.19 Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the combined statements of financial position.

**13. ACCOUNTANTS' REPORT (Cont'd)**

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**PAPPAJACK BERHAD**Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's financial statements within the next financial year/period are disclosed as follows:

**4.1 Depreciation and useful lives of property, plant and equipment**

As disclosed in Note 3.3(c), the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. 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 may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment are disclosed in Note 5.

**4.2 Measurement of income taxes**

Significant judgement is required in determining the Group's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the tax payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Group is disclosed in Note 21.

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**  
Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**4.3 Impairment of financial assets**

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group uses a provisional matrix to calculate expected credit losses for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due. The Group uses the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type and rating, collateral or trade credit insurance.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The information about the impairment losses on the Group's financial assets are disclosed in Note 24(b).

**4.4 Impairment of non-financial assets**

The Group assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The Group uses fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of the Group.

The carrying amounts of the non-financial assets are disclosed in Note 5 and 6.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT**

	Note	Furniture and fittings RM '000	Office equipment RM '000	Computer hardware and software RM '000	Renovation RM '000	Electrical appliances RM '000	Signboard RM '000	Right-of-use assets RM '000	Total RM '000
<b>Cost</b>									
At 1 January 2018		37	480	63	894	20	45	-	1,539
Adjustment on initial application of MFRS 16		-	-	-	-	-	-	1,086	1,086
Additions		5	132	20	399	-	31	2,695	3,282
At 31 December 2018		42	612	83	1,293	20	76	3,781	5,907
<b>Accumulated depreciation</b>									
At 1 January 2018		21	274	28	315	20	14	-	672
Adjustment on initial application of MFRS 16		-	-	-	-	-	-	264	264
Depreciation charge for the financial year	<b>19</b>	3	84	12	95	-	6	342	542
At 31 December 2018		24	358	40	410	20	20	606	1,478
<b>Carrying amount</b>									
At 1 January 2018		16	206	35	579	-	31	-	867
At 31 December 2018		18	254	43	883	-	56	3,175	4,429



**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Note	Furniture and fittings RM '000	Office equipment RM '000	Computer hardware and software RM '000	Renovation RM '000	Electrical appliances RM '000	Signboard RM '000	Right-of-use assets RM '000	Total RM '000
<b>Cost</b>									
At 1 January 2019		42	612	83	1,293	20	76	3,781	5,907
Additions		33	640	77	1,072	-	99	1,981	3,902
Disposals		-	-	-	-	-	(4)	-	(4)
At 31 December 2019		75	1,252	160	2,365	20	171	5,762	9,805
<b>Accumulated depreciation</b>									
At 1 January 2019		24	358	40	410	20	20	606	1,478
Depreciation charge for the financial year	<b>19</b>	4	148	21	183	-	11	703	1,070
Disposals		-	-	-	-	-	*	-	-
At 31 December 2019		28	506	61	593	20	31	1,309	2,548
<b>Carrying amount</b>									
At 1 January 2019		18	254	43	883	-	56	3,175	4,429
At 31 December 2019		47	746	99	1,772	-	140	4,453	7,257

\* Amount is less than RM 1,000.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Note	Furniture and fittings RM '000	Office equipment RM '000	Computer hardware and software RM '000	Renovation RM '000	Electrical appliances RM '000	Signboard RM '000	Right-of-use assets RM '000	Motor Vehicle RM '000	Total RM '000
<b>Cost</b>										
At 1 January 2020		75	1,252	160	2,365	20	171	5,762	-	9,805
Additions		42	494	110	1,393	-	116	1,396	134	3,685
Written off		-	(1)	-	-	-	-	(500)	-	(501)
At 31 December 2020		117	1,745	270	3,758	20	287	6,658	134	12,989
<b>Accumulated depreciation</b>										
At 1 January 2020		28	506	61	593	20	31	1,309	-	2,548
Depreciation charge for the financial year	19	8	243	37	279	-	22	912	13	1,514
Written off		-	*	-	-	-	-	(229)	-	(229)
At 31 December 2020		36	749	98	872	20	53	1,992	13	3,833
<b>Carrying amount</b>										
At 1 January 2020		47	746	99	1,772	-	140	4,453	-	7,257
At 31 December 2020		81	996	172	2,886	-	234	4,666	121	9,156

\* Amount is less than RM 1,000.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Note	Furniture and fittings RM '000	Office equipment RM '000	Computer hardware and software RM '000	Renovation RM '000	Electrical appliances RM '000	Signboard RM '000	Right-of-use assets RM '000	Motor Vehicle RM '000	Total RM '000
<b>Cost</b>										
At 1 January 2021		117	1,745	270	3,758	20	287	6,658	134	12,989
Additions		15	150	119	303	-	68	1,061	-	1,716
Written off		-	-	-	-	-	-	(759)	-	(759)
At 30 September 2021		132	1,895	389	4,061	20	355	6,960	134	13,946
<b>Accumulated depreciation</b>										
At 1 January 2021		36	749	98	872	20	53	1,992	13	3,833
Depreciation charge for the financial period	19	8	230	52	280	-	24	855	20	1,469
Written off		-	-	-	-	-	-	(510)	-	(510)
At 30 September 2021		44	979	150	1,152	20	77	2,337	33	4,792
<b>Carrying amount</b>										
At 1 January 2021		81	996	172	2,886	-	234	4,666	121	9,156
At 30 September 2021		88	916	239	2,909	-	278	4,623	101	9,154

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****(a) Right-of-use assets**

The Group leases shoplots.

Information about leases for which the Group is a lessee is presented below:

The Group leases shoplots for pawn broking activities. The leases for shoplots generally have lease terms between 2 to 9 years.

<b>Carrying amount</b>	<b>Shoplots RM '000</b>
At 1 January 2018	822
Additions	2,695
Depreciation	(342)
At 31 December 2018	3,175
Additions	1,981
Depreciation	(703)
At 31 December 2019	4,453
Additions	1,396
Depreciation	(912)
Written off	(271)
At 31 December 2020	4,666
Additions	1,061
Depreciation	(855)
Written off	(249)
At 30 September 2021	4,623

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTY**

	<b>Freehold land RM '000</b>	<b>Freehold building RM '000</b>	<b>Total RM '000</b>
<b>Cost</b>			
At 1 January 2018	488	977	1,465
<b>Accumulated depreciation</b>			
At 1 January 2018	-	58	58
Depreciation charge for the financial year	-	20	20
At 31 December 2018	-	78	78
<b>Carrying amount</b>	<b>488</b>	<b>899</b>	<b>1,387</b>
<b>Freehold land RM '000</b>			
<b>Freehold building RM '000</b>			
<b>Total RM '000</b>			
<b>Cost</b>			
At 1 January 2019	488	977	1,465
<b>Accumulated depreciation</b>			
At 1 January 2019	-	78	78
Depreciation charge for the financial year	-	20	20
At 31 December 2019	-	98	98
<b>Carrying amount</b>	<b>488</b>	<b>879</b>	<b>1,367</b>
<b>Freehold land RM '000</b>			
<b>Freehold building RM '000</b>			
<b>Total RM '000</b>			
<b>Cost</b>			
At 1 January 2020	488	977	1,465
<b>Accumulated depreciation</b>			
At 1 January 2020	-	98	98
Depreciation charge for the financial year	-	20	20
At 31 December 2020	-	118	118
<b>Carrying amount</b>	<b>488</b>	<b>859</b>	<b>1,347</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTY (CONTINUED)**

	Freehold land RM '000	Freehold building RM '000	Total RM '000
<b>Cost</b>			
At 1 January 2021	488	977	1,465
<b>Accumulated depreciation</b>			
At 1 January 2021	-	118	118
Depreciation charge for the financial period	-	14	14
At 30 September 2021	-	132	132
<b>Carrying amount</b>	488	845	1,333

Investment property with a carrying amount of RM 1,333,150 (31.12.2020: RM1,347,800; 31.12.2019: RM1,367,333 and 31.12.2018: RM1,386,867) has been pledged as security to secure credit facilities of the Group as disclosed in Note 13.

The following are recognised in profit or loss in respect of investment properties:

	← Audited →			
	FYE 31 December			FPE
	2018	2019	2020	30 September
	RM '000	RM '000	RM '000	2021
				RM '000
Rental income	46	65	49	35
Direct operating expenses:				
- income generating investment property	2	2	2	1

**Fair value information**

The directors estimated the fair value of investment property of approximately RM3,588,000 (31.12.2020: RM3,588,000; 31.12.2019: RM3,588,000 and 31.12.2018: RM3,588,000) is categorised at Level 3 of the fair value hierarchy.

There are no Level 1 and Level 2 investment properties or transfers between levels during the financial years/period under review.

**13. ACCOUNTANTS' REPORT (Cont'd)**

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**PAPPAJACK BERHAD**

Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**6. INVESTMENT PROPERTY (CONTINUED)**

**Level 3 fair value**

The following table shows the valuation techniques used in the determination of fair values within level 3, as well as the significant unobservable inputs used in the valuation models.

<b>Description</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Relationship of unobservable inputs to fair value</b>
Land and buildings	Sales comparison approach	Price per square foot	The higher the price per square foot, the higher the fair value

**Valuation processes applied by the Group**

The Group's finance department includes a team that performs valuation analysis of land required for financial reporting purposes, including Level 3 fair values. This team reports directly to the director.

**Highest and best use**

In estimating the fair value of the property, the highest and best use of the property is their current use.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**7. DEFERRED TAX ASSETS/(LIABILITIES)**

	At 1 January 2018	Recognised in retained earnings	Recognised in profit or loss (Note 21)	At 31 December 2018
	RM '000	RM '000	RM '000	RM '000
<b>Deferred tax assets:</b>				
Property, plant and equipment	6	1	1	8
Unabsorbed capital allowance	6	-	(6)	-
Unabsorbed business losses	10	-	(10)	-
	22	1	(15)	8
<b>Deferred tax liabilities:</b>				
Property, plant and equipment	(4)	2	1	(1)
	(4)	2	1	(1)
	18	3	(14)	7
	At 1 January 2019	Recognised in retained earnings	Recognised in profit or loss (Note 21)	At 31 December 2019
	RM '000	RM '000	RM '000	RM '000
<b>Deferred tax assets:</b>				
Property, plant and equipment	8	-	17	25
	8	-	17	25
<b>Deferred tax liabilities:</b>				
Property, plant and equipment	(1)	-	(10)	(11)
	(1)	-	(10)	(11)
	7	-	7	14



**13. ACCOUNTANTS' REPORT** (Cont'd)

**PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**7. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)**

	At 1 January 2020	Recognised in retained earnings	Recognised in profit or loss (Note 21)	At 31 December 2020
	RM '000	RM '000	RM '000	RM '000
<b>Deferred tax assets:</b>				
Property, plant and equipment	25	-	(25)	-
	25	-	(25)	-
<b>Deferred tax liabilities:</b>				
Property, plant and equipment	(11)	-	(37)	(48)
	(11)	-	(37)	(48)
	14	-	(62)	(48)
	<b>At 1 January 2021</b>	<b>Recognised in retained earnings</b>	<b>Recognised in profit or loss (Note 21)</b>	<b>At 30 September 2021</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Deferred tax liabilities:</b>				
Property, plant and equipment	(48)	-	1	(47)

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****7. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)**

	← Audited →			
	31.12.2018 RM '000	31.12.2019 RM '000	31.12.2020 RM '000	30.09.2021 RM '000
<b>Presented after appropriate offsetting as follows:</b>				
Deferred tax assets	8	25	-	-
Deferred tax liabilities	(1)	(11)	(48)	(47)
	7	14	(48)	(47)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	← Audited →			Audited	Unaudited
	FYE 31 December			FPE 30 September	
	2018 RM '000	2019 RM '000	2020 RM '000	2021 RM '000	2020 RM '000
Unused tax losses	105	321	233	401	132
Unabsorbed capital allowance	39	164	191	273	151
Temporary differences arising from property, plant and equipment	101	202	268	382	191
	245	687	692	1,056	474

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

**8. INVENTORIES**

	← Audited as at →			
	31.12.2018 RM '000	31.12.2019 RM '000	31.12.2020 RM '000	30.09.2021 RM '000
<b>At cost:</b>				
Auctioned pledges	1,924	1,252	873	467

The cost of inventories of the Group recognised as an expense in cost of sales during the financial years/period was RM10,476,380 (31.12.2020: RM12,421,655; 31.12.2019: RM10,399,857 and 31.12.2018: RM4,516,311).

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****9. TRADE AND OTHER RECEIVABLES**

	Note	← Audited as at →			
		31.12.2018 RM '000	31.12.2019 RM '000	31.12.2020 RM '000	30.09.2021 RM '000
<b>Trade</b>					
Trade receivables	(a)				
- Pawn loans		26,616	50,195	98,779	114,359
		26,616	50,195	98,779	114,359
<b>Non-trade</b>					
Other receivables		47	68	1,086	9
Advances to shareholders	(b)	19,705	2,079	-	-
Deposits		169	343	356	401
Prepayments		367	1,059	1,199	2,015
		20,288	3,549	2,641	2,425
Total trade and other receivables		46,904	53,744	101,420	116,784

**(a) Trade receivables**

Pawn loans are secured by pledges. The quantum of loans granted to customers is based on a portion of the value of the pledge. In the event that a customer does not renew or redeem a pledge within agreed redemption period from the grant date of the loan, the pledge will be disposed by a sale by auction or forfeited, in accordance with the provisions of the Pawnbrokers Act 1972.

The pawn loans bear monthly interest ranging from 1.00% to 2.00% (31.12.2020: 1.50% to 2.00%; 31.12.2019: 1.50% to 2.00% and 31.12.2018: 1.50% to 2.00%).

**(b) Advances to shareholders**

Amount owing to shareholders is unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****10. CASH AND BANK BALANCES**

	← Audited as at →			
	31.12.2018 RM '000	31.12.2019 RM '000	31.12.2020 RM '000	30.09.2021 RM '000
Cash and bank balances	5,910	11,643	15,658	5,128

**11. INVESTED EQUITY**

	← Audited as at →			
	31.12.2018	31.12.2019	31.12.2020	30.09.2021
	Number of shares ('000)			
At 1 January	25,400	53,400	61,200	103,231
Issuance of ordinary shares	28,000	7,800	99,231	-
Adjustment pursuant to pre-IPO reorganisation	-	-	(57,200)	-
At 31 December/30 September	53,400	61,200	103,231	103,231

	← Audited as at →			
	31.12.2018 RM '000	31.12.2019 RM '000	31.12.2020 RM '000	30.09.2021 RM '000
At 1 January	25,400	53,400	61,200	106,940
Issuance of ordinary shares	28,000	7,800	102,940	-
Adjustment pursuant to pre-IPO reorganisation	-	-	(57,200)	-
At 31 December/30 September	53,400	61,200	106,940	106,940

For the purpose of this report, the total number of shares as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 September 2021 represent the aggregate number of issued shares of all entities within the Group.

The new ordinary shares issued during the financial years rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

## Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****12. REORGANISATION DEFICIT**

	← Audited as at →			
	31.12.2018	31.12.2019	31.12.2020	30.09.2021
	RM '000	RM '000	RM '000	RM '000
At 1 January	-	-	-	(10,437)
Effect of acquisition of subsidiaries	-	-	(10,437)	-
At 31 December/30 September	-	-	(10,437)	(10,437)

As detailed in Note 27, the Pappajack Holdings Berhad completed its pre-IPO reorganisation on 24 December 2020. Consequently, reorganisation deficit represents the difference between the purchase consideration to acquire Pajak Gadai Tetap Sejiwa Sdn. Bhd., Pajak Gadai Pappajack Sdn. Bhd., Pajak Gadai Bertuah Sdn. Bhd., Pajak Gadai PPJack Sdn. Bhd., Pajak Gadai PPJ Sehati Sdn. Bhd., Pajak Gadai PPJ Sdn. Bhd., Pajak Gadai Pappajack Sehati Sdn. Bhd., Pajak Gadai Consistent Reach Sdn. Bhd., Pajak Gadai TSE Sdn. Bhd., Pajak Gadai BT Cleaning Sdn. Bhd., Dhoby Ghaut (Kapar) Sdn. Bhd, Consistent Reach Holdings Sdn. Bhd., Mashita Holdings Sdn. Bhd., Dhoby Ghaut (M) Sdn. Bhd. and Dhoby Ghaut Holdings Sdn. Bhd. and the share capital of said Group as at 31 December 2020.

**13. LOANS AND BORROWINGS**

	Note	← Audited as at →			
		31.12.2018	31.12.2019	31.12.2020	30.09.2021
		RM '000	RM '000	RM '000	RM '000
<b>Non-current:</b>					
Term loan	(a)	809	761	776	740
Lease liabilities	(b)	2,812	3,915	3,956	3,791
Redeemable preference shares	(c)	-	4,125	-	-
		3,621	8,801	4,732	4,531
<b>Current:</b>					
Term loan	(a)	39	48	25	28
Lease liabilities	(b)	473	747	976	1,136
		512	795	1,001	1,164
<b>Total loans and borrowings:</b>					
Term loan	(a)	848	809	801	768
Lease liabilities	(b)	3,285	4,662	4,932	4,927
Redeemable preference shares	(c)	-	4,125	-	-
		4,133	9,596	5,733	5,695

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****13. LOANS AND BORROWINGS (CONTINUED)****(a) Term loan**

Term loan of the Group bear interest base lending rate ("BLR") minus 2.2% per annum and is repayable by monthly instalments of RM6,572 until fully settled commencing from the day of first drawdown and is secured and supported as follows:

- (i) Legal charge over the freehold land and buildings of a combining entity as disclosed in Note 6;
- (ii) Joint and several guarantee by several directors of the Group; and
- (iii) Corporate guarantee by related company.

**(b) Lease liabilities**

As disclosed in Note 5, the Group leases shplot for its office space and operations. The leases are mainly for an initial lease of one (1) to five (5) years. The Group has the options to renew these leases.

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	← Audited as at →			
	31.12.2018	31.12.2019	31.12.2020	30.09.2021
	RM '000	RM '000	RM '000	RM '000
Minimum lease payment:				
- Not later than one year	678	1,034	1,257	1,386
- Later than one year and not later than five years	2,227	3,569	3,845	3,656
- More than five years	1,229	1,066	689	629
	4,134	5,669	5,791	5,671
Less: Future finance charges	(849)	(1,007)	(859)	(744)
Present value of minimum lease payments	3,285	4,662	4,932	4,927
Present value of minimum lease payment payable:				
- Not later than one year	473	747	976	1,136
- Later than one year and not later than five years	1,710	2,926	3,385	3,408
- More than five years	1,102	989	571	383
	3,285	4,662	4,932	4,927
Less: Amount due within twelve months	(473)	(747)	(976)	(1,136)
Amount due after twelve months	2,812	3,915	3,956	3,791

**13. ACCOUNTANTS' REPORT** (Cont'd)

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**PAPPAJACK BERHAD**

Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**13. LOANS AND BORROWINGS (CONTINUED)**

**(c) Redeemable preference shares**

During the financial year ended 31 December 2019, 4,125,000 redeemable preference shares were issued by the Company at an issue price of RM1 per share. The salient features of the redeemable preference shares are as follows:

- i) To be redeemed at the end of the tenure of three years upon allotment and such redemption shall be out of methods provided by the Companies Act 2016;
- ii) The redeemable preference shares shall rank equally therewith;
- iii) The redeemable preference shares shall be non-convertible; and
- iv) The redeemable preference shares shall be entitled to a fixed dividend of 7% per annum to be paid on a semi-annual basis and such dividend shall be cumulative subject to fulfilment of solvency test.

During the financial year ended 31 December 2020, 4,190,000 redeemable preference shares were issued by the Company at an issue price of RM1 per share. The salient features of the redeemable preference shares are as follows:

- i) To be redeemed at the end of the tenure of three years upon allotment and such redemption shall be out of methods as provided by the Companies Act 2016;
- ii) The redeemable preference shares shall rank equally therewith;
- iii) The redeemable preference shares shall be non-convertible; and
- iv) The redeemable preference shares shall be entitled to a fixed dividend of 6% or 7% per annum to be paid on a semi-annual basis and such dividend shall be cumulative subject to fulfilment of solvency test.

On 23 December 2020, the company issued 8,315,000 units of ordinary shares at a price of RM1 per unit to redeem RM8,315,000 redeemable preference shares.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

## Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****14. OTHER PAYABLES**

	Note	← Audited as at →			
		31.12.2018 RM '000	31.12.2019 RM '000	31.12.2020 RM '000	30.09.2021 RM '000
<b>Non-current:</b>					
<b>Non-trade</b>					
Advances from shareholders	(a)	-	-	12,000	9,000
		-	-	12,000	9,000
<b>Current:</b>					
<b>Non-trade</b>					
Other payables		76	234	233	133
Advances from shareholders	(a)	-	-	76	2,934
Accruals		83	250	436	85
Deposits payable		11	11	11	11
		170	495	756	3,163
Other payables		170	495	12,756	12,163

**(a) Advances from shareholders**

Advances from shareholders are unsecured, bears interest at 4% per annum, and is expected to be settled progressively over 4 equal instalments on 30 September 2022, 31 December 2022, 31 March 2023 and 30 June 2023.

For explanation on the Group's liquidity risk management processes, refer to Note 24(b)(ii).

**15. CONTRACT LIABILITIES**

	← Audited as at →			
	31.12.2018 RM '000	31.12.2019 RM '000	31.12.2020 RM '000	30.09.2021 RM '000
<b>At 1 January</b>	-	587	-	-
Revenue recognised during the year	-	(587)	-	-
Contract liabilities related to timing differences between recognition of revenue and issuance of invoice	587	-	-	-
<b>At 31 December/30 September</b>	587	-	-	-



**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****16. REVENUE**

	← Audited →			Audited FPE 30 September 2021	Unaudited FPE 30 September 2020
	FYE 31 December				
	2018	2019	2020		
	RM '000	RM '000	RM '000	RM '000	RM '000
<b>At a point in time:</b>					
Sale of unredeemed or bid pledges	5,429	11,915	16,885	11,086	9,648
Pawnbroking - Administrative fees	32	62	91	88	68
<b>Over time:</b>					
Pawnbroking - Interest charges	4,549	7,230	13,793	14,233	10,599
	10,010	19,207	30,769	25,407	20,315

**(a) Disaggregation of revenue**

The Group reports the following major segments: pawnbroking and sale of unredeemed or bid pledges in accordance with MFRS 8 *Operating Segments*.

For disclosures on the Group's segment information as required by MFRS 8 *Operating Segments*, refer to Note 28.

**17. OTHER INCOME**

	← Audited →			Audited FPE 30 September 2021	Unaudited FPE 30 September 2020
	FYE 31 December				
	2018	2019	2020		
	RM '000	RM '000	RM '000	RM '000	RM '000
Government grants	-	-	250	19	221
Rental income	46	61	64	47	47
Rental concession	-	-	35	1	36
Interest income	-	-	9	-	6
Miscellaneous income	-	1	8	13	6
	46	62	366	80	316

**18. FINANCE COSTS**

	← Audited →			Audited FPE 30 September 2021	Unaudited FPE 30 September 2020
	FYE 31 December				
	2018	2019	2020		
	RM '000	RM '000	RM '000	RM '000	RM '000
Interest expense on:					
- Term loan	41	38	29	19	22
- Lease liabilities	126	271	275	203	223
- Advances from shareholders	29	64	76	284	-
- Redeemable preference shares	-	-	364	-	227
	196	373	744	506	472

70

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

## Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****19. PROFIT BEFORE TAX**

Other than as disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

	Note	← Audited → FYE 31 December			Audited	Unaudited
		2018 RM '000	2019 RM '000	2020 RM '000	FPE 30 September 2021 RM '000	2020 RM '000
Auditors' remuneration						
- Current year/period		36	72	141	116	95
Depreciation of property, plant and equipment	5	542	1,070	1,514	1,469	1,077
Depreciation of investment property		20	20	20	14	14
Trade receivable written off		87	117	147	37	78
Impairment loss on inventory		-	-	-	137	-
Rental expenses		94	96	121	37	57
Employee benefits expense	20	1,121	1,379	2,479	2,783	1,517

**20. EMPLOYEE BENEFITS EXPENSE**

	← Audited → FYE 31 December			Audited	Unaudited
	2018 RM '000	2019 RM '000	2020 RM '000	FPE 30 September 2021 RM '000	2020 RM '000
Salaries, wages, allowances and bonuses	1,026	1,193	2,204	2,450	1,345
Defined contribution plans	90	172	246	294	153
Other staff related benefits	5	14	29	39	19
	1,121	1,379	2,479	2,783	1,517

Included in employee benefits expense are:

**Directors of the Group**

## Executive directors

- Salaries, allowances and bonuses	398	16	1	736	-
- Defined contribution plans	8	7	1	97	-
- Other staff related benefits	-	-	-	7	-
	406	23	2	840	-

## Non-executive directors

- Fees	-	-	-	50	-
	-	-	-	50	-
	406	23	2	890	-

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****21. INCOME TAX EXPENSE**

The major components of income tax expense for the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and financial period ended 30 September 2021 are as follows:

	← Audited → FYE 31 December			Audited	Unaudited
	2018	2019	2020	FPE 30 September 2021	2020
	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Combined statements of comprehensive income</b>					
<b>Current income tax:</b>					
- Current income tax charge	732	1,338	2,845	2,343	1,914
- Adjustment in respect of prior financial years	(1)	24	*	236	(75)
	<u>731</u>	<u>1,362</u>	<u>2,845</u>	<u>2,579</u>	<u>1,839</u>
<b>Deferred tax (Note 7):</b>					
- Origination/(reversal) of temporary differences	14	(7)	62	(5)	46
- Adjustment in respect of prior financial years	-	-	*	4	6
	<u>14</u>	<u>(7)</u>	<u>62</u>	<u>(1)</u>	<u>52</u>
Income tax expense recognised in profit or loss	<u>745</u>	<u>1,355</u>	<u>2,907</u>	<u>2,578</u>	<u>1,891</u>

Domestic income tax is calculated at the Malaysia statutory income tax rate 24% of the estimated assessable profit for the financial year/period.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

## Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****21. INCOME TAX EXPENSE (CONTINUED)**

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expense are as follows:

	← Audited →			Audited	Unaudited
	FYE 31 December			FPE 30 September	
	2018	2019	2020	2021	2020
	RM '000	RM '000	RM '000	RM '000	RM '000
Profit before tax	2,316	3,317	11,112	8,004	8,000
Tax at Malaysian statutory income tax rate of 24%	556	796	2,667	1,921	1,920
Adjustments:					
SME tax savings	(30)	(35)	-	-	-
Income not subject to tax	-	-	(27)	(1)	(45)
Non-deductible expenses	217	464	265	331	136
Utilisation of unrecognised deferred tax asset	(28)	(36)	(133)	(32)	(164)
Deferred tax not recognised on temporary differences	31	142	135	119	113
Adjustment in respect of current income tax of prior years	(1)	24	*	236	(75)
Adjustment in respect of deferred tax of prior years	-	-	*	4	6
Income tax expense	745	1,355	2,907	2,578	1,891

\* Amount is less than RM 1,000.

**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.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**22. EARNINGS PER SHARE (CONTINUED)**

The basic and diluted earnings per ordinary share are computed as follow:

	← Audited →			Audited	Unaudited
	FYE 31 December			FPE 30 September	
	2018	2019	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Group	1,571	1,962	8,209	5,426	6,107
Weighted average number of ordinary shares for basic and diluted earnings per share	53,400	61,200	103,231	103,231	41,200
Basic and diluted earnings per ordinary share	0.03	0.03	0.08	0.05	0.15

**23. DIVIDEND**

	← Audited →			Audited	Unaudited
	FYE 31 December			FPE 30 September	
	2018	2019	2020	2021	2020
	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Recognised during the financial year:</b>					
Dividends on ordinary shares:					
- Single-tier interim dividend for the financial year ended 31 December 2020: RM0.03 per ordinary share of a combining entity, paid on 2 July 2020	-	-	120	-	120
- Single-tier interim dividend for the financial year ended 31 December 2020: RM0.02 per ordinary share of a combining entity, paid on 11 June 2020 and 29 July 2020	-	-	66	-	66
	-	-	186	-	186

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned:

	<b>Carrying amount RM '000</b>	<b>Amortised cost RM '000</b>
<b>At 31 December 2018</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	46,537	46,537
Cash and short-term deposits	5,910	5,910
	<u>52,447</u>	<u>52,447</u>
<b>Financial liabilities</b>		
Loans and borrowings	(4,133)	(4,133)
Other payables	(170)	(170)
	<u>(4,303)</u>	<u>(4,303)</u>
<b>At 31 December 2019</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	52,685	52,685
Cash and short-term deposits	11,643	11,643
	<u>64,328</u>	<u>64,328</u>
<b>Financial liabilities</b>		
Loans and borrowings	(9,596)	(9,596)
Other payables	(495)	(495)
	<u>(10,091)</u>	<u>(10,091)</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Categories of financial instruments (continued)**

	<b>Carrying amount RM '000</b>	<b>Amortised cost RM '000</b>
<b>At 31 December 2020</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	100,221	100,221
Cash and short-term deposits	15,658	15,658
	<u>115,879</u>	<u>115,879</u>
<b>Financial liabilities</b>		
Loans and borrowings	(5,733)	(5,733)
Other payables	(12,756)	(12,756)
	<u>(18,489)</u>	<u>(18,489)</u>
<b>At 30 September 2021</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	114,769	114,769
Cash and bank balances	5,128	5,128
	<u>119,897</u>	<u>119,897</u>
<b>Financial liabilities</b>		
Loans and borrowings	(5,695)	(5,695)
Other payables	(12,163)	(12,163)
	<u>(17,858)</u>	<u>(17,858)</u>

**13. ACCOUNTANTS' REPORT** *(Cont'd)*

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**PAPPAJACK BERHAD**

Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**24. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management**

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The Group's overall financial risk management objective is to optimise value for its shareholders.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

**Trade receivables**

As at the end of the reporting period, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the combined statements of financial position



**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Trade receivables (continued)**Credit risk concentration profile

The Group has no significant concentration of credit risk from its receivables. The Group minimises credit risk by requiring collateral and/or dealing with credit worthy counterparties.

The Group applies the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows:

	← Trade receivables →						Total RM '000
	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	> 120 days past due	
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	
<b>At 31 December 2018</b>							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	23,204	1,418	1,149	698	134	13	26,616
Impairment losses	-	-	-	-	-	-	-
<b>At 31 December 2019</b>							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	45,293	2,182	1,365	950	364	41	50,195
Impairment losses	-	-	-	-	-	-	-

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**  
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Trade receivables (continued)**Credit risk concentration profile (continued)

	← Trade receivables →						Total RM '000
	Current RM '000	1 to 30 days past due RM '000	31 to 60 days past due RM '000	61 to 90 days past due RM '000	91 to 120 days past due RM '000	> 120 days past due RM '000	
<b>At 31 December 2020</b>							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	89,507	6,003	2,747	-	173	349	98,779
Impairment losses	-	-	-	-	-	-	-
<b>At 30 September 2021</b>							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	84,694	6,808	4,487	3,386	3,783	11,201	114,359
Impairment losses	-	-	-	-	-	-	-

**Other receivables and other financial assets**

For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

## Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Other receivables and other financial assets (continued)**

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Some intercompany loans between related entities are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.9(a) for the Group's other accounting policies for impairment of financial assets.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(ii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arises principally from other payables and loan and borrowings.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group's treasury department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

	Carrying amount RM '000	Contractual cash flows			Total RM '000
		On demand or within one year RM '000	Between one and five years RM '000	More than five years RM '000	
<b>At 31 December 2018</b>					
Other payables	170	170	-	-	170
Term loan	848	79	315	1,004	1,398
Lease liabilities	3,285	678	2,227	1,229	4,134
	<u>4,303</u>	<u>927</u>	<u>2,542</u>	<u>2,233</u>	<u>5,702</u>
<b>At 31 December 2019</b>					
Other payables	495	495	-	-	495
Term loan	809	79	315	925	1,319
Lease liabilities	4,662	1,034	3,569	1,066	5,669
Redeemable preference shares	4,125	-	4,125	-	4,125
	<u>10,091</u>	<u>1,608</u>	<u>8,009</u>	<u>1,991</u>	<u>11,608</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**24. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(ii) Liquidity risk (continued)**

Maturity analysis (continued)

	Carrying amount RM '000	Contractual cash flows			Total RM '000
		On demand or within one year RM '000	Between one and five years RM '000	More than five years RM '000	
<b>At 31 December 2020</b>					
Other payables	12,756	756	12,000	-	12,756
Term loan	801	79	315	949	1,343
Lease liabilities	4,932	1,257	3,845	689	5,791
	<b>18,489</b>	<b>2,092</b>	<b>16,160</b>	<b>1,638</b>	<b>19,890</b>
<b>At 30 September 2021</b>					
Other payables	12,163	3,163	9,000	-	12,163
Term loan	768	79	276	1,065	1,420
Lease liabilities	4,927	1,386	3,656	629	5,671
	<b>17,858</b>	<b>4,628</b>	<b>12,932</b>	<b>1,694</b>	<b>19,254</b>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**24. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(iii) Interest rate risk**

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial years/period.

	Carrying amount RM '000	Change in basis point	Effect on profit for the financial years/period RM '000
<b>31 December 2018</b>			
Term loan	(848)	+ 50	(3)
		- 50	3
			<hr/>
<b>31 December 2019</b>			
Term loan	(809)	+ 50	(3)
		- 50	3
			<hr/>
<b>31 December 2020</b>			
Term loan	(801)	+ 50	(3)
		- 50	3
			<hr/>
<b>30 September 2021</b>			
Term loan	(768)	+ 50	(3)
		- 50	3
			<hr/>

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(c) Fair value measurement**

The carrying amount of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their 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	Fair value of financial instruments not carried at fair value			Total RM '000
		Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>At 31 December 2018</b>					
<b>Financial liability</b>					
Term loan	809	-	-	721	721
<b>At 31 December 2019</b>					
<b>Financial liabilities</b>					
Term loan	761	-	-	708	708
Redeemable preferences shares	4,125	-	-	3,392	3,392
<b>At 31 December 2020</b>					
<b>Financial liabilities</b>					
Term loan	776	-	-	795	795
Advance from shareholders	12,000	-	-	10,503	10,503
<b>At 30 September 2021</b>					
<b>Financial liabilities</b>					
Term loan	740	-	-	742	742
Advance from shareholders	9,000	-	-	8,236	8,236

**Level 3 fair value**Fair value of financial instruments not carried at fair value

The fair value of liability component of term loan and lease liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities.

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. RELATED PARTIES****(a) Identification of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Entities in which directors have substantial financial interests;
- (ii) A person(s) connected to a director; and
- (iii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly and indirectly.

**(b) Significant related party transactions**

	← Audited →			Audited FPE 30 September 2021 RM	Unaudited 2020 RM
	FYE 31 December				
	2018 RM	2019 RM	2020 RM		
<b>Sales to</b>					
Director	-	30	839	-	-
<b>Interest expense on advances</b>					
Entities in which director has substantial interest	29	64	-	-	-
Key management personnel of the Group	-	-	-	273	-
<b>Redeemable preference shares interest</b>					
Director	-	-	62	-	-

**(c) Compensation of key management personnel**

	← Audited →			Audited FPE 30 September 2021 RM	Unaudited 2020 RM
	FYE 31 December				
	2018 RM	2019 RM	2020 RM		
Director Fees	-	-	-	50	-
Salaries, allowances and bonuses	438	56	116	736	15
Defined contribution plans	8	7	16	97	2
Other staff related benefits	-	-	1	7	-
	446	63	133	890	17



**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**26. 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 shareholder 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 financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and financial period ended 30 September 2021.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as net debts divided by equity attributable to the owners of the Group. The gearing ratio as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 September 2021 are as follows:

	Note	← Audited as at →			
		31.12.2018 RM '000	31.12.2019 RM '000	31.12.2020 RM '000	30.09.2021 RM '000
Loans and borrowings (excluding lease liabilities)	<b>13</b>	848	4,934	801	768
Total equity		54,926	64,688	108,790	114,216
Gearing ratio (times)		0.02	0.08	0.01	0.01

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

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS/PERIOD****(a) COVID-19 outbreak**

On 11 March 2020, the World Health Organisation declared the Coronavirus Disease ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the movement control order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown, and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

The Group has performed an assessment of the overall impact of the situation on the Group's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for financial period ended 30 September 2021.

The Group is unable to reasonably estimate the full extent of the financial impact that these events have on its financial position, results of operations or cash flows for the financial year ended 31 December 2021 due to the uncertainty of the future outcome of the current events. It is however certain that the worldwide measures against the spread of the coronavirus will have direct and indirect effects on its operations. The Group will continuously monitor the impact of Covid-19 on its operations and financial performance and will be taking appropriate and timely measures to minimise the impact of the outbreak on the Company's operations.

**(b) Acquisition of subsidiaries by Pappajack Holdings Berhad ("Pappajack Holdings")**

On 7 January 2020, 8 January 2020 and 29 June 2020, Pappajack Holdings entered into an agreement to acquire the entire equity interest of of Dhoby Ghaut (Kapar) Sdn. Bhd., Consistent Reach Holdings Sdn. Bhd., Mashita Holdings Sdn. Bhd., Dhoby Ghaut (M) Sdn. Bhd., and Dhoby Ghaut Holdings Sdn. Bhd. for a total consideration of approximately RM20,000,000. which will be wholly satisfied by the issuance of 19,215,988 shares in Pappajack Holdings at RM1.0408 per share.

On 24 December 2020, Pappajack Holdings entered into a conditional share sale agreement to acquire the entire equity interest of Pajak Gadai Tetap Sejiwa Sdn. Bhd., Pajak Gadai Pappajack Sdn. Bhd., Pajak Gadai Bertuah Sdn. Bhd., Pajak Gadai PPJack Sdn. Bhd., Pajak Gadai PPJ Sehati Sdn. Bhd., Pajak Gadai PPJ Sdn. Bhd., Pajak Gadai Pappajack Sehati Sdn. Bhd., Pajak Gadai Consistent Reach Sdn. Bhd., Pajak Gadai TSE Sdn. Bhd. and Pajak Gadai BT Cleaning Sdn. Bhd. for a total purchase consideration of RM47,637,375 which will be wholly satisfied by the issuance of 45,769,961 shares in Pappajack Holdings at RM1.0408 per share.

The purchase consideration of RM47,637,375 was arrived at on a willing buyer-willing seller basis based on the net assets of the respective subsidiaries as at 30 September 2020. The acquisition was completed on 24 December 2020.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS/PERIOD (CONTINUED)**

**(c) Acquisition of Pappajack Holdings**

On 9 June 2021, the Company entered into a conditional share sale agreement to acquire the entire equity interest of Pappajack Holdings for a total purchase consideration of RM108,020,896 which will be wholly satisfied by the issuance of 500,999,999 shares in the Company at approximately RM0.22 per share.

The purchase consideration of RM108,020,896 was arrived at on a willing buyer-willing seller basis based on the net assets of Pappajack Holdings as at 31 December 2020. The acquisition was completed on 27 January 2022.

**28. SEGMENT INFORMATION**

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 decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

<b>Segments</b>	<b>Product and services</b>
Interest income	Interest charges from pawnbroking
Sales auction	Sales of unredeemed or bid pledges

Segment profit

Segment performance is used to measure performance as the Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

Segment assets information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment liabilities.

**13. ACCOUNTANTS' REPORT** (Cont'd)

**PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**28. SEGMENT INFORMATION (CONTINUED)**

	Pawnbroking interest charges RM '000	Sales of unredeemed or bid pledges RM '000	Adjustments and eliminations RM '000	Total RM '000
<b>31 December 2018</b>				
<b>Revenue:</b>				
Revenue from external customers	4,581	5,429	-	10,010
<b>Segment profit</b>	3,158	800	-	3,958
Other income				46
Administrative expenses				(1,492)
Finance costs				(196)
Income tax expense				(745)
Profit for the financial year				1,571
<b>Results:</b>				
<i>Included in the measure of segments profit/(loss) are:</i>				
Employee benefits expense				1,121
Depreciation				542

**13. ACCOUNTANTS' REPORT (Cont'd)****PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****28. SEGMENT INFORMATION (CONTINUED)**

	<b>Pawnbroking interest charges RM '000</b>	<b>Sales of unredeemed or bid pledges RM '000</b>	<b>Adjustments and eliminations RM '000</b>	<b>Total RM '000</b>
<b>31 December 2019</b>				
<b>Revenue:</b>				
Revenue from external customers	7,292	11,915	-	19,207
<b>Segment profit</b>	4,556	1,388	-	5,944
Other income				62
Administrative expenses				(2,316)
Finance costs				(373)
Income tax expense				(1,355)
Profit for the financial year				1,962
<b>Results:</b>				
<i>Included in the measure of segments profit/(loss) are:</i>				
Employee benefits expense				1,379
Depreciation				1,070

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**28. SEGMENT INFORMATION (CONTINUED)**

	Pawnbroking interest charges RM '000	Sales of unredeemed or bid pledges RM '000	Adjustments and eliminations RM '000	Total RM '000
<b>31 December 2020</b>				
<b>Revenue:</b>				
Revenue from external customers	13,884	16,885	-	30,769
<b>Segment profit</b>	9,479	4,339	-	13,818
Other income				366
Administrative expenses				(2,328)
Finance costs				(744)
Income tax expense				(2,907)
Profit for the financial year				8,205
<b>Results:</b>				
<i>Included in the measure of segments profit/(loss) are:</i>				
Employee benefits expense				2,479
Depreciation				1,514

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**28. SEGMENT INFORMATION (CONTINUED)**

	Pawnbroking interest charges RM '000	Sales of unredeemed or bid pledges RM '000	Adjustments and eliminations RM '000	Total RM '000
<b>30 September 2021</b>				
<b>Revenue:</b>				
Revenue from external customers	14,321	11,086	-	25,407
<b>Segment profit</b>	10,015	497	-	10,512
Other income				80
Administrative expenses				(2,082)
Finance costs				(506)
Income tax expense				(2,578)
Profit for the financial period				5,426
<b>Results:</b>				
<i>Included in the measure of segments profit/(loss) are:</i>				
Employee benefits expense				2,783
Depreciation				1,469

**13. ACCOUNTANTS' REPORT (Cont'd)**

**PAPPAJACK BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**28. SEGMENT INFORMATION (CONTINUED)**

	Pawnbroking interest charges RM '000	Sales of unredeemed or bid pledges RM '000	Adjustments and eliminations RM '000	Total RM '000
<b>30 September 2020</b>				
<b>Revenue:</b>				
Revenue from external customers	10,667	9,648	-	20,315
<b>Segment profit</b>	7,716	1,565	-	9,281
Other income				316
Administrative expenses				(1,125)
Finance costs				(472)
Income tax expense				(1,891)
Profit for the financial period				6,109
<b>Results:</b>				
<i>Included in the measure of segments profit/(loss) are:</i>				
Employee benefits expense				1,517
Depreciation				1,077

Information about major customers

For the Sales of unredeemed or bid pledges segment, revenue was from two (2) (FYE 30.12.2018: two (2); FYE 31.12.2019: four (4); FYE 31.12.2020: four (4); FPE 30.9.2020: four (4)) major customers. The customers represented approximately RM9,199,000 (FYE 31.12.2018: RM4,914,000; FYE 31.12.2019: RM8,175,000; FYE 31.12.2020: RM13,115,000; FPE 30.9.2020: RM8,930,000) of the Group's total revenue.



## 14. STATUTORY AND OTHER GENERAL INFORMATION

### 14.1 EXTRACTS OF OUR CONSTITUTION

The following provisions relating to the selected matters are reproduced from our Company's Constitution. Terms defined in our Constitution shall have the same meaning when used herein unless they are otherwise defined herein or the context otherwise requires.

#### 14.1.1 Transfer of Securities

The provisions in our Company's Constitution in respect of the arrangements for transfer of securities and restrictions on their free transferability are as follows:

Clause 44 – Transfer of Securities      The transfer of any Listed Security or class of Listed Security in the Company shall be by way of book entry by the Depository in accordance with Rules of the Depository and notwithstanding Sections 105, 106 and 110 of the Act, but subject to section 148(2) of the Act and any exemption that may be made from compliance with section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Listed Security.

Clause 45 – Transferor's Right      The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.

Clause 45A – Instrument of transfer      Every instrument of transfer (for any share not being a deposited security) must be left for registration at the office of the Company's Registrar accompanied by the certificate of the shares comprised therein (if any) and such evidence as the Directors may reasonably require to prove the right of the transferor to make the transfer and the due execution by him of the transfer, and subject to the power vested in the Directors by this Constitution or the provisions of any other written law and if required, to reasonable evidence of nationality, the Company shall register the transferee as shareholder.

A fee not exceeding RM3.00 (excluding the stamp duty) or any amount as shall be determined from time to time by the Exchange may be charged for each transfer and shall if required by the Directors be paid before the registration thereof.

Clause 46 – Person under disability      No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Clause 46A – Refusal to transfer      Subject to Section 106 and any other relevant provisions of the Act, the Directors may refuse or delay to register the transfer of a share, not being a deposited security, to a person of whom they shall not approve.

If the Directors passed a resolution to refuse or delay the registration of a transfer, they shall, within seven (7) days of the resolution being passed, give to the lodging broker, transferor and the transferee written notice of the resolution setting out the precise reasons thereof.

**14. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

Clause 46B – Non-liability of the Company, its Directors and officers in respect of transfer

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

**14.1.2 Remuneration of Directors**

The provisions in our Company's Constitution in respect of the remuneration of Directors are as follows:

- Clause 107 – Remuneration
- The fees and any benefits payable to the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided always that: -
    - 107.1 fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
    - 107.2 salaries payable to executive Directors may not include a commission on or percentage of turnover;
    - 107.3 fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
    - 107.4 any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.
- Clause 108 – Reimbursement and special remuneration
- 108.1 The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

**14. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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108.2 If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

Clause 140 – The remuneration of the Managing Director and/or Executive Remuneration of Directors may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such Managing Director and Executive Director remuneration shall not include a commission on or percentage of turnover.

**14.1.3 Voting and Borrowing Powers of Directors**

The provisions in our Company's Constitution in respect of the voting and borrowing powers of Directors are as follows:

Clause 112 – Directors' borrowing powers

112.1 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party Provided Always that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

112.2 The Directors shall cause a proper register to be kept in accordance with Section 357 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.

112.3 Subject to the Act, if the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

**14. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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Clause 128 – Declaration of Interest and restriction of voting

A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly, a personal interest and if he should do so, his vote should not be counted, but this prohibition shall not apply: -

- (a) in a case where the contract or proposed contract relates to any loan to the company that he has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or
- (b) in a case where the contract or proposed contract has been or will be made with or for the benefit of or on behalf of a Related Corporation.

Clause 129 – Directors restrained from voting in interested transactions

Every Director shall comply with the provisions of Sections 221 and 219 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.

**14.1.4 Changes in Capital and Variation of Class Rights**

The provisions in our Company's Constitution in respect of the changes in capital and variation of class rights are as follows:

Clause 7 – Authority of Directors to allot shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution, the Act, the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:-

- 7.1 no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;
- 7.2 in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution or in the resolution creating the same;

**14. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

- 7.3 every issue of shares or options to employees and/or Directors shall be approved by the Members in general meeting and:
- (a) Such approval shall specifically detail the amount of shares of options to be issued to such employees and/or Directors; and
  - (b) A Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer or a public issue;
- 7.4 in the case of shares offered to the public for subscription the amount payable on application on each share shall not be less than five per centum (5%) of the issued price;
- 7.5 the Company must ensure that all new issue of shares for which listing is sought shall be made by way of crediting the Securities Accounts of the allottees or entitled persons in the Depository with such Securities save and except where the Company is specifically exempted from doing so. The Company shall notify the Depository of the names of the allottees or the entitled persons together with all such particulars as may be required by the Depository to enable it to make the appropriate entries in the Securities Accounts of such allottees or entitled persons.
- 7.6 the Company must allot and issue Securities, despatch notices of allotment to the allottees and make an application for the quotation of such Securities which such periods as may be prescribed by the Exchange.

**Clause 8 – Issuance of Preference Shares**

Subject to the Act, the Company shall have the power to issue any preference shares on the terms that they are, or at the option of the Company are liable, to be redeemed provided that:

- 8.1 Preference shareholders shall have the same rights as ordinary shareholders as regards the receiving of notices, reports and financial statements and the attending of general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the whole of the Company's property, business or undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months or during the winding up of the Company. On a resolution to be decided on a show of hands, a holder of preference shares who is personally present and entitled to vote shall be entitled to one (1) vote.
- 8.2 The holder of a preference share shall be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up; and

**14. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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8.3 The Company shall not, without the consent of the existing preference shareholders at a class meeting or pursuant to clause 19 hereof, issue further preference capital ranking in priority above preference shares already issued but may issue preference shares ranking equally therewith.

Clause 9 – No financial assistance The Company shall not give whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the Company or in its holding company nor shall the Company make a loan for any purpose whatsoever on the security of its shares or those of its holding company, but nothing in this Constitution shall prohibit transactions mentioned in Section 125 and Section 127 of the Act or the circumstances set out in Section 125 and Section 127 of the Act.

Clause 10 – Purchase of own shares Subject to the provisions of the Act, the Listing Requirements and the approval of the Members and any other relevant authority, the Company shall have the power to purchase its own shares and to deal with the shares so purchased in the manner provided by the Act, the Listing Requirements and any other relevant authority.

Clause 11 – Powers of paying commission and brokerage The Company may exercise the powers of paying commissions conferred by Section 80 of the Act to any persons in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure, whether absolutely or conditionally, for any shares of the Company, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, and the rate of the commission shall not exceed the rate of ten per cent (10%) of the price at which the shares in respect whereof the same is paid are issued. Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

Clause 13 – Compliance with Requirements Where any shares are issued for the purpose of raising money to defray the expense of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much of such share capital as is for the time being paid up for the period, and subject to the conditions and restrictions mentioned in Section 130 of the Act, may charge the same to capital as part of the cost of construction of the works or buildings or the provision of the plant.

Clause 14 – Trust not to be recognised Except as required by this Constitution, the Act, any order of court, the Central Depositories Act, the Rules or otherwise required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial

#### 14. STATUTORY AND OTHER GENERAL INFORMATION *(Cont'd)*

interest in any share or unit of share or any other rights in respect of any share, except an absolute right to the entirety thereof in the registered holder.

Clause 15 – Issue of Securities Subject to the Listing Requirements, the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to Sections 75 and 76 of the Act, the Company must ensure that it shall not issue any shares or convertible Securities, if those shares or convertible Securities, when aggregated with any such shares or convertible Securities issued during the preceding twelve (12) months, exceeds 10% of the value of the issued and paid-up capital of the Company, except where the shares or convertible Securities are issued with the prior approval of the shareholders in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised.

Clause 16 – Exercise of rights of Members No person shall exercise any rights of a Member until his name shall have been entered in the Records of Depositors and he shall have paid all calls and other moneys for the time being due and payable on any share held by him.

Clause 17 – Instalments If, by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable on fixed dates every such amount shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the share, or his legal personal representatives.

#### 14.2 SHARE CAPITAL

- (i) No Shares will be allotted or issued on the basis of this Prospectus later than six (6) months after the date of the issue of this Prospectus.
- (ii) There is no founder, management or deferred shares in our Company. We have only one (1) class of shares in our Company, namely ordinary shares, all of which rank equally with one (1) another.
- (iii) None of our Group's capital is under option, or agreed conditionally or unconditionally to be put under any option.
- (iv) No shares, debentures, warrants, options, convertible securities or uncalled capital of our Company and our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, for the past three (3) FYE 2018 to FYE 2020 and up to the LPD.
- (v) Other than 6,680,000 Public Issue Shares reserved for our Eligible Persons as disclosed in Section 3.3.1(ii) of this Prospectus:
  - (a) no person including Directors or employees of our Group has been or is entitled to be given or has exercised any option to subscribe for any shares or debentures, warrants, options, convertible securities or uncalled capital of our Company or our subsidiaries; and

#### **14. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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- (b) there is currently no other scheme involving our Directors and employees of our Group in the share capital of our Company or our subsidiaries.
- (vi) As at the date of this Prospectus, we do not have any convertible debt securities, options, warrants and uncalled capital.

#### **14.3 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS**

There is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by the Constitution of our Company.

#### **14.4 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS**

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his/her Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

#### **14.5 MATERIAL LITIGATION, CLAIMS AND ARBITRATION**

As at the LPD, neither our Company nor our subsidiaries are engaged in any governmental, legal, claims or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings, whether as plaintiff or defendant or as a third party which may have or have had, material or significant effects on our financial position or profitability in the twelve (12) months immediately preceding the date of this Prospectus.

#### **14.6 MATERIAL CONTRACTS**

The following are material contracts (including contracts not reduced into writing and contracts not being entered into in the ordinary course of business) entered into by our Group during the past three (3) FYE 2018 to FYE 2020 and up to the date of this Prospectus:

- (i) Share sale agreement dated 23 December 2020 entered into between Pappajack Holdings and the respective shareholders of PG Bertuah, PG BT Cleaning, PG Consistent Reach, PG Pappajack, PG Pappajack Sehati, PG PPJ, PG PPJ Sehati, PG PPJack, PG TSE and PG Tetap Sejiwa for the acquisition by Pappajack Holdings from the respective shareholders of the entire equity interest in each of the aforementioned company, for a total purchase consideration of RM47,637,376 and the capitalisation of advances of RM46,990,911, satisfied by the allotment of 90,915,866 ordinary shares in Pappajack Holdings, together with the issuance of 8,315,000 ordinary shares of Pappajack Holdings for the redemption of 8,315,000 redeemable preference shares. As at the LPD, the sale and purchase transaction as contemplated under the share sale agreement has been completed.



#### **14. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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- (ii) Share sale agreement dated 9 June 2021 entered into between our Company and the shareholders of Pappajack Holdings for the acquisition by our Company from the shareholders of Pappajack Holdings of the entire equity interest in Pappajack Holdings, for a total consideration of RM108,020,896 which was completed on 27 January 2022.
- (iii) The Underwriting Agreement, further details of which are set out in Section 3.9 of this Prospectus.

#### **14.7 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFITS**

There are no governmental laws, decree, regulation or other requirement which may affect the repatriation of capital and the remittance of profit by or to our Group.

#### **14.8 PUBLIC TAKE-OVERS**

During the last financial year and the current financial year, there were no:

- (i) public take-over offers by third parties in respect of our Group's Shares; and
- (ii) public take-over offers by our Group in respect of other companies' securities.

#### **14.9 LETTERS OF CONSENT**

- (i) The written consent of the Principal Adviser, Sponsor, Sole Underwriter, Sole Placement Agent, Company Secretary, legal advisers/solicitors, Share Registrar and Issuing House for the inclusion in this Prospectus of their names and all references herein in the form and context in which such names appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report, Report on the Compilation of Pro Forma Combined Statements of Financial Position, Statement of Comprehensive Income and Statement of Cash Flows, and audit reports in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.
- (iii) The written consent of the Independent Market Researcher for the inclusion in this Prospectus of its name, the IMR Report and all references herein in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

#### **14.10 RESPONSIBILITY STATEMENT**

- (i) Our Directors and Promoters have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained herein. Having made all reasonable enquiries and that to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement herein false or misleading.

**14. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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- (ii) Kenanga IB, being our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO.

**14.11 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at our Registered Office during the normal office hours for a period of six (6) months from the date of this Prospectus:

- (i) the Constitution of our Company;
- (ii) the IMR Report as set out in Section 7 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statements of Financial Position, Statement of Comprehensive Income and Statement of Cash Flows as set out in Section 12 of this Prospectus;
- (iv) the Accountants' Report as set out in Section 13 of this Prospectus;
- (v) the material contracts as referred to in Section 14.6 of this Prospectus;
- (vi) the letters of consent as referred to in Section 14.9 of this Prospectus;
- (vii) the audited financial statements of our Company and our subsidiaries for the past three (3) FYE 2018 to FYE 2020; and
- (viii) the audited financial statement of our Company for FPE 2021.

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## 15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT TRICOR, FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural and vice versa.

### 15.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 11 MARCH 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 18 MARCH 2022

Applications for the IPO Shares will open and close at the dates stated above.

In the event there is any change to the dates stated above, we will advertise the notice of the change in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

**Late Applications will not be accepted.**

### 15.2 METHODS OF APPLICATIONS

#### 15.2.1 Application for Our IPO Shares by the Malaysian Public and Eligible Persons of Our Group

Types of Application and Category of Investors	Application Method
Applications by eligible employees of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

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**15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)****15.2.2 Application by Selected Investors and Bumiputera Investors Approved by MITI via Private Placement**

Types of Application	Application Method
Applications by:  (a) Bumiputera investors approved by the MITI  (b) Selected Investors	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.  The Sole Placement Agent will contact the selected investors directly. They should follow the Sole Placement Agent's instructions.

Selected investors and Bumiputera investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

**15.3 ELIGIBILITY****15.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE (1)** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST ONE HUNDRED (100) IPO SHARES OR MULTIPLES OF ONE HUNDRED (100) IPO SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO TEN (10) YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

**15.3.2 Application by the Malaysian Public**

You can only apply for our IPO Shares if you fulfil all of the following:

- (i) you must be one (1) of the following:
  - (a) a Malaysian citizen who is at least eighteen (18) years old as at the date of the application for our IPO Shares with a Malaysian address; or

## 15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

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- (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
  - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) you must not be a director or employee of Tricor, or an immediate family member of a director or employee of Tricor; and
  - (iii) you must submit Applications by using only one (1) of the following methods:
    - (a) White Application Form;
    - (b) Electronic Share Application; or
    - (c) Internet Share Application.

### 15.3.3 Application by Eligible Persons

The eligible employees of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

Eligible employees of our Group may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, Tricor, Kenanga IB, Participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

## 15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.30 for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. 717**” and crossed “**A/ C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

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## 15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

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Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one (1) of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

**Tricor Investor & Issuing House Services Sdn Bhd**  
**(Registration No. 197101000970 (11324-H))**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

or

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the Tricor Drop-in Boxes provided at the Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 18 March 2022 or by such other time and date specified in any change to the date or time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

### 15.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

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## **15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE** *(Cont'd)*

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### **15.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATION**

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

### **15.7 AUTHORITY OF OUR BOARD AND TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD**

Tricor on the authority of our Board reserves the right to:

- (i) reject Applications which:
  - (a) do not conform to the instructions of our Prospectus, Application Form, Electronic Share Application and Internet Share Application (where applicable);
  - (b) are illegible, incomplete or inaccurate; or
  - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/ partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of Tricor, at anytime within fourteen (14) days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

### **15.8 OVER/ UNDER SUBSCRIPTION**

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

## **15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE** *(Cont'd)*

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The basis of allocation of shares and the balloting results in connection therewith will be furnished by the issuing house to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the issuing house's website (<https://tiih.online>) within one (1) business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least two hundred (200) public shareholders holding not less than one hundred (100) Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or eligible employees of our Group, subject to the underwriting arrangements and reallocation as set out in Section 3.3.2 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement.

### **15.9 UNSUCCESSFUL/ PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful/ partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

#### **15.9.1 For Applications by Way of Application Form**

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/ registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/ registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by Tricor, as per items (i) and (ii) above (as the case may be).

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**15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (iv) Tricor reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten (10) Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

**15.9.2 For Applications by Way of Electronic Share Application and Internet Share Application**

- (i) Tricor shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from Tricor.
- (ii) You may check your account on the 5th Market Day from the balloting date
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by Tricor, by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten (10) Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from Tricor.

**15.10 SUCCESSFUL APPLICANTS**

If you are successful in your application:

- (i) our IPO Shares allotted to you will be credited into your CDS account;
- (ii) a notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application;
- (iii) in accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/ offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository; and

**15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (iv) in accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

**15.11 ENQUIRIES**

Enquiries in respect of the applications may be directed as follows:

<b>Mode of Application</b>	<b>Parties to Direct the Enquiries</b>
Application Form	Tricor, Enquiry Service at telephone no. 03-2783 9299.
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **one (1) Market Day** after the balloting date.

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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