

PAPPAJACK BERHAD
(Company No. 202001042414) (1398735 - V)
(Incorporated in Malaysia)
INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED
31 MARCH 2023

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		31.3.2023	31.3.2022	31.3.2023	31.3.2022
		RM'000	RM'000	RM'000	RM'000
Revenue		24,858	15,645	24,858	15,645
Cost of sales		(17,100)	(11,554)	(17,100)	(11,554)
Gross profit		7,758	4,091	7,758	4,091
Other income		17	21	17	21
		7,775	4,112	7,775	4,112
Administrative expenses		(1,829)	(1,801)	(1,829)	(1,801)
Depreciation and amortisation		(97)	(66)	(97)	(66)
		(1,926)	(1,867)	(1,926)	(1,867)
Profit from operations		5,849	2,245	5,849	2,245
Finance costs		(497)	(194)	(497)	(194)
Profit before taxation	B4	5,352	2,051	5,352	2,051
Income tax expense	B5	(1,284)	(492)	(1,284)	(492)
Profit after taxation		4,068	1,559	4,068	1,559
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial period		4,068	1,559	4,068	1,559
		RM'000	RM'000	RM'000	RM'000
Profit after taxation attributable to:					
Owners of the Company		4,059	1,564	4,059	1,564
Non-Controlling Interests		8	(5)	8	(5)
		4,068	1,559	4,068	1,559
Total comprehensive income attributable to:					
Owners of the Company		4,059	1,564	4,059	1,564
Non-Controlling Interests		8	(5)	8	(5)
		4,068	1,559	4,068	1,559
Earnings per share (sen)					
Basic/Diluted	B12	0.61	0.31	0.61	0.31

(The rest of this page is intentionally left blank)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31.3.2023 RM'000	Audited As at 31.12.2022 RM'000
ASSETS		
Non-Current Assets		
Property and equipment	11,190	11,500
Investment property	1,304	1,309
Deferred tax assets	898	898
Total Non-Current Assets	<u>13,392</u>	<u>13,707</u>
Current Assets		
Inventories	6,021	4,184
Trade and other receivables	173,820	177,727
Current tax assets	1,064	746
Cash and bank balances	30,437	23,962
Total Current Assets	<u>211,342</u>	<u>206,619</u>
TOTAL ASSETS	<u>224,734</u>	<u>220,326</u>

(The rest of this page is intentionally left blank)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited As at 31.3.2023 RM'000	Audited As at 31.12.2022 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		156,589	156,589
Reorganisation deficit		(11,518)	(11,518)
Reserves		32,445	28,386
Equity attributable to owners of the Company		177,516	173,457
Non-controlling interests		797	789
TOTAL EQUITY		178,314	174,246
LIABILITIES			
Non-Current Liabilities			
Loans and borrowings	B8	6,501	6,501
Deferred tax liabilities		20	20
Total Non-Current Liabilities		6,521	6,521
Current Liabilities			
Other payables and accruals		7,372	10,295
Loans and borrowings	B8	31,243	28,311
Current tax liabilities		1,284	953
Total Current Liabilities		39,899	39,559
TOTAL LIABILITIES		46,420	46,080
TOTAL EQUITY AND LIABILITIES		224,734	220,326
Net assets per share attributable to ordinary equity holders (RM)	B13	0.27	0.26

(The rest of this page is intentionally left blank)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Sub-total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share capital RM'000	Invested Equity RM'000	Reorganisation Deficit RM'000	Retained Earnings RM'000			
At 1.1.2022	-	106,940	(10,437)	18,298	114,801	760	115,561
Total comprehensive income for the financial year	-	-	-	10,088	10,088	29	10,117
Transactions with owners							
Issue of ordinary shares	50,100	*	-	-	50,100	-	50,100
Share issued for acquisition of a subsidiary	108,021	(106,940)	(1,081)	-	-	-	-
Transaction costs for share issue	(1,532)	-	-	-	(1,532)	-	(1,532)
Total transactions with owners	156,589	(106,940)	(1,081)	-	48,568	-	48,568
At 31.12.2022	156,589	-	(11,518)	28,386	173,457	789	174,246
Total comprehensive income for the financial period	-	-	-	4,059	4,059	8	4,068
Balance as at 31.3.2023	156,589	-	(11,518)	32,445	177,516	797	178,314

Note:

* - RM1

(The rest of this page is intentionally left blank)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
<u>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</u>				
Profit before taxation	5,352	2,051	5,352	2,051
Adjustments for:				
Depreciation of:				
-investment properties	5	5	5	5
-property and equipment	643	523	643	523
Interest expense	497	194	497	194
Interest income	(4)	(2)	(4)	(2)
Operating profit before working capital changes	6,493	2,771	6,493	2,771
(Increase)/Decrease in inventories	(1,837)	1,448	(1,837)	1,448
Decrease/(Increase) in trade and other receivables	3,907	(12,570)	3,907	(12,570)
(Decrease)/Increase in trade and other payables	(2,923)	205	(2,923)	205
Net cash from/(used in) operations	5,640	(8,146)	5,640	(8,146)
Income tax paid	(1,271)	(1,328)	(1,271)	(1,328)
Net cash from/(used in) operating activities	4,369	(9,474)	4,369	(9,474)
<u>NET CASH USED IN INVESTING ACTIVITIES</u>				
Purchase of property and equipment	(333)	(178)	(333)	(178)
<u>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</u>				
Interest received	4	2	4	2
Interest paid	(497)	(194)	(497)	(194)
Net change to loans and borrowings	2,932	(323)	2,932	(323)
Net cash from/(used in) financing activities	2,439	(515)	2,439	(515)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,475	(10,167)	6,475	(10,167)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	23,962	16,574	23,962	16,574
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	30,437	6,407	30,437	6,407

(The rest of this page is intentionally left blank)

A. SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) NO. 134 - INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The interim financial report of Pappajack Berhad and its subsidiaries (“Group”) have been prepared in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and Rule 9.22 of the Listing Requirements of Bursa Securities. These condensed combined interim financial statements also comply with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting* issued by the International Accounting Standards Board.

This is the first interim financial report of condensed combined interim financial statements for the first quarter ended 31 March 2023 being announced by the Group in compliance with the Listing Requirements of Bursa Securities. As such, there are no comparative figures for the preceding corresponding period.

A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During the current financial quarter, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any): -

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

MFRS 17:	Insurance Contracts
Amendments to MFRS 17:	Insurance Contracts
Amendment to MFRS 17:	Initial Application of MFRS 17 and MFRS 9 – Comparative Information
Amendments to MFRS 108:	Definition of Accounting Estimates
Amendments to MFRS 101:	Disclosure of Accounting Policies
Amendments to MFRS 112:	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on this interim financial report.

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the current financial period:

MFRSs (including the consequential amendments)	Effective Date
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

A3. AUDITORS' REPORT

The audited combined financial statements of the Group for the financial year ended ("FYE") 31 December 2022 was not subject to any qualification.

A4. SEASONAL AND CYCLICAL FACTORS

The business of the Group is not affected by any significant seasonal or cyclical factors.

A5. UNUSUAL ITEMS

There was no unusual item affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A6. CHANGES IN ESTIMATES

There were no major changes in estimates that have had material effect on the results of the current quarter under review.

A7. DEBT AND EQUITY SECURITIES

Save as disclosed below, there are no other issuance, cancellation, repurchase, resale or repayment of debt and equity securities to the end of the interim financial period of 31 March 2023:

	Amount RM'000	Number of ordinary shares
Issued and fully paid-up (no par value):		
At 1.1.2022	*	1
Acquisition of a subsidiary	108,021	500,999,999
Issued during FYE 2022	50,100	167,000,000
Transaction costs of share issue	(1,532)	-
At 31.12.2022/31.3.2023	<u>156,589</u>	<u>668,000,000</u>

Note:

* - RM1.

A8. DIVIDEND PAID

There was no dividend paid during the current quarter under review.

A9. SEGMENTAL INFORMATION

Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their revenue stream, namely pawnbroking interest charges and sale of unredeemed or bid pledges. No segmental analysis by geographical is prepared as the Group operates predominantly in Malaysia.

<u>Operating segment</u>	Pawnbroking interest charges RM'000	Sales of unredeemed or bid pledges RM'000	Group RM'000
Individual quarter/Cumulative quarter ended 31.3.2023			
Revenue	8,172	16,686	24,858
Results			
Segment gross profit	6,243	1,515	7,758
Other income			17
Administrative expenses			(1,829)
Depreciation and amortisation			(97)
Finance costs			(497)
Profit before taxation			5,352
Income tax expense			(1,284)
Profit after taxation			4,068
Individual quarter/Cumulative quarter ended 31.3.2022	RM'000	RM'000	RM'000
Revenue	5,150	10,495	15,645
Results			
Segment gross profit	3,423	668	4,091
Other income			21
Administrative expenses			(1,801)
Depreciation and amortisation			(66)
Finance costs			(194)
Profit before taxation			2,051
Income tax expense			(492)
Profit after taxation			1,559

A10. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE INTERIM FINANCIAL PERIOD

Save as disclosed in Note B6 below, there are no other significant events subsequent to the end of the interim financial period.

A11. RELATED PARTY TRANSACTIONS

The related party transactions described below were carried out on terms and conditions negotiated amongst the parties. The related party transactions are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Directors:				
-interest on shareholders' loan	30	243	30	243
-rental expense	56	47	56	47
Key management personnel:				
-interest on shareholders' loan	*	1	*	1
	<u>86</u>	<u>291</u>	<u>86</u>	<u>291</u>

Note:

* - negligible, less than RM500.

The rental paid or payable to companies of which certain directors have interests are derived from office spaces provided by PPG Utama Kinrara Sdn Bhd and KS Services Sdn Bhd. Details of the office spaces are as disclosed in the Prospectus of the Company dated 11 March 2022.

A12. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the end of the interim financial period.

A13. CAPITAL COMMITMENTS

There were no material commitments during the end of the interim financial period.

(The rest of this page is intentionally left blank)

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. REVIEW OF PERFORMANCE FOR CURRENT QUARTER AND FINANCIAL PERIOD TO DATE

The Group derived revenue of RM24.86 million for the individual quarter and cumulative quarter ("1Q2023").

Revenue from pawnbroking was RM8.17 million, representing 32.87% total revenue.

Whereas revenue from sale of unredeemed or bid pledges was RM16.69 million for 1Q2023, accounting for 67.13% of total revenue for 1Q2023.

The Group's overall gross profit recorded was RM7.76 million for 1Q2023, derived from:

- (i) Pawnbroking segment of RM6.24 million, representing gross profit margin of 76.38%; and
- (ii) Sale of unredeemed or bid pledges segment of RM1.52 million, representing gross profit margin of 9.11%.

The above gave rise to overall gross profit margin of 31.21% for 1Q2023.

The Group recorded earnings before interest, taxation, depreciation and amortization of RM6.49 million for 1Q2023.

Consequently, the Group recorded profit after tax of RM4.07 million for 1Q2023.

B2. PROSPECTS

The Group will continue expanding its network of pawnbroking outlets and at the same time penetrate into new geographical markets within Peninsular Malaysia.

By expanding the Group's network of pawnbroking outlets, the Group would be able to increase its market presence and serve a wider customer base. The expansion will support and contribute positively to the Group's financial performance.

The Management expects the Group's expansion plan will contribute positively to the Group's financial performance in years to come.

B3. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

B4. PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation of:				
-investment properties	5	5	5	5
-property, plant and equipment	643	523	643	523
Interest expense	497	194	497	194
Interest income	(4)	(2)	(4)	(2)
Rental income from investment property	(13)	(13)	(13)	(13)

B5. INCOME TAX EXPENSE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Current tax recognised in profit or loss:				
-Malaysian income tax	1,284	492	1,284	492
Effective tax rate (%)	24.00	24.00	24.00	24.00

B6. STATUS OF CORPORATE PROPOSAL

(a) In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities, the following listing scheme was undertaken by the Company:

(i) Acquisition of Pappajack Holdings Berhad (“PHB”)

On 27 January 2022, the Company completed the acquisition of the entire issued share capital of Pappajack Holdings Berhad, comprising 103,230,866 ordinary shares from its vendors for a total purchase consideration of RM108,020,897 (“Acquisition of PHB”). The purchase consideration of RM108,020,897 was arrived at on a “willing-buyer willing-seller” basis, after taking into consideration the net asset (excluding the non-controlling interests) of PHB of RM108,020,897 as at 31 December 2020.

The Acquisition of PHB was wholly satisfied via the issuance of 500,999,999 new ordinary shares of the Company (“Shares”) at an issue price of approximately RM0.2156 per Share.

After the completion of the issuance of Shares, the issued share capital of the Company is RM108.02 million, comprising 501,000,000 Shares.

B6. STATUS OF CORPORATE PROPOSAL (CONTINUED)

(ii) Listing exercise

In conjunction with the Company's listing on the ACE Market of Bursa Securities, on 11 March 2022, the Company issued its Prospectus for its IPO entailing the following:

- (a) 33,400,000 new Ordinary Shares available for application by the Malaysian public;
- (b) 6,680,000 new Ordinary Shares available for application by the eligible persons;
- (c) 83,500,000 new Ordinary Shares available for private placement to identified Bumiputera Investors approved by the Ministry of International Trade and Industry; and
- (d) 43,420,000 new Ordinary Shares available for private placement to selected investors.

at an IPO price of RM0.30 per Share.

Upon completion of the IPO, the Company was admitted to the Official List of Bursa Securities and the Company's entire enlarged issued share capital of 668,000,000 Ordinary Shares was listed and quoted on the ACE Market of Bursa Securities on 1 April 2022.

- (b) Bursa Securities had vide its letter dated 28 April 2023, approved the listing and quotation of the following:
- (i) up to 100,200,000 new shares in the Company to be issued pursuant to the Proposed Private Placement; and
 - (ii) such number of new shares in the Company, representing up to 10% of the total number of issued shares (excluding treasury shares, if any) of the Company that may be allotted and issued at any point in time pursuant to the exercise of the ESOS Options during the duration of the Proposed ESOS.

The implementation of the Proposed Private Placement and the Proposed ESOS is subject to approval granted at the general meeting by shareholders scheduled on 14 June 2023.

(The rest of this page is intentionally left blank)

B7. UTILISATION OF PROCEEDS FROM THE IPO

As disclosed in the Prospectus of the Company, the gross proceeds from the IPO amounting to RM50.10 million were utilised in the following manner:

Details of Use of Proceeds	Proposed Utilisation RM'000	Utilised Amount RM'000	To be Utilised RM'000	Estimated Timeframe for Utilisation Upon Listing
Expansion of pawnbroking outlets	19,220	19,220	-	Within 12 months
Cash capital for our existing 20 pawnbroking outlets	27,080	27,080	-	Within 12 months
Listing expenses	3,800	3,800	-	Immediate
	<u>50,100</u>	<u>50,100</u>	-	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company.

B8. BORROWINGS

	Unaudited As at 31.3.2023 RM'000	Audited As at 31.12.2022 RM'000
Non-current		
Term loan (secured)	637	658
Lease liabilities (unsecured)	5,864	5,843
	<u>6,501</u>	<u>6,501</u>
Current		
Revolving credit (secured)	30,000	26,641
Term loan (secured)	40	39
Lease liabilities (unsecured)	1,203	1,631
	<u>31,243</u>	<u>28,311</u>
Total borrowings		
Revolving credit (secured)	30,000	26,641
Term loan (secured)	677	697
Lease liabilities (unsecured)	7,067	7,474
	<u>37,744</u>	<u>34,812</u>

B9. DERIVATIVES

The Group did not enter any derivatives during the current quarter under review.

B10. MATERIAL LITIGATION

There are no litigation or arbitration which have a material effect on the financial position of the Group. The Board of Directors is not aware of any pending proceedings or of any fact likely to give rise to any proceedings as at the date of this interim financial report.

B11. DIVIDEND PROPOSED

No dividend was proposed for the current quarter under review.

B12. EARNING PER SHARES ("EPS")

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		31.3.2023	31.3.2022	31.3.2023	31.3.2022
Profit attributable to owners of the Company	RM'000	4,059	1,559	4,059	1,559
Number of ordinary shares in issue	'000	668,000	501,000	668,000	501,000
Basic/Diluted EPS ⁽¹⁾	sen	0.61	0.31	0.61	0.31

Notes:

(1) Diluted earnings per share of the Company is equivalent to the basic earnings per share as the Company does not have convertible options at the end of the reporting period.

B13. NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDER

		Unaudited	Audited
		As at 31.3.2023 RM'000	As at 31.12.2022 RM'000
Net assets attributable to ordinary equity holders	RM'000	177,516	173,457
Number of ordinary shares in issue	'000	668,000	668,000
Net assets per share attributable to ordinary equity holders	RM	0.27	0.26

Other disclosure items pursuant to Appendix 9B, Note 16 of the Listing Requirements are not applicable.

BY ORDER OF THE BOARD
PAPPAJACK BERHAD
23 MAY 2023