

PAPPAJACK BERHAD
(Company No. 202001042414) (1398735 - V)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.9.2024 RM'000	30.9.2023 RM'000	30.9.2024 RM'000	30.9.2023 RM'000
Revenue		29,121	29,503	88,982	81,654
Cost of sales		(17,560)	(19,811)	(54,937)	(55,264)
Gross profit		11,561	9,692	34,045	26,390
Other income		310	164	770	230
		11,871	9,856	34,815	26,620
Administrative expenses		(1,875)	(964)	(7,252)	(4,125)
Depreciation and amortisation		(117)	(182)	(368)	(402)
		(1,992)	(1,146)	(7,620)	(4,527)
Profit from operations		9,879	8,710	27,195	22,093
Finance costs		(563)	(562)	(1,754)	(1,650)
Profit before taxation	B4	9,316	8,148	25,441	20,443
Income tax expense	B5	(2,794)	(2,118)	(7,632)	(5,315)
Profit after taxation/ Total comprehensive income		6,522	6,030	17,809	15,128
Profit after taxation/Total comprehensive income attributable to:					
Owners of the Company		6,522	6,030	17,809	15,100
Non-Controlling Interests		-	-	-	28
		6,522	6,030	17,809	15,128
Earnings per share (sen):					
Basic/Diluted	B12	0.85	0.78	2.32	2.15

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30.9.2024 RM'000	Audited As at 31.12.2023 RM'000
ASSETS		
Non-Current Assets		
Property and equipment	12,884	12,858
Investment property	1,274	1,289
Deferred tax assets	129	129
Total Non-Current Assets	<u>14,287</u>	<u>14,276</u>
Current Assets		
Inventories	3,976	5,757
Trade and other receivables	251,197	215,794
Current tax assets	4,885	669
Cash and bank balances	31,702	49,781
Total Current Assets	<u>291,760</u>	<u>272,001</u>
TOTAL ASSETS	<u>306,047</u>	<u>286,277</u>

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 30.9.2024	Audited As at 31.12.2023
	Note	RM'000	RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		211,699	211,699
Reorganisation deficit		(11,518)	(11,518)
Reserves		59,072	45,104
TOTAL EQUITY		259,253	245,285
LIABILITIES			
Non-Current Liabilities			
Loans and borrowings	B8	6,738	6,542
Deferred tax liabilities		13	13
Total Non-Current Liabilities		6,751	6,555
Current Liabilities			
Other payables and accruals		1,874	734
Loans and borrowings	B8	30,682	31,983
Current tax liabilities		7,487	1,720
Total Current Liabilities		40,043	34,437
TOTAL LIABILITIES		46,794	40,992
TOTAL EQUITY AND LIABILITIES		306,047	286,277
Net assets per share attributable to ordinary equity holders (RM)	B13	0.34	0.32

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

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	Reorganisation deficit RM'000	Other reserve RM'000	Retained earnings RM'000			
At 1.1.2023	156,589	(11,518)	-	28,386	173,457	789	174,246
Total comprehensive income for the financial year	-	-	-	19,987	19,987	20	20,007
Transactions with owners							
Issue of ordinary shares	55,110	-	-	-	55,110	-	55,110
Share option issued	-	-	559	-	559	-	559
Changes in ownership interests in a subsidiary	-	-	-	13	13	(809)	(796)
Dividend paid on shares	-	-	-	(3,841)	(3,841)	-	(3,841)
Total transactions with owners	55,110	-	559	(3,828)	51,841	(809)	51,032
At 31.12.2023	211,699	(11,518)	559	44,545	245,285	-	245,285
Total comprehensive income for the financial period	-	-	-	17,809	17,809	-	17,809
Dividend paid on shares	-	-	-	(3,841)	(3,841)	-	(3,841)
Balance as at 30.9.2024	211,699	(11,518)	559	58,513	259,253	-	259,253

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

CONSOLIDATED STATEMENT OF CASH FLOWS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.9.2024	30.9.2023	30.9.2024	30.9.2023
	RM'000	RM'000	RM'000	RM'000
<u>CASH FLOWS USED IN OPERATING ACTIVITIES</u>				
Profit before taxation	9,316	8,148	25,441	20,443
Adjustments for:				
Depreciation of:				
- investment properties	5	5	15	15
- property and equipment	809	138	2,437	2,111
Interest expense	563	562	1,754	1,650
Interest income	(213)	(83)	(615)	(107)
Operating profit before working capital changes	10,480	8,770	29,032	24,112
Net change in inventories	944	(239)	1,781	(1,057)
Net change in trade and other receivables	(21,451)	(14,569)	(35,403)	(28,526)
Net change in trade and other payables	202	(3,521)	1,140	(9,954)
Cash used in operations	(9,825)	(9,559)	(3,450)	(15,425)
Income tax paid	(3,016)	(668)	(6,081)	(4,024)
Net cash used in operating activities	(12,841)	(10,227)	(9,531)	(19,449)
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>				
Acquisition of a subsidiary	-	(817)	-	(817)
Purchase of property and equipment	(705)	(1,210)	(2,463)	(3,389)
Net cash used in investing activities	(705)	(2,027)	(2,463)	(4,206)
<u>CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</u>				
Proceeds from issuance of ordinary shares	-	-	-	55,110
Dividend paid on shares	-	-	(3,841)	-
Interest received	213	83	615	107
Interest paid	(563)	(562)	(1,754)	(1,650)
Net change to loans and borrowings	(350)	477	(1,105)	3,587
Net cash (used in)/from financing activities	(700)	(2)	(6,085)	57,154
NET CHANGE IN CASH AND BANK BALANCES	(14,246)	(12,256)	(18,079)	33,499
CASH AND BANK BALANCES				
AT BEGINNING OF FINANCIAL PERIOD	45,948	69,717	49,781	23,962
CASH AND BANK BALANCES				
AT END OF FINANCIAL PERIOD	31,702	57,461	31,702	57,461

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

A1. BASIS OF PREPARATION

The unaudited 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 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). These unaudited consolidated interim financial statements also comply with International Accounting Standards ("IAS") 34 - Interim Financial Reporting issued by the International Accounting Standards Board.

A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2023 except for the adoption of the following new accounting standards, amendments and interpretation:

A2.1 New MFRS adopted during the financial period

		Effective for financial periods beginning on or after
Amendments to MFRSs		
MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2024

The adoption of the above amendments to MFRSs do not have a material impact on the financial statements of the Group.

A3. AUDITORS' REPORT

The audited consolidated financial statements of the Group for the financial year ended (“FYE”) 31 December 2023 was not subject to any qualification.

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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 current quarter under review:

	Amount	Number of
	RM'000	ordinary shares
Ordinary share capital		
Issued and fully paid-up (no par value):		
At 1.1.2023	156,589	668,000,000
Issuance pursuant to a Private Placement Exercise	55,110	100,200,000
At 31.12.2023/ 30.9.2024	<u>211,699</u>	<u>768,200,000</u>

A8. DIVIDEND PAID

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

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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 location 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 ended 30.9.2024			
Revenue	10,632	18,489	29,121
Results			
Segment gross profit	8,078	3,483	11,561
Other income			310
Administrative expenses			(1,875)
Depreciation and amortisation			(117)
Finance costs			(563)
Profit before taxation			9,316
Income tax expense			(2,794)
Profit after taxation			6,522
Cumulative quarter ended 30.9.2024	RM'000	RM'000	RM'000
Revenue	31,688	57,294	88,982
Results			
Segment gross profit	24,174	9,871	34,045
Other income			770
Administrative expenses			(7,252)
Depreciation and amortisation			(368)
Finance costs			(1,754)
Profit before taxation			25,441
Income tax expense			(7,632)
Profit after taxation			17,809

A9. SEGMENTAL INFORMATION (CONTINUED)

<u>Operating segment</u>	Pawnbroking interest charges	Sales of unredeemed or bid pledges	Group
Individual quarter ended 30.9.2023	RM'000	RM'000	RM'000
Revenue	9,529	19,974	29,503
Results			
Segment gross profit	7,099	2,593	9,692
Other income			164
Administrative expenses			(964)
Depreciation and amortisation			(182)
Finance costs			(562)
Profit before taxation			8,148
Income tax expense			(2,118)
Profit after taxation			6,030
Cumulative quarter ended 30.9.2023	RM'000	RM'000	RM'000
Revenue	26,134	55,520	81,654
Results			
Segment gross profit	19,778	6,612	26,390
Other income			230
Administrative expenses			(4,125)
Depreciation and amortisation			(402)
Finance costs			(1,650)
Profit before taxation			20,443
Income tax expense			(5,315)
Profit after taxation			15,128

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	
	30.9.2024 RM'000	30.9.2023 RM'000	30.9.2024 RM'000	30.9.2023 RM'000
Directors:				
- interest on shareholders' loan	-	15	-	60
- rental expense	143	69	428	194
Key management personnel:				
- interest on shareholders' loan	-	*	-	*
	<u>143</u>	<u>84</u>	<u>428</u>	<u>254</u>

Note:

* - negligible, less than RM500.

Rental expenses in relation to rental of certain shop lots were paid/payable to companies of which certain directors have interests.

A12. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the end of the financial quarter under review.

A13. CAPITAL COMMITMENTS

There were no material commitments as at the end of the financial quarter under review.

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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 operates a total of 41 pawnbroking outlets as of the end of the fiscal quarter. In the current quarter ("3Q2024"), the Group achieved a total revenue of RM29.12 million, with 36.51% generated from the pawnbroking segment and the remaining 63.49% from sales of unredeemed or bid pledges.

The Group's gross profits are analysed below:

	Unit	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.9.2024	30.9.2023	30.9.2024	30.9.2023
Gross profit:					
Pawnbroking interest charges	RM	8,078	7,099	24,174	19,778
Sale of unredeemed or bid pledges	RM	3,483	2,593	9,871	6,612
		11,561	9,692	34,045	26,390
Overall gross profit margin	%	39.70	32.85	38.26	32.32
Segmental gross profit margin:					
Pawnbroking interest charges	%	75.98	74.50	76.29	75.68
Sale of unredeemed or bid pledges	%	18.84	12.98	17.23	11.91
Gross profit composition:					
Pawnbroking interest charges	%	69.87	73.25	71.01	74.95
Sale of unredeemed or bid pledges	%	30.13	26.75	28.99	25.05

The Group reported strong earnings before interest, taxation, depreciation, and amortisation ("EBITDA") of RM10.48 million for the 3Q2024 (3Q2023: RM8.77 million) and RM29.03 million for the 9M2024 (9M2023: RM24.11 million), reflecting a quarter-on-quarter increase of 19.50% and a year-on-year rise of 20.41%. Consequently, the Group achieved a profit after tax of RM6.52 million for the 3Q2024 (3Q2023: RM6.03 million), and a cumulative profit after tax of RM17.81 million for the 9M2024 (9M2023: RM15.13 million).

No material changes in the PBT for the quarter reported on as compared with the immediate preceding quarter.

B2. PROSPECTS

The Group is committed to both expanding its existing network of pawnbroking outlets and venturing 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 is currently engaged in a proactive strategy aimed at expansion, which involves both the opening of new pawnbroking outlets and the consideration of strategic acquisitions involving suitable pawnbroking outlets. This strategic approach is expected to yield positive contributions to the Group's financial performance in the forthcoming years.

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	
	30.9.2024	30.9.2023	30.9.2024	30.9.2023
Profit before taxation is arrived at after charging/(crediting):	RM'000	RM'000	RM'000	RM'000
Depreciation of:				
- investment properties	5	5	15	15
- property and equipment	809	138	2,437	2,111
Interest expense	563	562	1,754	1,650
Interest income	(213)	(83)	(615)	(107)
Rental income from investment property	(13)	(13)	(41)	(39)

B5. INCOME TAX EXPENSE

	Unit	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.9.2024	30.9.2023	30.9.2024	30.9.2023
		RM'000	RM'000	RM'000	RM'000
Current tax recognised in profit or loss:					
- Malaysian income tax		2,794	2,118	7,632	5,315
Effective tax rate	%	30	26	30	26

B6. STATUS OF CORPORATE PROPOSAL

Save as disclosed below, there are no corporate proposals announced but not completed as at the date of this report:

Proposed Transfer

The Proposed Transfer entails the transfer of the listing of and quotation for the entire issued share capital of the Company from the ACE Market to the Main Market of Bursa Securities.

The Proposed Transfer has been approved, allowing the Company's entire issued share capital to be transferred from the ACE Market to the Main Market of Bursa Securities, effective on 22 November 2024.

B7. UTILISATION OF PROCEEDS

FROM THE PRIVATE PLACEMENT

Details of Use of Proceeds	Proposed Utilisation RM'000	Utilised Amount RM'000	To be Utilised RM'000	Estimated Timeframe for Utilisation
Cash capital for deployment of pawn loans	54,511	54,511	-	30 June 2025 ⁽¹⁾
Listing expenses	599	599	-	Immediate
	<u>55,110</u>	<u>55,110</u>	-	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Company's Circular to Shareholders in relation to the Private Placement dated 19 May 2023 and the announcement made on 22 August 2024.

Note:

- (1) On 22 August 2024, the Board of Directors has resolved to extend the timeframe for the utilisation of the Private Placement proceeds earmarked for the cash capital for deployment of pawn loans from within 12 months of Listing to 30 June 2025.

B8. BORROWINGS

	Unaudited As at 30.9.2024 RM'000	Audited As at 31.12.2023 RM'000
Non-current		
Term loan (secured)	539	588
Lease liabilities (unsecured)	6,199	5,954
	<u>6,738</u>	<u>6,542</u>
Current		
Revolving credit (secured)	30,000	30,000
Term loan (secured)	57	57
Lease liabilities (unsecured)	625	1,926
	<u>30,682</u>	<u>31,983</u>
Total borrowings		
Revolving credit (secured)	30,000	30,000
Term loan (secured)	596	645
Lease liabilities (unsecured)	6,824	7,880
	<u>37,420</u>	<u>38,525</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 financial report.

B11. DIVIDEND PROPOSED/PAID

On 24 May 2024, the Company declared an interim single tier dividend of 0.5 sen per ordinary share, amounting to RM3,841,000.00 in respect of the financial year ending 31 December 2024, paid on 21 June 2024 to shareholders of the Company whose name appear in the Record of Depositors on 11 June 2024.

On 21 November 2024, the Company declared an interim single tier dividend of 0.5 sen per ordinary share, amounting to RM3,841,000.00 in respect of the financial year ending 31 December 2024, to be paid on 20 December 2024 to shareholders of the Company whose name appear in the Record of Depositors on 6 December 2024.

No further dividend was proposed.

B12. EARNING PER SHARES ("EPS")

	Unit	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.9.2024	30.9.2023	30.9.2024	30.9.2023
Profit attributable to owners of the Company	RM'000	6,522	6,030	17,809	15,100
Weighted average number of ordinary shares in issue	'000	768,200	768,200	768,200	702,868
Basic/Diluted EPS ⁽¹⁾	sen	0.85	0.78	2.32	2.15

Note:

(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.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

B13. NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDER

	Unit	Unaudited As at 30.9.2024	Audited As at 31.12.2023
Net assets attributable to ordinary equity holders	RM'000	259,253	245,285
Number of ordinary shares in issue	'000	768,200	768,200
Net assets per share attributable to ordinary equity holders	RM	<u>0.34</u>	<u>0.32</u>

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

BY ORDER OF THE BOARD

PAPPAJACK BERHAD

21 November 2024

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