PAPPAJACK BERHAD

Registration No. 202001042414 (1398735-V)
(Incorporated in Malaysia under the Companies Act 2016)

2021 ANNUAL REPORT

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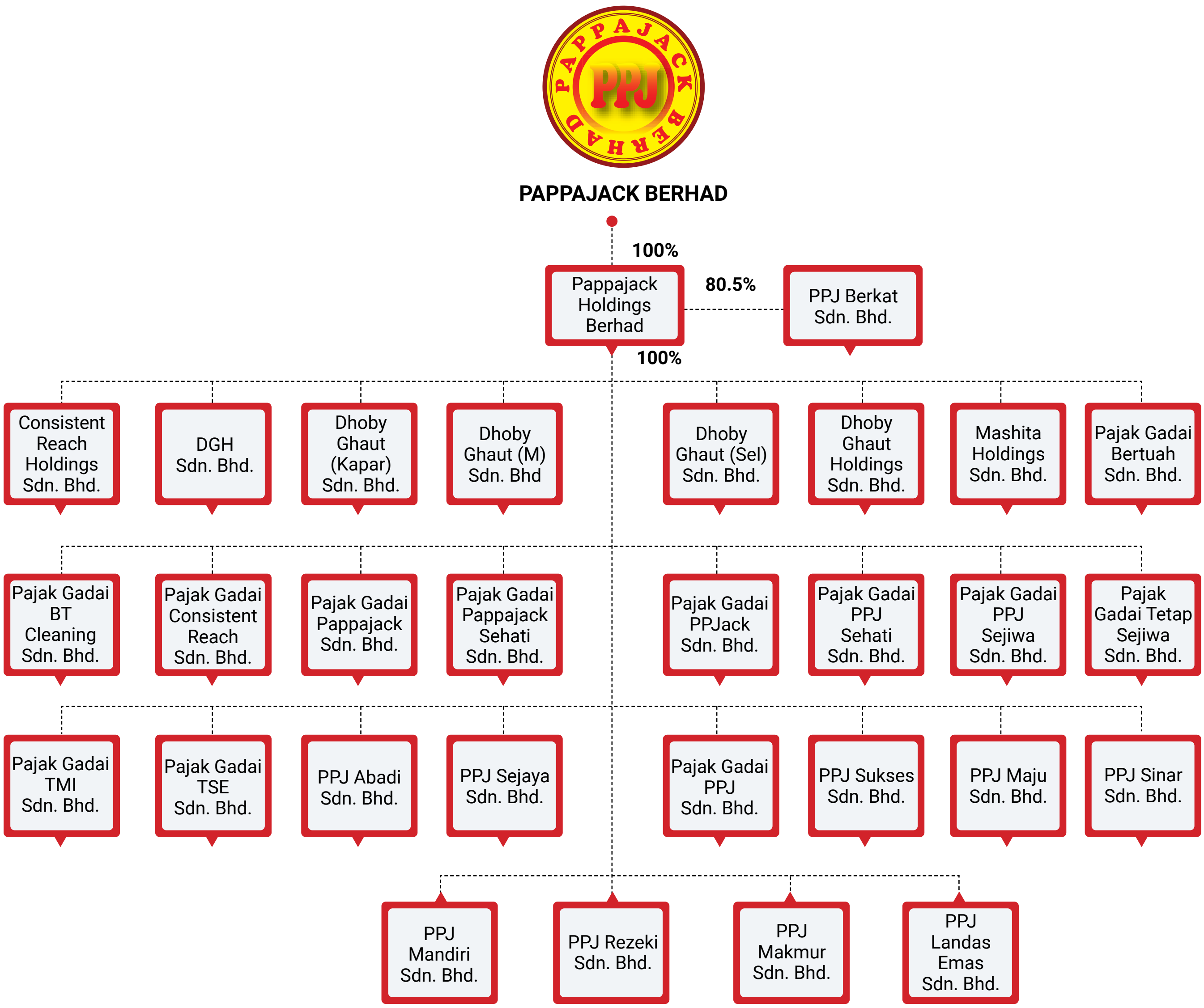
Contents

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Name	Designation
CHONG CHEE FIRE	Independent Non-Executive Chairman
LIM BOON HUA	Managing Director/ Chief Executive Officer
LAW BOOK CHING	Executive Director
DATO' MAGARET TING THIEN HUNG	Independent Non-Executive Director
KOO WOON KAN	Independent Non-Executive Director
CHEONG WOON YAW	Independent Non-Executive Director

AUDIT COMMITTEE

Koo Woon Kan *(Chairman)*
(Member)
Dato' Magaret Ting Thien Hung
Cheong Woon Yaw

REMUNERATION COMMITTEE

Dato' Magaret Ting Thien Hung *(Chairman)*
(Member)
Koo Woon Kan
Cheong Woon Yaw

NOMINATION COMMITTEE

Dato' Magaret Ting Thien Hung *(Chairman)*
(Member)
Koo Woon Kan
Cheong Woon Yaw

RISK MANAGEMENT COMMITTEE

Koo Woon Kan *(Chairman)*
(Member)
Dato' Magaret Ting Thien Hung
Cheong Woon Yaw

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)
CCM Practising Certificate 201908000410
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Telephone No. : (603) 2241 5800
Facsimile No. : (603) 2282 5022

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Telephone No. : (603) 2241 5800
Facsimile No. : (603) 2282 5022

HEAD OFFICE/ PRINCIPAL PLACE OF BUSINESS

11B, Jalan TK1/11A
Taman Kinrara Seksyen 1
47180 Puchong
Selangor
Telephone No. : (603) 8080 4884
Email Address : enquiry@pappajack.com.my
Website : http//pappajack.com.my/

SPONSOR

Kenanga Investment Bank Berhad
Level 17, Kenanga Tower
No. 237, Jalan Tun Razak
50400 Wilayah Persekutuan
Kuala Lumpur
Telephone No. : (603) 2172 2888
Facsimile No. : (603) 2172 2999

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No. : (603) 2783 9299
Facsimile No. : (603) 2783 9222

STOCK EXCHANGE LISTING

ACE Market of Bursa Securities
Stock Name : PPJACK
Stock Code : 0242

PRINCIPAL BANKER

Malayan Banking Berhad
No. 29 & 31, Jalan Puteri ¼,
Bandar Puteri Puchong,
47100 Puchong, Selangor.

COMPANY WEBSITE

www.pappajack.com.my

DIRECTORS' PROFILE

CHONG CHEE FIRE

Independent Non-Executive Chairman

67 age

gender

Chong Chee Fire, a Malaysian, aged 67, is our Independent Non-Executive Chairman. He was appointed to the Board on 3 May 2021. He obtained a Masters in Business Administration degree from the University of Bradford, United Kingdom in 1982. He obtained Fellowship of the Association of Chartered Certified Accountants in 1989 and a member of the Malaysian Institute of Accountants since 2002.

He began his career in May 1983 as an Inspector in the internal audit and inspection department of Overseas Union Bank, a foreign bank in Malaysia and his last held position was Assistant Vice President before leaving Overseas Union Bank in December 1990. From 1991 to 1996, he was appointed as the director of PT OCBC Sikap Securities ("PT OCBC") in Jakarta, a subsidiary of Overseas-Chinese Corporation Bank Limited and was redesignated as Chief Executive Officer of PT OCBC from December 1996 to October 1999. During his tenure in PT OCBC, he was mainly responsible for overseeing and managing the overall operations as well as formulating business strategies for the brokerage business.

After leaving PT OCBC in October 1999, he was appointed as an executive director (Operations) of Hwang DBS Securities (Johor Bahru) Sdn Bhd from November 1999 to March 2001.

From April 2001, he served as the Chief Operating Officer of Pheim Unit Trusts Berhad ("PUTB") before being redesignated as the Chief Executive Officer of PUTB from January 2002 before resigning in October 2003. During his tenure in PUTB, he was mainly responsible for the launching and promotion of its unit trusts funds and overall operations of the company.

He is presently a Partner of CF Associates PLT, a Chartered Accountants and Business Advisory practice which he founded in January 2004.

He has been as the Independent non-executive director of Harrisons Holdings (Malaysia) Berhad, a company listed on the Main Board of Bursa Securities, since 5 March 2002. He holds directorships in several private companies.

He attended all two (2) Board Meetings of the Company held during the financial year.

DIRECTORS' PROFILE
(CONT'D)

LIM BOON HUA
Managing Director/ Chief Executive Officer

46
age

gender

Lim Boon Hua, a Malaysian aged 46, is our substantial shareholder, Managing Director/ Chief Executive Officer. He was appointed to the Board on 22 December 2020. He left Sekolah Menengah Kebangsaan Tanjong Sepat located at Tanjong Sepat, Selangor at the age of 16.

As an entrepreneur, he has ventured into various businesses including the supply of domestic maids and manpower, food and beverage business, as well as pawnbroking business.

He started his career with Goh Ah Lek Plastering Sdn Bhd in 1994 as a Human Resource Supervisor with the role of managing the welfare of foreign workers. In 1995, Lim Boon Hua, in his personal capacity, provided outsourcing foreign labour management services to Goh Ah Lek Plastering Sdn Bhd. In 2010, he was appointed as a director of Goh Ah Lek Plastering Sdn Bhd.

In 1998, he founded Agensi Pekerjaan TSE Sdn Bhd which is involved in the recruitment and processing of foreign maid application agency services. In 2007, he acquired Mashita Jaya Sdn Bhd and was appointed as a director in September 2008, which supplied foreign manpower to multinational corporations including recruitment, management of foreign workers' welfare and payroll scheme, medical and health scheme, transportation and workers' permits. Between 1999 and 2020, he was involved as a partner in several companies and partnerships in the business of management and supply of labour.

In 2012, he ventured into a café chain business in Indonesia under the brand name of "Pappajack Asian Cuisine". Due to the effects of the COVID-19 pandemic, the Indonesian café business is in the midst of being scaled down.

In June 2013, Lim Boon Hua together with his sister, Lim Siew Fang (our Promoter and substantial shareholder), jointly set-up Pajak Gadai Pappajack Sdn Bhd ("PG Pappajack") to venture into the provision of pawnbroking services. PG Pappajack obtained its pawnbroking licence in 2014 and commenced its pawnbroking business in the same year. Since then and over the years, he has expanded the pawnbroking business with the continuous opening of new outlets. In June 2013 and February 2019, he was appointed as the Managing Director of PG Pappajack and Pappajack Holdings Berhad, respectively.

In his capacity as a director of companies within the Group, Lim Boon Hua has provided business and management guidance and strategic advice to the key management of the Group over the years. He has also played a leading role in the formulation of the business direction and strategies of the Group. It is anticipated that going forward, he will continue to play a similar role in formulating the business direction and strategies of the Group.

He also sits on the board of directors of several private companies in Malaysia, Singapore and Indonesia for personal investment purposes.

He attended all two (2) Board Meetings of the Company held during the financial year.

DIRECTORS' PROFILE
(CONT'D)

LAW BOOK CHING
Executive Director

53
age

gender

Law Book Ching, a Malaysian, aged 53, is our substantial shareholder and Executive Director. He was appointed to the Board on 22 December 2020. He is responsible for the development and implementation of strategic plans for the Group, namely in the area of business expansions, competition studies and corporate communications. He obtained his Malaysian Certificate of Education or "Sijil Pelajaran Malaysia" from Sekolah Menengah Kebangsaan Petaling located at Taman Sri Sentosa, Kuala Lumpur, in 1986.

He began his career as a Production Leader in Panasonic Appliances Air-Conditioning Malaysia Sdn Bhd in October 1987, where he was primarily responsible for supervising production team. In March 2003, he left Panasonic Appliances Air-Conditioning Malaysia Sdn Bhd as the Head of Production. Thereafter, he joined Consistent Reach Sdn Bhd, a company principally involved in the supply of manpower business in February 2003 as the managing director and shareholder, and was primarily in charge of the management of the operations of the company. He is also an investor in companies involved in the business of cleaning services, provision of contract labour and property investment and development.

In 2013, he invested in a business in Laos under a company registered as Phewvongsean Leasing Co., Ltd. The business of the company has been scaled down.

In June 2018, he was appointed as a director and is also a shareholder of Pajak Gadai Consistent Reach Sdn Bhd and Pajak Gadai TSE Sdn Bhd. He was later appointed as a director of Pappajack Holdings Berhad in October 2020.

He also sits on the board of directors of several private companies in Malaysia and Laos for personal investment purposes.

He attended all two (2) Board Meetings of the Company held during the financial year.

DIRECTORS' PROFILE
(CONT'D)

DATO' MAGARET TING THIEN HUNG

Independent Non-Executive Director

41 age

gender

Dato' Magaret Ting Thien Hung, a Malaysian, aged 41, is our Independent Non-Executive Director. She was appointed to the Board on 3 May 2021. She obtained her Bachelor of Law degree from the University of West England, Bristol, United Kingdom in 2001 and in 2002, she obtained her Certificate in Legal Practice.

In October 2002, she joined SC Lim & Partners as a pupil. Upon completion of her pupillage in October 2003, she was admitted as an Advocate and Solicitor of the High Court of Malaya. After leaving SC Lim & Partners in November 2004, she joined Bong & Co Advocates as a pupil in November 2004 as a prerequisite of being admitted as an Advocate and Solicitor of the High Court of Sabah and Sarawak. Upon completion of her pupillage in December of 2005, she was admitted as an Advocate and Solicitor of the High Court of Sabah and Sarawak and commenced legal practice in the State of Sarawak.

In October 2006, she left Bong & Co Advocates and established a legal firm known as Messrs Ting & Ting in October 2006 and she has since been its Managing Partner. She is primarily involved in conveyancing, litigation and corporate legal work, where she leads her team of associates in conveyancing works as well as managing the firm's business including branding marketing, client relationship management, securing mandates and matters relating to general administration of the firm.

In September 2018, she was appointed as the Independent and non-executive director of Sycal Ventures Berhad, a public company listed on the Main Market of Bursa Securities. She is a member of the audit committee of Sycal Ventures Berhad, where her responsibility includes providing oversight of the financial reporting and audit process. In addition, she was appointed as the Independent and non-executive director of Orgabio Holdings Berhad. She sits on the board of several private companies in Malaysia.

She attended all two (2) Board Meetings of the Company held during the financial year.

DIRECTORS' PROFILE
(CONT'D)

KOO WOON KAN
Independent Non-Executive Director

46
age

gender

Koo Woon Kan, a Malaysian, aged 46, is our Independent Non-Executive Director. She was appointed to the Board on 3 May 2021. She obtained an Association of Chartered Certified Accountants ("ACCA") qualification in 1999. She is a member of the Malaysian Institute of Accountants since 2019. She has more than 20 years of experience in the accounting and finance, and financial services.

She started her career in November 1999, as an assistant accountant with Guardian Security Consultants Sdn Bhd (part of HLI-Hume Management Co. Sdn Bhd's ("HLI-Hume") group of companies) up to February 2001. From February 2001 to June 2006, she continued her career as an Internal Auditor with HLI-Hume. In July 2006, she left HLI-Hume as a Senior Internal Auditor where she was primarily responsible for ensuring the company's compliance to its group operational and financial policies, reviewing the business processes and operational performance and identifying risks applicable to the company.

Between July 2006 and January of 2008, she was an accountant with First Mobile Group Sdn Bhd. After taking a career break from February 2008 to July 2008, she joined Puma Sports Goods Sdn Bhd from August 2008 to June 2009 as Accounts Department Head primarily responsible in overseeing the overall reporting of the financial statements and audit functions of the company.

From July 2009 to June 2011, she was the senior accountant at Scope International (M) Sdn Bhd, responsible for the receivables, resolving long outstanding invoices and ensuring all recharges were billed on a timely basis.

She founded Eco Circle Sdn Bhd and Rightway Management Sdn Bhd in May 2011 and October 2016, respectively, and has since been overseeing the management and operations of Eco Circle Sdn Bhd and Rightway Management Sdn Bhd which are principally involved in property investment and trading activities and in the provision of accounting services, respectively.

She has also been appointed as the Financial Controller with Chi Yuan Industrial (M) Sdn Bhd, a company involved in the manufacturing of polyethylene terephthalate (PET) and poly-vinyl-chloride (PVC) since December 2014.

She sits on the board of another private company in Malaysia.

She attended all two (2) Board Meetings of the Company held during the financial year.

DIRECTORS' PROFILE
(CONT'D)

CHEONG WOON YAW
Independent Non-Executive Director

48
age

gender

Cheong Woon Yaw , a Malaysian, aged 48, is our Independent Non-Executive Director. He was appointed to the Board on 27 December 2021. He obtained a diploma in Management Accounting and Accounting from the London Chamber of Commerce and Industry Examinations Board in 1994. He completed his ACCA qualification in December 2000 and was subsequently admitted as a member of the ACCA in January 2002.

He started his career in August 1997, as an Audit Assistant in the audit department of Ernst & Young, where he was primarily responsible for general financial audit assignments of various companies, including listed and multinational corporations. He was then promoted to the position of Senior Auditor before leaving Ernst & Young in May 2003.

In May 2003, he joined Informatics Resource Corporation Sdn Bhd as a Finance Manager and his work scope covered finance operation management and group financial control. He left Informatics Resource Corporation Sdn Bhd in February 2004 and joined T.S. Law Holding Sdn Bhd.

He was appointed as the finance manager of T.S. Law Holding Sdn Bhd and was responsible for the general financial management and accounting matters of Wayang Tinggi Produksi Sdn Bhd, a subsidiary of T.S. Law Holding Sdn Bhd. He subsequently left T.S. Law Holding Sdn Bhd in May 2005 to pursue his own personal business interests, where he was involved the sale and marketing of health products from June 2005 to May 2007.

In May 2007, he joined Mangosteen Beverage (Malaysia) Sdn Bhd as a Finance Manager and his primary duty was to oversee the general accounting and financial operations of the company. In carrying out his duties as a Finance Manager, he was also tasked to ensure adherence with the company's accounting practices and guidelines. He was later redesignated to the position of regional finance manager in June 2010. As a regional finance manager, his duties were further extended to include overseeing the general accounting and financial operations of the company's Singapore branch, before he left the position in March 2013.

DIRECTORS' PROFILE
(CONT'D)

CHEONG WOON YAW (Cont'd)
Independent Non-Executive Director

Between March 2013 to November 2013, he was a Senior Finance Manager of Avon Cosmetics (Malaysia) Sdn Bhd. As a Senior Finance Manager, he was responsible for the preparation of management and financial reports, and driving the development and implementation of the sales and operation planning of the company. In November 2013, he left to join Mindvalley Lab Sdn Bhd, where he headed the finance department as a Senior Finance Manager between November 2013 until January 2016. In February 2016, he joined J. Walter Thompson Sdn. Bhd. as its finance director, where he assumed responsibility for the overall financial management, development and operations of the J. Walter Thompson Malaysian Group Agencies. During his tenure with J. Walter Thompson Sdn Bhd, he was responsible for budgeting and forecasting, management of cash flow, financial performance reporting, financial planning and analysis, as well as operations management. He left his position in J. Walter Thompson Sdn Bhd in June 2020.

After leaving his position with J. Walter Thompson Sdn Bhd and to date, he was engaged by a beverage distributor company, Multi Venture Networks Sdn Bhd, as a technical adviser to render technical advice and to assist in overseeing the company's financial affairs, including statutory reporting and tax matters, and human resource management matters. He was promoted in December 20021 as the Chief Financial Officer of Multi Venture Networks Sdn Bhd, where he oversees, manages and tracks the cash flow as well as analyse the financials of the company. He also sits on the board of directors of several private companies in Malaysia.

He attended all of Board Meeting of the Company held since his appoinment during the financial year.

KEY MANAGEMENT PROFILE

LIM CHEE HSIUNG
Chief Operating Officer

44
age

gender

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 Pajak Gadai PPJ Sdn Bhd ("PG PPJ") as its Chief Operating Officer. He assisted Lim Boon Hua in the expansion of the outlets of the Group and was appointed as the director of PG PPJ, PPJ Sejaya Sdn Bhd and PPJ Landas Emas Sdn Bhd in August 2016, July 2019 and February 2020 respectively.

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

KEY MANAGEMENT PROFILE
(CONT'D)

WONG KOON WAI
Chief Financial Officer

47
age

gender

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 the Group as 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 sits on the board of several private companies in Malaysia.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders and Stakeholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements for the year ended 31 December 2021 ("FYE 2021"). This is our first Annual Report since our listing on the ACE Market of the Bursa Malaysia Securities Berhad ("Bursa Securities") on 1 April 2022.

CHONG CHEE FIRE
Independent Non-Executive Chairman

CHAIRMAN'S STATEMENT
(CONT'D)

Corporate Highlights

On 1 April 2022, Pappajack was listed on the ACE Market of Bursa Securities and we had raised RM50.10 million through the initial public offering ("IPO") to finance our growth plans. The IPO was a monumental milestone achieved by our Company as we are proud to be the first licensed pawnbroking group of companies listed on the ACE Market of Bursa Malaysia.

We are delighted to receive strong support from the balloting of IPO shares to the Malaysian public, which was oversubscribed by approximately 22 times. Our IPO debuted on the ACE Market of Bursa Malaysia on 1 April 2022, with opening price of RM0.39, a 30% premium from the IPO issue price of RM0.30 per Share. Hence, we would like to take this opportunity to thank all stakeholders for their confidence in us and their tremendous support for the IPO.

The successful IPO represents a new chapter of growth, with the proceeds from the IPO, net of listing expenses, will be channeled to expand our market reach. This will strengthen our position to be one of the leading licensed pawnbroking players in Malaysia.

Financial Highlights

Despite the challenging economic environment, the group achieved revenue of RM54.12 million in Financial Year Ended 2021 as compared to previous year RM30.77 million due to higher sales of unredeemed pledges or bid pledges. Profit before tax ("PBT") and profit after tax ("PAT") achieved for the financial year was RM10.21 million and RM6.77 million, a reduction from RM11.11 million and RM8.20 million, respectively, due to lower contribution from our sale of unredeemed or bid pledges given lower prevailing gold prices at that point of the sale of unredeemed or bid pledge. Further details are highlighted in the Management Discussion and Analysis.

Trend and Outlook

The Group, with its planned utilization of proceeds from the IPO intends to continue expanding its network of pawnbroking outlets and at the same time penetrate 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.

Dividends

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

In response to COVID-19

Due to various Covid-19 movement restrictions imposed by the Government, the past two years have been a challenging operating environment for the Group as there were less customer traffics and there were limited public auctions for the Group to sell its unredeemed pledges.

I am pleased that the Management has also undertaken several changes to our operations and updated the health and safety procedures to further protect our employees and customers.

We are optimistic that, with the support of our employees, the Management and the Board, we will get through this predicament and come out stronger.

Once again, I would like to thank all our employees for the support and kind cooperation during this time of uncertainty. Your understanding is very much appreciated. Meanwhile, we will remain steadfast, positive and continue to work as a team.

CHAIRMAN'S STATEMENT
(CONT'D)

Corporate Governance

At Pappajack, we are dedicated to uphold sound corporate governance as well as ethical behaviour in pursuit of sustainable value creation for all stakeholders. As a responsible public listed company, we strive to ensure that our businesses are conducted in accordance to the best practices as advocated by the latest Malaysian Code on Corporate Governance and the applicable laws and regulations. In our efforts to further strengthen our commitments towards accountability, integrity and transparency, we have established and enforced the Code of Conducts, Anti-Money Laundering Policy, Whistleblowing Policy as well as Anti-Bribery and Anti-Corruption Policy across the Group. Our measures to uphold and improve corporate governance of the Group are narrated in the Corporate Governance Overview Statement in this Annual Report and in the Corporate Governance Report.

Environmental, Social And Governance Practices

The Group's social governance is led by our Board who ensures social practices where our Group is committed to act responsibly in our business operations, to our business stakeholders as well as in supporting our community. We are involved in corporate social responsibilities (e.g. providing food stamps to low-income families) to provide positive social value to our community.

Appreciation

I would like to express our sincere appreciation and gratitude to stakeholders, including our valued customers, shareholders and business partners for their support in Pappajack.

To the management team and the entire Pappajack's employees, the Board would like to thank you for your hard work, dedication and loyalty. You are our greatest asset.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS

Pappajack Berhad is an investment holding company, whilst the principal activities of all its combined entities are principally involved in the provision of pawnbroking services through a network of pawnbroking outlets in Malaysia.

Each pawnbroking outlet is held and operated by a combined entity of our Group and each combined entity is individually licensed by the Kementerian Perumahan dan Kerajaan Tempatan ("KPKT").

Pawnbroking services are provided by licenced pawnbrokers who principally offer pledges-backed short-term financing or pawn loans 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 such as gold (i.e. gold jewellery, gold bars and gold coins) and luxury watches. It is our continuing objectives to seek market opportunities in Malaysia to strengthen our business operations and market presence. We will remain focused in our commitment on customer service which will in turn support our long-term sustainability and growth.

FINANCIAL PERFORMANCE

For the financial year ended ("FYE") 31 December 2021, we reported a profit after taxation ("PAT") of RM6.77 million as compared to RM8.20 million in the FYE 2020. The lower PAT recorded for the FYE 2021 was mainly attributed to the decrease in gross profit margin and incurrence of initial public offering ("IPO") listing expenses.

The Group's financial indicators pertaining to the financial performance and financial position for the FYE 2021 vis-à-vis the FYE 2020 are as follows: -

Our financial performance		FYE 2021	FYE 2020	% Change
Revenue	RM'000	54,125	30,769	75.91
Gross profit ("GP")	RM'000	14,350	13,818	3.85
Profit before taxation ("PBT")	RM'000	10,208	11,110	(8.12)
PAT	RM'000	6,771	8,204	(17.47)
GP margin	%	26.51	44.91	(40.96)
PBT margin	%	18.86	36.11	(47.77)
PAT margin	%	12.51	26.66	(53.08)
Our financial position				
Total non-current asset	RM'000	11,046	10,504	5.16
Total current assets	RM'000	123,863	117,974	4.99
Total non-current liability	RM'000	10,914	16,779	(34.95)
Total current liabilities	RM'000	8,434	2,909	189.93
Total shareholders' equity	RM'000	115,561	108,790	6.22

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

FINANCIAL PERFORMANCE continued

Our financial performance based on segment are further analysed as follows: -

Revenue		FYE 2021	FYE 2020	% Change
Pawnbroking interests charges	RM'000	18,966	13,884	36.60
Sales of unredeemed or bid pledges	RM'000	35,159	16,885	108.23
TOTAL	RM'000	54,125	30,769	75.91
GP				
Pawnbroking interests charges	RM'000	13,062	9,479	37.80
Sales of unredeemed or bid pledges	RM'000	1,288	4,339	(70.32)
TOTAL		14,350	13,818	3.85
GP Margin				
Pawnbroking interests charges	%	68.87	68.27	0.88
Sales of unredeemed or bid pledges	%	3.66	25.70	(85.74)

For FYE 2021, we achieved revenue growth of 75.91%, mainly attributed by the sale of unredeemed or bid pledges segment as well as pawnbroking interests charges. However, our overall GP margin for the FYE 2021 decreased by 40.96%.

We recorded lower gross profit margin from the sale of unredeemed or bid pledges segment during the FYE 2021 due to lower prevailing gold prices at that point of the sale of unredeemed or bid pledges.

Our PBT for the FYE 2021 reduced by 8.12% or RM0.90 million to RM10.21 million due to higher administrative expenses incurred during the FYE 2021. The higher administrative expenses was mainly due to the incurrence of IPO listing expenses and higher operating costs incurred for our pawnbroking outlets opened during end of FYE 2020.

On the same note, coupled with higher tax expense, our PAT decreased by RM1.43 million to RM6.77 million after the deduction of income tax expense of RM3.44 million, giving an effective tax rate of 33.67%, as a result of higher unallowable expenses, non-recognition of deferred tax assets and additional tax charges on deemed interests on inter-company advances within the Group.

We have not incurred material capital expenditure in FYE 2021.

The increase in total current assets were mainly attributed to the increase in inventories of RM4.53 million and trade receivables of RM1.09 million respectively. Notwithstanding the increase in inventories and trade receivables, the inventories are in the form of gold and the trade receivables are fully pledged against gold upon pawn loans are granted. Accordingly, the management is confident that the increase will have no negative financial impact to the Group.

The total non-current liabilities comprise a term loan to finance our investment property, operating lease liabilities and shareholders' advances. The reduction of total non-current liabilities is mainly due to the classification of RM6.00 million shareholders' advances to current liabilities as repayment will be due in FYE 2022. Similarly, the current liabilities increased by the same basis.

Our business operations are financed by a combination of internal and external sources of funds. Internal sources of funds comprise mainly shareholders' equity and cash generated from our operations, while external source of funds comprises shareholders' advances totalling RM12.00 million received in FYE 2020.

The principal uses of these funds are for the deployment of pawn loans.

Save as aforementioned, we are not aware of any other known trends and events that are reasonably likely to have a material effect on our operations, performance, financial condition and liquidity.

OPERATING ACTIVITIES

For the FYE 2021, our pawnbroking interests charges segment continued to be the main contributor of gross profit, where it accounted for 91.02% of our total gross profit.

Revenue from our pawnbroking interests charges segment grew by 36.6%, or RM5.08 million as compared to FYE 2020, whilst gross profit from this segment contributed a total of RM13.06 million, an increase of 37.8% over FYE 2020. GP margin of pawnbroking interests charges segment recorded for the FYE 2021 was 68.87%, improvement from 68.27% recorded for the FYE 2020.

Revenue from our sale of unredeemed or bid pledges segment grew 108.23% to RM35.16 million, from RM16.89 million during FYE 2020. Notwithstanding the increase of revenue of this segment, gross profit from this segment decreased by 70.32% to RM1.29 million for the FYE 2021, due to lower prevailing gold prices at that point of the sale of unredeemed or bid pledges during end of FYE 2021. Gross profit margin of sale of unredeemed or bid pledges segment for the FYE 2021 was 3.66% as compared to 25.7% recorded for the FYE 2020 at the back of revenue of RM16.89 million.

ANTICIPATED OR KNOWN RISKS

In line with Bursa Securities' regulatory framework on the new disclosure requirements, we highlight below the key anticipated or known risks that the Group is exposed to that may have a material effect on our operations, performance, financial condition and liquidity. Our plans and strategies to mitigate these risks have also been disclosed below.

I. Our Business is Exposed to Unlawful and Suspicious Pawn Transactions and Transactions of Stolen Gold or Luxury Watches

   We are subject to the risk arising from the use of our pawnbroking services for money laundering or terrorists financing purposes. There has been 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. Further, the adequacy of our Group's internal controls 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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

II. We Are Subject to Regulatory Requirements for Pawnbroking Business

Our business operations are governed by 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.

In the event of non-compliance to the regulations imposed by the KPKT, our pawnbroking licences may be suspended, revoked or may not be renewed upon expiry. We can appeal to the KPKT in instances of suspension, revocation and non-renewal of our pawnbroking licences. If the KPKT's decision remains the same, we will be able to operate until the pledges held by the affected pawnbroking outlet(s) have been redeemed by our customers or the latest period of redemption for the pledges have expired, and we will also be able to sell the unredeemed and bid pledges. However, we will not be allowed to process new pawn transactions. Any suspension, revocation or failure to obtain, maintain or renew our pawnbroking licences may materially and adversely affect our business operations and financial performance. If we are not successful in renewing the licences upon expiry, we will not be able to operate the affected pawnbroking outlets and this may subsequently adversely affect our financial performance. Even though we have not experienced any instances of failure in obtaining, maintaining or renewing our pawnbroking licences, there is no assurance that we will be able to continue to successfully renew all our pawnbroking licences moving forward.

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

III. We Are Exposed 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.

IV. We Are Dependent on Skilled, Reliable and Trustworthy Outlet Personnel for the Provision of Pawnbroking Services

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

Further, due to the nature of our business which involves cash and valuable pledges, we are dependent on reliable and trustworthy outlet personnel for our operations. Failure to employ reliable and trustworthy outlet personnel may expose us to the risks of fraud, mismanagement or mishandling of cash and pledges, and we may be subject to loss and damages, which may adversely damage our reputation and profitability.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

v. Our Pledge Value is Susceptible to Gold Price Volatility

We primarily receive gold as pledges for the provision of pawn loans to our customers. 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.

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 and our customers may not redeemed the pledges. 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.

TREND AND OUTLOOK

Licened pawnbrokers play a vital role in providing short-term micro-loans to individuals who may be financially unserved or underserved. Pawnbroking services complement the role of conventional financial institutions in the provision of loans to individual consumers.

The Group, with its planned utilisation of proceeds from the IPO on the ACE Market of Bursa Securities totalling RM50.10 million intends to continue expanding its network of pawnbroking outlets and at the same time penetrate 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.

As the country moves into an endemic phase, the Group is experiencing growing traffic at its pawnbroking outlets and an increase in deployment of pawn loans.

Due to various Covid-19 movement restrictions imposed by the Government, the past two years have been a challenging operating environment for the Group as there were less customer traffics and there were limited public auctions for the Group to sell its unredeemed pledges.

The Management expects the Group's expansion plan will contribute positively to the Group's financial performance in years to come. According to the Independent Market Research Report ("IMR Report") by Smith Zander International Sdn Bhd ("Smith Zander") in our Prospectus dated 11 March 2022, the Group's market share was 2.88% in 2020. The Group believes this represents an extensive prospect for growth to the Group in the pawnbroking industry in Malaysia.

The pawnbroking industry registered a Compound Annual Growth Rate ("CAGR") of 4.80% from 2017 to 2020. Premised on the above, we may potentially gain from the growing domestic demand as well as concurring higher market share in the industry.

DIVIDEND POLICY

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.

SUSTAINABILITY STATEMENT

1. INTRODUCTION

1.1 Introduction

Pappajack Berhad ("Pappajack") is pleased to present its first sustainability statement ("this Statement") prepared in accordance with Sustainability Reporting Guide (2nd edition) ("SRG") issued by the Bursa Malaysia Securities Berhad ("Bursa Securities").

Pappajack and its group of companies ("Pappajack Group" or "the Group") is committed towards creating long-term sustainable value for all stakeholders. In line with such aspirations, the Group has dedicated efforts in creating awareness on sustainability development amongst employees and embedded such philosophy into the Group's corporate culture. In the journey towards sustainable value creation, the Group continuously identify various initiatives in supporting the Group's sustainability aspirations whilst ensuring adequate considerations are placed on responding to the economic, environmental and social risks and opportunities arising.

This Statement sets out Pappajack's approach towards sustainable development and management of economic, environmental and social risks and opportunities, after considering the impact of its business endeavours on the economic, environmental and social domains the Group interacts with.

1.2 SCOPE

This Statement describes the Group's sustainability activities covering the period from 1 January 2021 to 31 December 2021. The Group has considered key sustainability matters as guided and defined by both the Global Reporting Initiative ("GRI") Sustainability Standards and Bursa Malaysia's SRG. This Statement includes information on material sustainable development activities as well as the management of risks and opportunities that impacts the economic, environmental and social aspects of Pappajack businesses.

1.3 GOVERNANCE STRUCTURE

Pappajack Group have always conducted its business activities ethically and in compliance with prevailing laws and regulations. In doing so, the Group's actions reflect accountability and social responsibility whilst ensuring the Group's initiatives continue to drive sustainable development by creating value through the identification, evaluation, monitoring and managing risks and opportunities across the Economic, Environmental and Social ("EES") areas.

As there is no "one size fits all" approach, the Board of Directors ("the Board") of Pappajack adopts a sustainable governance approach that is fit for the Group's purposes considering amongst others, its culture, needs, sustainability-related risks and opportunities and level of maturity of its sustainability intellect and readiness.

The Board oversees and governs the Group's sustainability agenda and strategy. For the purposes of supporting the Board in implementation of sustainability-related strategies, the Board has empowered Management to drive and monitor the implementation of sustainability-related strategies as well as to measure and undertake actions towards achieving the Group's sustainability goals as approved by the Board. The Management is also responsible for identifying, evaluating, monitoring and managing the Economic, Environmental and Social ("EES") risks and opportunities arising, and ensuring all material sustainability matters are being considered and managed by Pappajack Group through its various activities, including stakeholder engagement and materiality assessment.

The preparation of sustainability disclosures for approval by the Board that is required by laws and regulations and sustainability reporting also come under the responsibility of the Management. The Management is led by the Managing Director and members of the Management comprising the Executive Director and members of senior management.

2. MATERIALITY ASSESSMENT PROCESS

2.1 Objectives

Objectives of the materiality assessment process is to allow Pappajack to optimise the Group's identification of material sustainability matters with a view to enhance the Group's strategic planning, implementation and business decision-making, and to enable stakeholders to make better informed decisions.

The Board considers it appropriate in this regard to limit the scope of materiality assessment and by extension the sustainability disclosure to the active companies within the Group. As the Group endeavours to enhance socio-economic benefits and create a positive social impact on immediate communities surrounding the operations of the Group, the scope within which materiality applies as far as operations are concerned is limited to the provision of pawnbroking services through a network of pawnbroking outlets in Malaysia.

2.2 Stakeholder Engagement

With the objective of identifying and prioritising material sustainability matters, Pappajack engages with different stakeholder groups as such interactions are crucial in identifying, prioritising and addressing material sustainability matters. Engagements are carried out on regular basis with various stakeholders as they are integral to the business development and commitment of the Group to sustainability. The table below sets out the various types of stakeholder engagements as well as the areas of interest identified together with the appropriate responses to address such interests arising:

Stakeholder	Platforms of Engagement	Frequency	Areas of Interest	Forum of Response
Investors and Shareholders	• Corporate website • Annual General Meeting ("AGM") • Announcement via Bursa Malaysia • Financial and other reports • Press conferences and media releases	Annually / Quarterly / Ad-hoc	• Business performances • Business directions • Prospects and strategies • Return on Investment • Business continuity • Business risks • Trade velocity • Corporate governance	• Quarterly reporting and regular audit • Financial performance results • Announcements via Bursa Malaysia • Press conferences and media releases • Annual reports
Community	• Corporate website and social media • Community engagement events and activities • Charitable activities and programme • Environmental events and activities	Occasionally	• Financial support and aid • Social responsibility • Environmental awareness and education • Lifestyle support • Business opportunity • Employment support • Livelihood support	• Financial assistance and donation • Corporate Social Responsibility ("CSR") events and programmes with community • Job opportunity • Festive events

2.2 Stakeholder Engagement (Contd.)

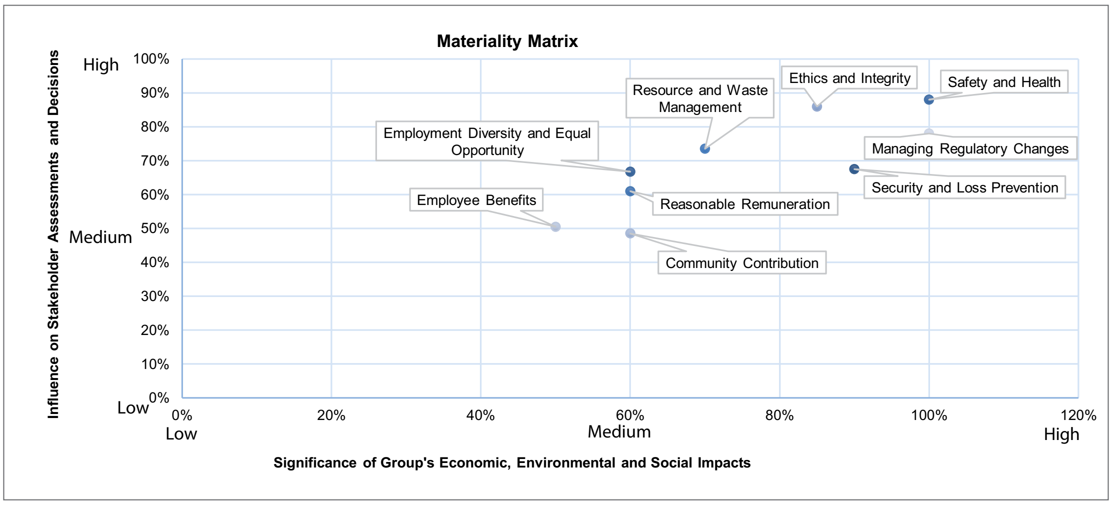
Stakeholder	Platforms of Engagement	Frequency	Areas of Interest	Forum of Response
Customers	• Corporate website • Email, phone call • Network of pawnbroking outlets which are strategically located at convenient locations	Ongoing	• Quick access to pledge-backed short-term micro-loans • Safety of customers' pledge and security measures in place • Gold commodity prices	• Pawn ticket • Financing availability
Government and Regulators	• Corporate website and social media • Meetings and briefings • Formal events • Outlet visits • Periodical monitoring and reporting	On-going	• Regulations, governance and compliance with laws, requirements and standards • Accuracy, transparency and disclosure	• Engagement with regulatory bodies and government agencies • Compliance management (e.g. legal checklist) • Participation in training provided by relevant agencies
Employee	• Training and development programmes • Formal and informal meetings, briefing and assembly • Written policies and procedures • Corporate events and activities	Ongoing	• Career and personal development • Reasonable remuneration, welfare and benefits • Employment diversity and equal opportunity • Appropriate working environment • Job performance evaluation / assessment • Ethics and integrity • Work-life balance	• Internal and external training • Code of conduct and human resource policies • Staff welfare • Corporate activities and events • Performance management system • Whistleblowing channel

2.2 Stakeholder Engagement (Contd.)

Based on the interest indicated as well as feedback received from Pappajack's stakeholder groups during the above-mentioned engagement process, the Group identifies and prioritises issues and matters which are most relevant to each of the stakeholder groups. Each stakeholder group is assessed by the Management based on their influence on the achievement of Pappajack Group's strategic objectives and their impact on the Group's businesses and operations. With reference to the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") and in the context of Pappajack Group, the prioritised sustainability matters that have been identified are provided overleaf.

2.3 Prioritisation Of Sustainability Matters (Materiality Assessment)

The Group has identified key sustainability matters that materially impact Pappajack Group's sustainability areas or significantly influence the assessments and decisions of stakeholders. Pursuant to the stakeholders' engagement as mentioned above together with a desktop review of the Group's business operations, risks and opportunities, a materiality assessment has been undertaken to identify and prioritise sustainability matters affecting Pappajack Group's sustainability goals. Accordingly, the material sustainability initiatives undertaken by Pappajack Group are illustrated in the diagram below:



Accordingly, the areas of focus of Pappajack Group's sustainability initiatives should revolves around the matters identified above. The activities undertaken in respect of such initiatives/ matters are set out in the section overleaf:

3. SUSTAINABILITY ACTIVITIES

3.1 ECONOMIC

3.1.1 Managing Regulatory Compliances And Changes

Pappajack recognises that any actual or potential regulatory non-compliances may affect the Group's reputation and operations. As such, the Group continues to commit to high standards of governance by ensuring the Group's policies and procedures are continuously adhered to, and are updated regularly and at appropriate intervals.

In instilling awareness among employees, Pappajack has instituted adequate checks and balances to preserve and maintain compliances with relevant guidelines, regulations and industry practices in order to safeguard the Group's interest.

For FY2021, we are pleased to report there is no claim or incident of non-compliances reported.

3.1.2 Security and Loss Prevention

Closed-Circuit Television ("CCTV")

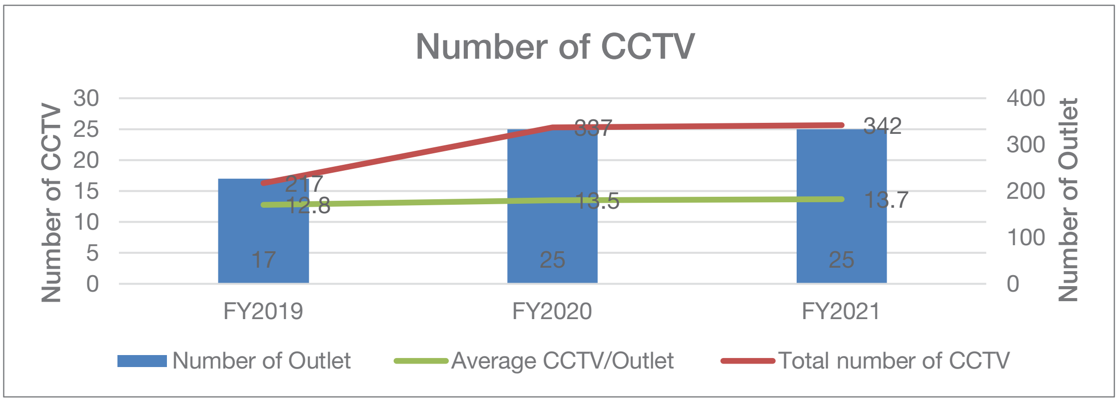
In preventing losses due to crimes such as burglary, theft and robbery, Pappajack have implemented preventive measures in all the Group's pawnbroking outlets. All pawnbroking outlets are installed with 24-hour CCTVs to record and monitor all activities on the premises.

The total number of CCTVs have increased from 217 units (FY2019) to 342 units (FY2021) propelled by the opening of additional pawnbroking outlets.

TOTAL	FY2019	FY2020	FY2021
Number of Outlet	17	25	25
Total number of CCTV	217	337	342
Average CCTV/Outlet	12.8	13.5	13.7

3.1 ECONOMIC (Contd.)

3.1.2 Security and Loss Prevention (Contd.)



In addition to new installations, periodic maintenance were also performed to ensure that all CCTVs are functioning properly at all outlets. During the past three financial years (FY2019 to FY2021), there were no incident of malfunction or breakdown in CCTVs in any of the pawnbroking outlets.

<u>Central Monitoring System</u>

A central monitoring system compromising security alarm system and anti-theft system have been installed to detect intrusion and deter unauthorised entry into the Group's pawnbroking outlets. As a result of this, the Group had not experience any burglary, theft or robbery in any of its pawnbroking outlets during the past three financial years (FY2019 to FY2021).

<u>Insurance</u>

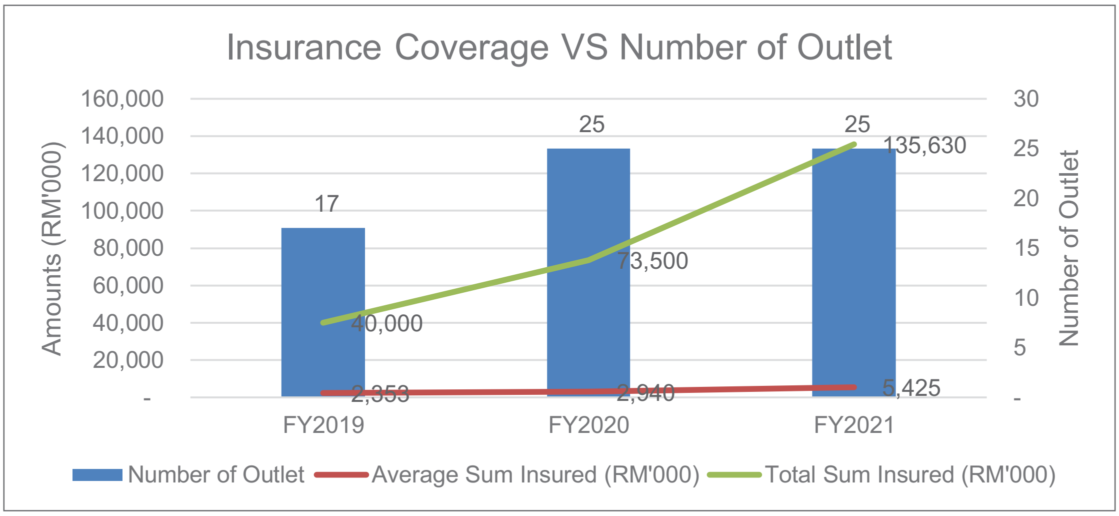
Pappajack Group has subscribed to jeweller's block insurance policy for all its operating pawnbroking outlets. Under the jeweller's block insurance policy, stocks and merchandise used in the conduct of the pawnbroking business as well as the properties of or entrusted to our pawnbroking outlets are insured against loss or damage by fire, natural disasters, explosion, burglary or theft. In addition, the jeweller's block insurance policy also covers unredeemed pledges which are removed from our pawnbroking outlets and are in transit to public auctions and for the sale to scrap collectors and watch purchasers.

The total jeweller's block insurance coverage for the FY2019 to FY2021 are as follows:

TOTAL	FY2019	FY2020	FY2021
Number of Outlet	17	25	25
Average Sum Insured (RM'000)	2,353	2,940	5,425
Total Sum Insured (RM'000)	40,000	73,500	135,630

3.1 ECONOMIC (Contd.)

3.1.2 Security and Loss Prevention (Contd.)



Total sum insured has increased from RM40 million (17 outlets, FY2019) to RM135.6 million (25 outlets, FY2021) and accordingly, the average sum insured per outlet has also increased from RM2.4 million in FY2019 to RM5.4 million in FY2021.

During the past three financial years (FY2019 to FY2021), the Group has not made any material claims under the jeweller's block insurance policies undertaken with third-party insurance providers.

3.1.3 Ethics and Integrity

<u>Code of Conduct and Ethics</u>

Pappajack vigorously uphold its Code of Conduct and Ethics and the corresponding human resource policies and practices so as to ensure a clean, transparent and ethical business practices across the Group.

The Group's efforts in cultivating corporate accountability at each entity and employee level ensures the inculcation of an ethical corporate environment and enables the Group to consistently maintain high standards of corporate governance, ethics, integrity and professionalism throughout the Group.

<u>Anti-Bribery and Corruption</u>

Pappajack Group prohibits bribery in any form and has adopted a stand of zero tolerance against all forms of corruption, especially in respect of bribery, malpractices and illegal acts. In line with such standards, Pappajack Group is committed to uphold anti-corruption practices that promotes the principles and standards on anti-corruption as well as for the maintenance of proper documentation for clear accountability, traceability and transparency. To this end, the Group has adopted appropriate anti-corruption policies and procedures pursuant to subsection (5) of Section 17A of Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009"), as provided in section 4 of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Amendment Act 2018").

3.1 ECONOMIC (Contd.)

3.1.3 Ethics and Integrity (Contd.)

Anti-Bribery and Corruption (Contd)

The underlying agendas of these policies and procedures are to assist Pappajack Group in deterring bribery in any form and in implementing and enforcing effective systems to counter bribery and corruption. No employee should directly or indirectly, accept any kind of bribes, kickbacks or any other unlawful or unethical benefit from any third party that may be construed to be activity or behaviour that could give rise to the perception or suspicion of such conduct or attempt thereof. These policies and procedures also govern the Group's conduct on providing contributions or offering gifts, hospitality and promotional expenses and ensure such actions are undertaken in a transparent manner. In line with this, the Group has also implemented effective management systems to support these.

Whistleblowing

The Group is committed to improve Pappajack Group's responsiveness in addressing concerns or reports raised over any improper conduct, actions or activities. In support of this commitment, a structured mechanism and channel for stakeholders to raise or report concerns has been established. Furthermore, relevant whistleblowing policy and procedures have been put in place to guide stakeholders to report or disclose genuine concerns in a confidential manner that protects the whistleblower from any risk of reprisal.

3.2 SOCIAL

3.2.1 Safety and Health

Employee safety and health remain as a top priority to Pappajack. The Group considers safety and health seriously as the safety and wellbeing of the Group's employees and its customers and community remain a top priority. Various actions and initiatives have been instituted by the Group to ensure employees and public safety as a priority especially during the COVID-19 pandemic period

Preventive Strategy and Measures to Mitigate COVID-19 Infection

In response to the COVID-19 pandemic, the Group has established a standard safety protocol in accordance with the guidelines and standard operating procedures on COVID-19 prevention issued by the Ministry of Health to protect our staffs and customers against potential COVID-19 infection.

The prevention measures instituted, amongst others, include:

(i) Wearing face masks on our premises;
(ii) Checking of body temperature prior to entering our premises;
(iii) Check-in through the MySejahtera mobile application and checking of risk profile prior to permitting entry into our premises;
(iv) Frequent sanitising and washing of hands prior to permitting entry into our premises;
(v) Sanitising all common areas of our business premises at all times after daily business with customers' attendance;
(vi) Enforcing and practicing 1 metre physical distancing; and
(vii) Infected employee is required to be quarantined with the affected pawnbroking outlets closed for disinfection and employees, who are close contact with such infected employee, are required to undergo COVID-19 screening tests.

Business Continuity Measures Implemented Upon COVID-19 Infection

On 11 January 2021, an outlet personnel from one of our pawnbroking outlets tested positive for COVID-19. Upon detection of the COVID-19 infected personnel, all outlet employees who were in close contact with the infected personnel were immediately mandated to undergo COVID-19 tests. Upon completion of COVID-19 tests, infected employees were required to undergo self-quarantine in compliance with the standard operating procedures issued by the Ministry of Health Malaysia whilst employees who tested negative were requested to work from home for 2 weeks.

3.2 SOCIAL (Contd.)

3.2.1 Safety and Health (Contd.)

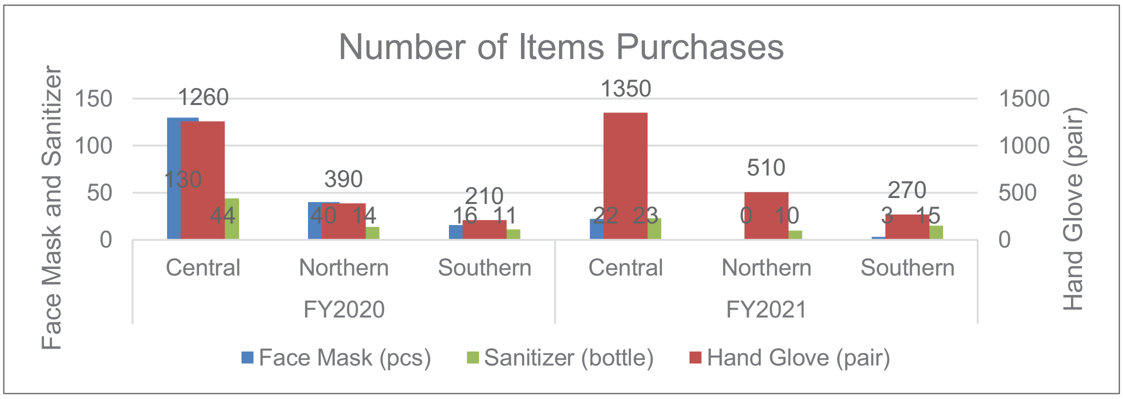
The affected pawnbroking outlet was temporarily closed from 11 January 2021 to 14 January 2021 for disinfection and resumed operations on 15 January 2021 with personnel from other pawnbroking outlets being temporarily placed at the affected pawnbroking outlet to facilitate business continuity.

Accessories In Support of COVID-19 Prevention

As part of the COVID-19 prevention measures, the Group has purchased face masks, hand gloves and sanitizers for all the outlets in support of daily use by employees and customers as part of their COVID-19 prevention.

The table below set out the number of face masks, hand gloves and sanitizers purchased by the Group in the support of the above-mentioned initiatives during FY2020 and FY2021:

Region	FY2020			FY2021		
	Face Mask (pcs)	Hand Glove (pair)	Sanitizer (bottle)	Face Mask (pcs)	Hand Glove (pair)	Sanitizer (bottle)
Central	130	1,260	44	22	1,350	23
Northern	40	390	14	0	510	10
Southern	16	210	11	3	270	15
TOTAL	186	1,860	69	25	2,130	48



Employees' workplace safety and health have always been the Group's priority. In line with this, Pappajack have always ensure that employees and customers at our outlets strictly adhere to the COVID-19 prevention measures. The above-mentioned items have been continuously placed at the outlets for use and prevention on the spread of COVID-19.

The significant decrease in the number of face masks purchased by the Group were mainly due to the awareness of employees who prefers to buy their own face masks due to hygiene purposes and the need to protect themselves commencing from the travel from their respective homes to our outlets. Thus, the inverse trends on the number of face masks purchased when compared against hand gloves (increased by 15%) and sanitizers (decreased by 30%).

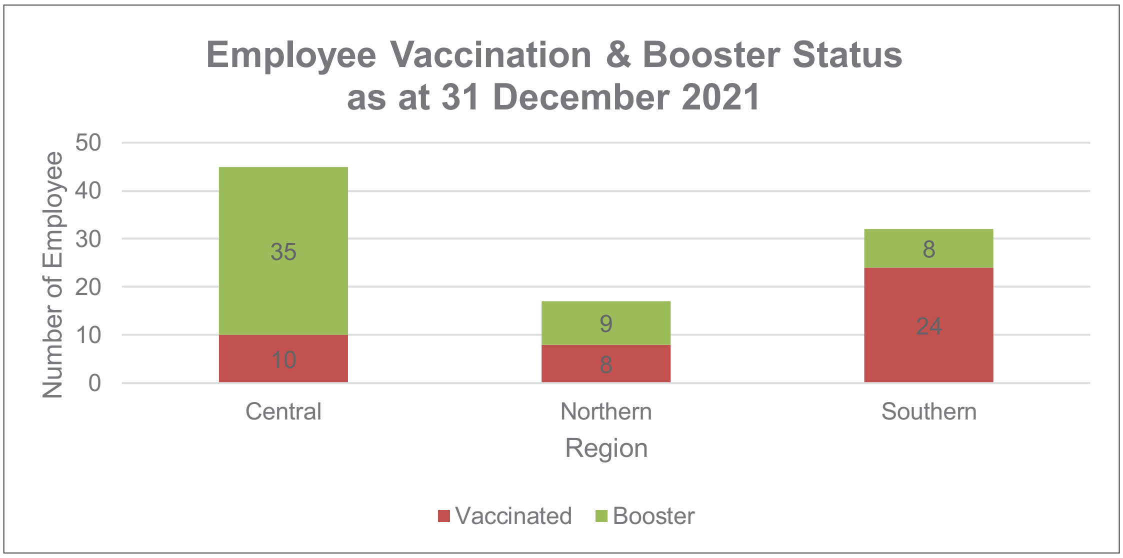
3.2 SOCIAL (Contd.)

3.2.1 Safety and Health (Contd.)

Vaccination and Booster Rate

Pappajack being a responsible member in the community, have obliged its employees to be fully vaccinated as part of its efforts in curbing COVID-19 infections and spread. As at 31 December 2021, Pappajack Group is proud to disclose that all employees under the Group have been fully vaccinated, and 55% of its employees have proceeded to obtain their booster dose as well. A statistical summary on the vaccination status of the Group's employees are as follows:

Region	Vaccinated	Booster	Total Number of Employee
Central	10	35	45
Northern	8	9	17
Southern	24	8	32
TOTAL	42	52	94
Percentage (%)	45%	55%	100%

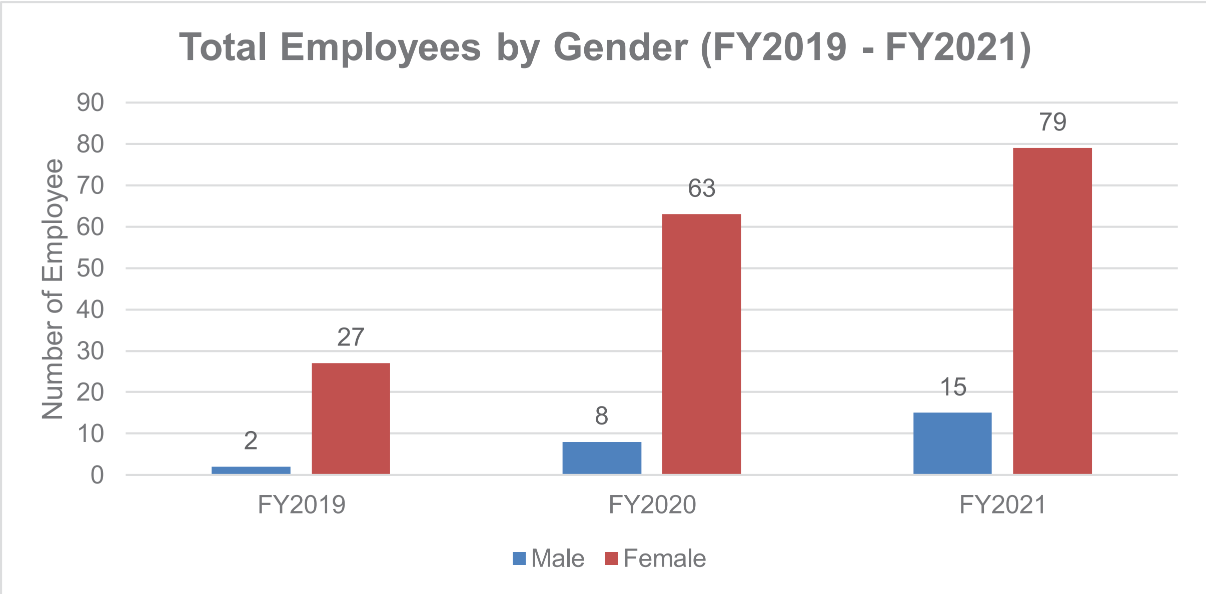


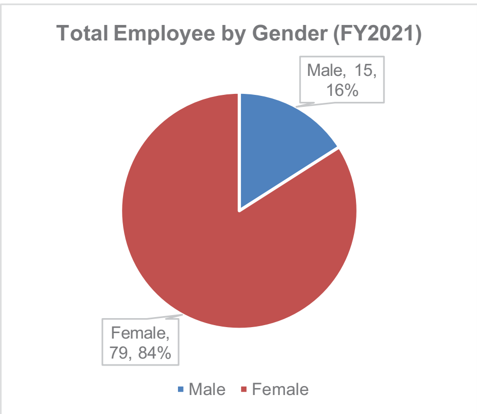
In addition to the above, the Group has also obligated new employees to be vaccinated within one (1) month from the date of them joining the Group, if such employee has yet to be vaccinated.

3.2 SOCIAL (Contd.)

3.2.2 Employment Diversity and Equal Opportunity

Backbone of success in any organisation lies in the human capital of the organisation. Organisation striving for sustainable success will have to manage their human capital as their first and foremost priority.





As at 31 December 2021, 84% (79 employees) of Pappajack's workforce comprising full-time employees are females whilst 16% (15 employees) are males.

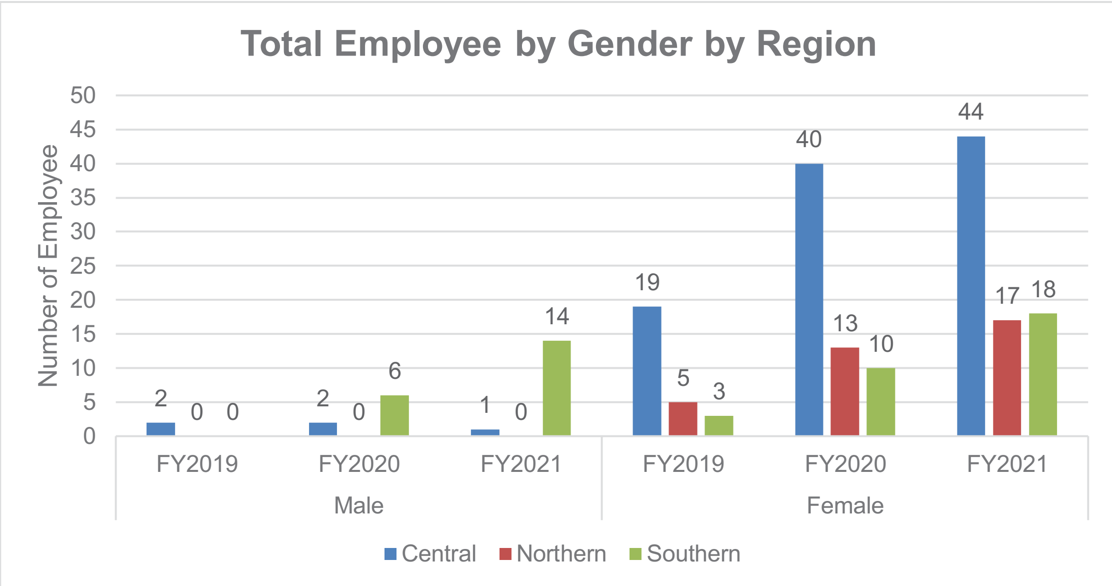
The total number of employees has increase from 71 employees to 94 employees in the financial year ended 31 December 2021.

However, the gender diversity ratio of male-to-female employee is gradually increasing from 7:93 in FY2019, to 11:89 in FY2020 and 16:84 in FY2021.

3.2 SOCIAL (Contd.)

3.2.2 Employment Diversity and Equal Opportunity (Contd.)

In achieving the appropriate gender diversity in the Group, Pappajack approaches gender diversity in a pragmatic manner with a view to provide equal opportunity to all. Although the headroom for improvement is wide, work opportunity in Pappajack have always remained fair and equitable to all.



During the last three financial years (FY2019, FY2020 and FY2021), the human resource composition in the Central, Northern and Sothern recorded a higher percentage of female employees than male employees.

However, the number of male employees under Southern have progressivey increased from 6 male employees during FY2020 to 14 male employees during FY2021.

Region	Male			Female		
	FY2019	FY2020	FY2021	FY2019	FY2020	FY2021
Central	2	2	1	19	40	44
Northern	0	0	0	5	13	17
Southern	0	6	14	3	10	18
TOTAL	2	8	15	27	63	79

No discrimination based on gender, ethnicity, religion or sexuality is practised throughout Pappajack Group. Policies instituted by the Group have been gender neutral notwithstanding the current gender imbalance. The Group is constantly working towards a higher gender balance and to achieve the appropriate gender diversity required.

3.2 SOCIAL (Contd.)

3.2.3 Reasonable Remuneration

Pappajack remunerates its employees in accordance with performance and in line with the minimum wage limit prescribed by the relevant labour law. A standard wage is applied on both genders at entry level and the Group rewards its employees based on their merit and talent without any discrimination on gender, race or religion.

Pappajack Group is committed to provide equal employment opportunities to all employees. Consequently, wage equality and same standard benefits are provided to all employees throughout the Company regardless of gender, race or religion.

3.2.4 Employee Benefits

Pappajack strives to foster a culture of work-life balance. The Group recognises that the availability of paid parental leave benefits has positive impact family development. Our parental leave benefits for both male and female employees are provided in accordance with the prevailing labour regulations, comprising three (3) days of paid paternity leave and sixty (60) days paid maternity leave respectively.

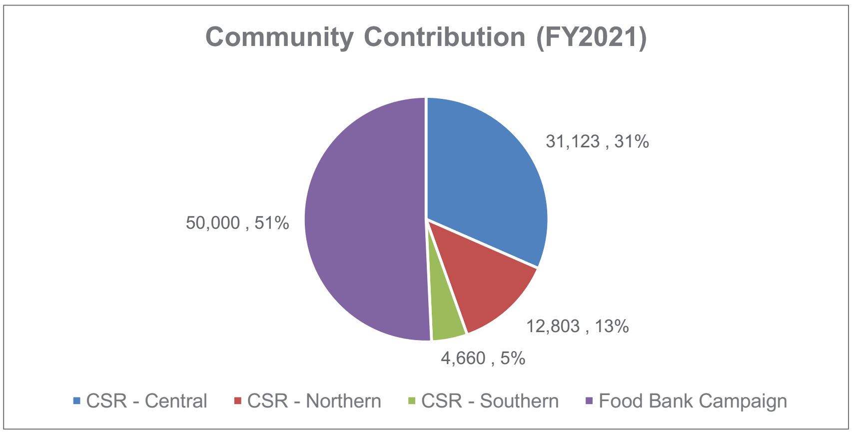
3.2.5 Community Contribution

Pappajack believes in playing a key role in contributing towards the economic growth and well-being of the community. As a company with high corporate social responsibility awareness, Pappajack have remained focused on creating value in the lives of its community via Corporate Social Responsibility ("CSR") events, especially during the FYE 2021 where COVID-19 pandemic not only affects business operations but also the local society and community at large.

The Group has dedicated efforts in supporting local society and community livelihood during FYE2021 where most of the people have suffered the effects of COVID-19 pandemic. In line with this, Pappajack Group had run a food bank campaign to support the local society and community in FY2021.

Contributions made towards CSR events by region and food bank campaign in FYE2021 are tabled as below:

Events / Campaign	(RM)	Total Amounts (RM)
Food Bank Campaign		50,000
Corporate Social Responsibilities ("CSR")		
• Central	31,123	
• Northern	12,803	
• Southern	4,660	48,586
		98,586



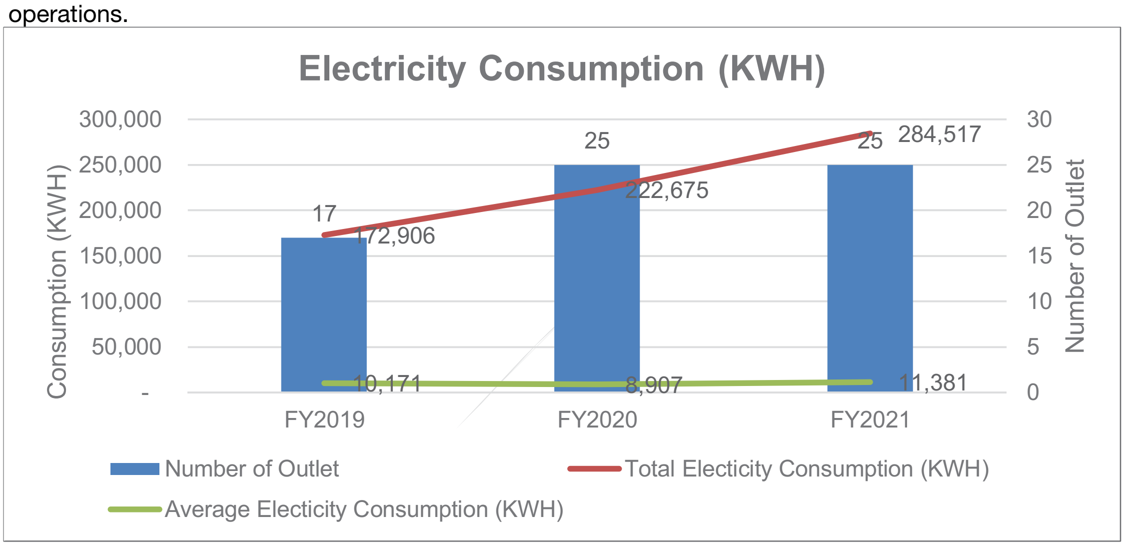
3.3 ENVIRONMENT

3.3.1 Resource and Waste Management

Environmental conservation is vital towards a sustainable future as natural resources are finite and in demand. Pappajack is aware of its role in support of environmental preservation and protection for our future generations, and to this end have undertaken the following:

Electricity Consumption

Pappajack continuously strive to ensure energy and resources are managed in an effective and efficient manner. In line with the, the Group is focused on controlling greenhouse emissions in our daily business operations.



TOTAL	FY2019	FY2020	FY2021
Number of Outlet	17	25	25
Total Electricity Consumption (KWH)	172,906	222,675	284,517
Average Electricity Consumption (KWH) per Outlet	10,171	8,907	11,381
Total Sales (RM)	19,206,783	30,768,968	54,480,046
Electricity (KWH) per Sales (RM)	0.009	0.007	0.005

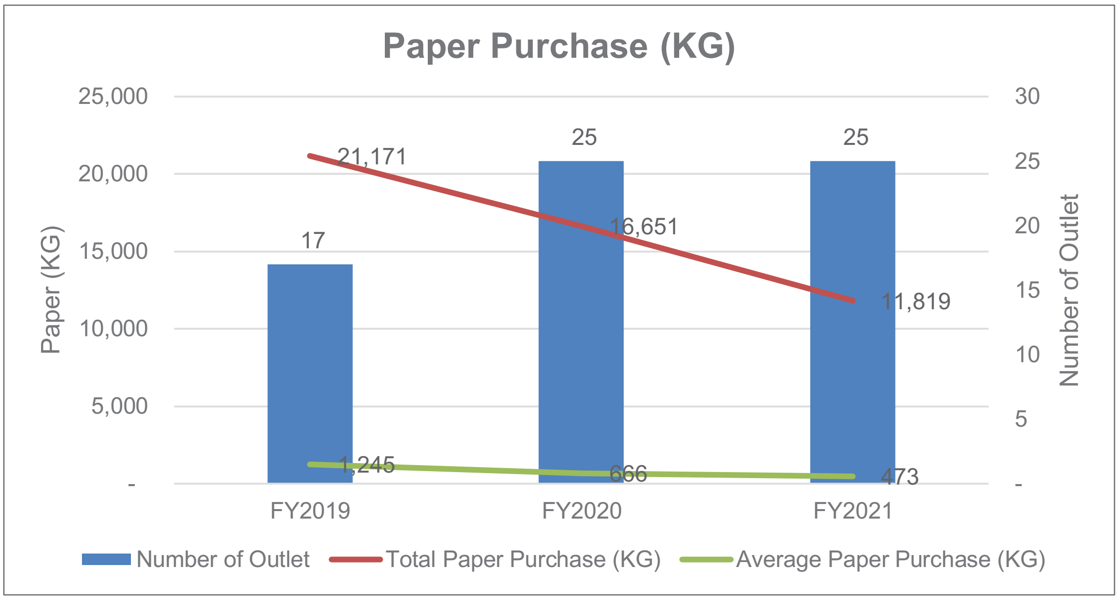
The electricity consumption across the Group has increased (approximately 65%) from 172,906KWH in FY2019 to 284,517KWH in 2021 due to the increasing number of outlets from 17 outlets in FY2019 to 25 outlets in FY2021. In addition, the average electricity consumption per outlet have increased from 10,171KWH per outlet to 11,381KWH per outlet. However, the electricity consumption per RM sale generated has decreased from RM0.009 in FY2019 to RM0.005 in FY2021, indicating a more efficient use of electricity.

3.3 ENVIRONMENT (Contd.)

3.3.1 Resource and Waste Management (Contd.)

Paper Purchase

Pappajack contributes to environmental conservation by eliminating unnecessary paper usage and wastages.



TOTAL	FY2019	FY2020	FY2021
Number of Outlet	17	25	25
Total Paper Purchase (KG)	21,171	16,651	11,819
Average Paper Purchase (KG)	1,245	666	473
Total Sales (RM)	19,206,783	30,768,968	54,480,046
Paper Purchase (KG) per Sales (RM)	0.0011	0.0005	0.0002

The paper purchased and consumed across the Group has decreased by approximately 44% from 21,171kgs in FY2019 to 11,819kgs in FY2021 even though the number of outlets has increased from 17 outlets in FY2019 to 25 outlets in FY2021. As a result, the average paper purchased and consumed per outlet has decreased from 1,245kgs per outlet to 473kgs per outlet and the paper cost per RM sale generated has decreased from RM0.0011 in FY2019 to RM0.0002 in FY2021, indicating a more efficient use of paper.

4. KEY PERFORMANCE INDICATOR ("KPI")

As part of our sustainability efforts, below are the benchmarks implemented to enable the Group to follow a certain set of criteria towards measuring the achievement of Pappajack Group's sustainability goals:

Indicator	Content	Unit of Measurement	Related Goal
Economic			
Managing Regulatory Changes	Claim or incident of non-compliance reported	number	Nil: Zero case
Security and Loss Prevention	Malfunction or breakdown of CCTV	hour	Nil: Zero hour
Social			
Reasonable Remuneration System	• Entry income level who earns a minimum wage and breakdown by gender/ • Difference between female and male remuneration and bonuses	%	Non-specific
Employment Diversity and Equal Opportunity	Number of employees by gender	%	Non-specific
Environment			
Resource Optimisation	Electricity usage	KWH	Non-specific
Waste Management	Paper purchased and consumed	kgs	Non-specific

CONCLUSION

The above activities and initiatives continue to demonstrate Pappajack Group's commitment towards sustainability and for the betterment of the economy, environment and social aspects of the community we operate in. The journey towards attaining sustainable growth and long-term profitability is a continuous one and the principles on sustainability have been ingrained into the Group's culture, value system and way of doing business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Board of Directors ("the Board") of Pappajack Berhad ("Pappajack" or "the Company") is pleased to present the Corporate Governance ("CG") Overview Statement for the financial year ended 31 December 2021 ("FY2021"), which has been prepared in compliance with Paragraph 15.25 of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and has set out an overview on the application of the Principles of corporate governance as promulgated by the Malaysian Code on Corporate Governance issued in April 2021 ("MCCG 2021"). This CG Overview Statement should be read in conjunction with the Company's CG Report, which has set out details on how the Company has applied the Practices as set out in MCCG 2021.

The Company firmly believes that good corporate governance is key towards the enhancement of shareholders value, the promotion of the Group's long-term value as well as the building of a sustainable business. To this end, the Board is steadfast towards maintaining high standards of corporate governance within Pappajack Group and to uphold the Principles of MCCG 2021 towards achieving the Intended Outcome as set out in MCCG 2021.

This CG Overview Statement provides a summary of the corporate governance practices implemented by Pappajack during the financial year with reference to the three Principles of MCCG whilst explanations on how the Company has applied the Practices promoted by MCCG 2021 are disclosed in the CG Report. Where there is a departure from a Practice, explanations for the departure are provided in the CG Report with disclosure on the applicable alternative practice which Pappajack has adopted.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

The Company has applied the Practices promulgated under Principle A: Board Leadership and Effectiveness of MCCG 2021, save for the following due to the Company has just been listed on 1 April 2022:

- Practice 4.4 & 6.1 – There has yet to have a full year of activity for annual and performance evaluation on the Board, Board Committees, Senior Management and individual director.
- Practice 5.10 – Although the Board has yet to adopt a gender diversity policy, the Board has already practised gender diversity at the Board and at the workforce level as women representation constituted 30% and 70% respectively.
- Practice 7.1 – Although the Board has yet to adopt formal remuneration policies and procedures, the Group has providing competitive remuneration in attracting and retaining talent in accordance with the roles and responsibilities undertaken as well as the job performances delivered.

Overall, the Board is satisfied that the Company has put in place its corporate governance practices that ensures the Board effectively led and direct the Company and the Group.

I. Board Responsibilities

The Board is responsible for providing effective leadership to the Group and is accountable and responsible for the performance and affairs of the Group. The Board is also responsible for effective oversight over the management of the Group's businesses and ensures effective implementation of strategies, policies, processes and systems to facilitate the setting of strategic direction, achievement of corporate goals and the delivery of sustainable value.

<u>Board Charter</u>

The Board has formally adopted a Board Charter that serves as a structured guide on matters relating to the Board. Whilst the Board delegates the implementation of its strategy to the Executive Management, the Board remains ultimately responsible for the affairs and corporate governance of the Company and the Group. The Board Charter also sets out the processes and procedures for convening Board meetings as well as defining the respective roles and responsibilities of the Board, Board Committees, individual directors and senior management personnel. Matters that specifically require the Board's attention or approval have also been set out in the Board Charter.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTD.)

I. Board Responsibilities (Contd.)

Separation Roles of the Board Chairman and Chief Executive Officer

The Board is led by a Chairman who provides leadership and is responsible to instil good corporate governance practices and for ensuring the Board's effectiveness so that the Board can perform its responsibilities effectively in facilitating the achievement of the Company's and Group's corporate objectives.

The positions of the Chairman and the Chief Executive Officer ("CEO") are distinct and separate, and are held by separate individuals to create accountability and to ensure there is a balance of power and authority so that no one individual has unfettered powers in decision making. The primary role of Chairman is to ensure the Board's effectiveness by promoting constructive and open discussion and exchange of views between Board and the Management, as well as to lead discussions on strategies and policies, and to spearhead the Board on its collective oversight responsibilities. Meanwhile, the CEO is responsible for implementing the Company's strategies, policies and undertake the day-to-day management of business and operations with the view of achieving its corporate objectives, performance targets and long-term goals.

Qualified and Competent Company Secretary

The Board has appointed a Company Secretary to assist the Board and Board Committees in their respective administrative, governance and meeting proceedings. The Company Secretary is well qualified and possess the requisite knowledge and experience to assist the Board in the discharge of their fiduciary duties and responsibilities.

All Directors have unrestricted access to the advice and services of the Company Secretary and all Directors are provided with sufficient information and full access to meeting materials within reasonable period of time prior to each meeting. The Company Secretary ensure that deliberations at Board and Board Committees meetings are well documented, adherence with board policies and procedures and advisory on corporate administration and governance matters are provided on a timely basis.

Code of Conduct

Pappajack has established and implemented Code of Conduct to guide all employees on the "tone at the top" and to promote an ethical culture and practices towards establishing high standards of behaviour and integrity in the conduct of the Group's businesses and activities.

Anti-Money Laundering Policy

The Company has established Anti-Money Laundering Policy as a general guide to combat money laundering and terrorist financing activities as embodied under the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 ("AMLATFA").

Anti-Bribery and Corruption Policy

In addressing the corporate liability provisions as set out under Section 17A of the Malaysian Anti-Corruption Commission Act 2009, the Company has adopted Anti-Bribery and Corruption Policy ("ABC Policy") as a defence against the corporate liability provisions and to prevent corrupt practices and promote the highest standard of integrity and work ethics in the conduct of its business and operations. The ABC Policy provides guidance and information to all employees on the Company's anti-bribery anti-corruption stand and set out methods of dealing under various circumstances.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTD.)

I. Board Responsibilities (Contd.)

Whistle Blowing Policy

Pappajack's Whistle Blowing Policy is designed to allow whistle-blower to raise genuine concerns or disclose any improper conduct related to financial reporting, compliance and business practices, and to provide protection to the whistle-blower against reprisal when making such disclosure. The Whistle Blowing Policy has been reviewed by the Board and is made available at the Company's website at www.pappajack.com.my.

Governing Sustainability

The Board is committed to ensure the Group stays abreast with and understand the sustainability challenges affecting its business operations. The Board is committed and mindful to operate in a sustainable manner in order to generate economic value to its stakeholders and add value to society.

Detailed description of the Company's stakeholder groups, engagements and targets in relation to the sustainability challenges are as set out in the Company's Sustainability Statement in this Annual Report.

II. Board Composition

Board Balance

The Board has six members, comprising an Independent Non-Executive Chairman, 3 Independent Non-Executive Directors ("INEDs") and 2 Executive Directors ("EDs"). The profile of each Director is set in this Annual Report 2021.

The Board believes diverse backgrounds and experience of Board composition provides an appropriate balance in terms of skills, qualifications, knowledge and expertise for effective stewardship and management of the Board. The Board through the Nomination Committee will review the Board's size and composition on an annual basis to determine if the Board has sufficient diversity and independence, and is at the appropriate size to drive the Company's decision-making process towards meeting its corporate objectives and strategic goals. During the financial year, the Board maintained at least 30% women directors on the Board in line with the Practice 5.9 as set out in MCCG 2021.

Board Independence

Currently, the Board has four (4) Independent Directors, representing two-thirds of the Board. The Board is mindful of the importance of independence and objectivity in its decision-making process which is in line with good corporate governance, and therefore has established a strong element of independence on the Board.

The Board is aware that the recommended tenure of an Independent Director should not exceed a cumulative term of nine (9) years as recommended by MCCG 2021 and that an Independent Director may only continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of the nine (9) years tenure. In line with the above, the tenure of an INED have been clearly set out in the Board Charter. An Independent Non-Executive Director may be retained as an Independent Director after a cumulative term of nine (9) years, subject to the Board justifying its decision and seek shareholder's approvals upon recommendation of the Nomination Committee.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTD.)

II. Board Composition (Contd.)

Board Committees

Whilst the Board retains full responsibility for leading and directing the Company and the Group, the Board in discharging its responsibilities has established the following Board Committees to assist the Board in undertaking some of its functions:

- Audit Committee ("AC");
- Nomination Committee ("NC");
- Remuneration Committee ("RC"); and
- Risk Management Committee ("RMC")

Each Board Committee functions in accordance with its written terms of reference that is approved by the Board. On a periodic basis, the Board reviews the terms of reference of the Board Committees. The terms of office and performance of the AC is reviewed on annual basis by the NC. The Board approves the appointments of the members and the Chairman of each Committee.

Board's Commitment

The Board endeavours to meet at quarterly intervals with meetings scheduled well in advanced for each financial year so as to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened where necessary to deal with any urgent or important matters that require the attention of the Board. All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries

The Board was formed on 03 May 2021 and the attendance record of Directors' at Board meetings during FY2021 is set out below:

Name of Directors	Designation	Board Meeting
Chong Chee Fire	Independent Chairman	2/2
Dato' Magaret Ting Thien Hung	Independent Director	2/2
Lim Boon Hua	Managing Director	2/2
Law Book Ching	Executive Director	2/2
Koo Woon Kan	Independent Director	2/2
Cheong Woon Yaw	Independent Director	1/1

The Board Charter provides that directors are to notify the Chairman with indication of time that will be spent on new appointment before acceptance of new directorship even though the Listing Requirements allows a director to sit on the board of five (5) listed issuers.

In supporting Directors' active participation in Board deliberations, Directors have access to continuing education programmes or trainings facilitated by third party experts in order to update their knowledge and enhance their skills and to keep themselves updated on market and regulatory developments that may impact the Group.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTD.)

II. Board Composition (Contd.)

Board's Commitment

During the FY2021, members of the Board have participated in the Awareness Training on Corporate Liability (Section 17A of MACC Act 2009), AMLA 2001 and have attended the Mandatory Accreditation Program, Institute of Corporate Directors Malaysia subsequent to FY2021 so as to equip themselves for the effective discharge of their duties and responsibilities.

Board Diversity

The Company endeavours to have a balanced representation by taking into consideration the required mix of skills, age, gender, ethnicity, backgrounds and experiences represented amongst its Directors, officers and staff so as to facilitate robust decision-making processes.

Although the Group has yet to adopt a diversity policy, the Board has already promoted gender diversity at the Board and at the workforce level where women representation constituted at least 30% and 70% respectively. The gender diversity at the Board level is in line with Practice 5.9 of the MCCG 2021.

Re-election to the Board

In accordance with the Company's Constitution, all the Directors shall retire at least once in every three (3) years and the retiring Director shall be eligible for re-election at the AGM of the Company.

III. Remuneration

Remuneration Committee

The RC consists exclusively of INEDs, assists the Board on matters relating to the determination, implementation, review and revision of remuneration policies and procedures for Directors and Senior Management personnel with a view to ensure that the Company is able to attract and retain talent at the Board and Senior Management levels.

The Company aims to set remuneration at levels which are sufficient to attract and retain directors and senior management needed to run the Company successfully, taking into consideration all relevant factors including demands, complexities and performance of the Company as well as skills and experience required. Details of the directors and senior management's remuneration (in bands of RM50,000) for FY2021 are disclosed in the Company's Corporate Governance Report.

Although the Board has yet to adopt formal remuneration policies and procedures, the Group has been providing competitive remuneration to retain talent in accordance with the roles and responsibilities undertaken as well as the job performances delivered.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

The prescribed Practices as set out under Principle B: Effective Audit and Risk Management of MCCG 2021 have been applied by the Company, with the exception of the following:

- Practice 9.3 – Against the backdrop of the Company's recent listing on the ACE Market of Bursa Securities on 1 April 2022, the AC has yet to formalise the Company's policies and procedures to assess and evaluate the suitability, objectivity and independence of the external auditors. Notwithstanding, the Board has undertaken informal evaluation of the external auditors.

The Board is satisfied that an objective and effective audit function, risk management and internal controls are in place in line with the demands of a good and robust corporate governance practices

I. Audit Committee

The Board has established an AC in year 2021 to assist and support the Board in fulfilling its statutory and fiduciary responsibilities relating to areas of financial reporting, the Group's system of risk management and internal controls, external and internal audit functions, review of related party transaction, governance and matters that impact the affairs of the Group's and Company's businesses and financial conditions.

The AC is chaired by Madam Koo Woon Kan who is an INED and is not the Chairman of the Board. Members of the AC are INEDs. The authority and responsibilities of the AC are set out in its Terms of Reference ("TOR"). The AC has direct access to the Management as well as the internal and external auditors, and are required to attend AC meetings on invitation. The authority, duties and responsibilities of the AC and the summary of work carried out to discharge its duties for FY2021 are detailed in the Report of the AC in this Annual Report 2021.

Prior to its listing on the ACE Market of Bursa Malaysia, the AC has already adopted in its terms of reference that a former key audit partner is required to observe a cooling-off period of at least two years before being appointed as a member of the AC. In view of the Company's listing status, the AC shall extend the cooling-off period to at least three and shall put in place formal procedures to assess the suitability, objectivity and independence of the external auditors as an extension to the terms of reference of the AC.

II. Risk Management and Internal Control

The Board affirms its responsibilities over the Group's system of risk management and internal control and acknowledges that such system is an integral part of effective management practice. To this end, the Board confirms that the Group has implemented an ongoing process of identifying, evaluating, monitoring and managing the significant risks faced by the Company and the Group under its risk management and internal control framework. Details of the Group's risk management and internal control framework are set out in the Statement on Risk Management and Internal Control in the Annual Report

The Board has delegated the review on the adequacy and effectiveness of the Group's risk management and internal control framework to the AC and the RMC.

The RMC comprising 3 members, all of whom are INEDs. The roles and responsibilities of RMC are set out in its TOR. The primarily responsibility of RMC is to assist the Board in overseeing the effectiveness of the Group's risk management framework, to ensure the implementation of the Group's risk management policy and processes, and to oversee the process that the Company and the Group employs in identifying, assessing, monitoring and managing risks highlighted by the business units, particularly significant risks of the businesses.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Due to the Company's listing on the ACE Market on 1 April 2022, the Company has yet to hold its first Annual General Meeting ("AGM") since listing. In view of this, the Company has scheduled to hold its AGM in June 2022 and endeavours to apply Practice 13.1, 13.2, 13.3, 13.4 and 13.5 of MCCG 2021 where appropriate.

Notwithstanding the above, the Board is satisfied that the communication applied by the Company with its shareholders and other stakeholders is transparent and able to facilitate proper understanding on the Company's objectives and expectations.

I. Engagement with Stakeholders

The Board believes in the importance of maintaining transparency and accountability to the shareholders of the Group and in promoting regular and effective communication with all shareholders and stakeholders. To this end, the Company has maintained proper and appropriate disclosures through the release of its prospectus for its listing on the ACE Market of Bursa Securities on 11 March 2022 and the relevant announcement and disclosure of material information on Bursa Securities and its website.

The Company has established a dedicated section for corporate disclosure on the Company's website (www.pappajack.com.my) where information on the Company and the Group including announcements, financial information, corporate governance, corporate policies, annual report, corporate information, etc may be accessed. The said website contains all announcements made to Bursa Securities as well as the contact details to address any queries.

II. Conduct of General Meetings

The Board recognises general meeting is an ideal opportunity to communicate with shareholders and other stakeholders. The Board understand its roles and responsibilities with regards to the AGM and is aware that AGM serves as a forum for the Company to engage with its shareholders and to facilitate two-way communication between shareholders and the Board.

As the Company is listed on the ACE Market of Bursa Securities on 1 April 2022, the Company has yet to hold its first AGM since listing. In view of this, the Company has scheduled to hold its AGM in June 2022. Moreover, the Company is currently in the midst of evaluating the use of technology for the meeting and to facilitate electronic voting for the conduct of poll on resolutions.

WAY FORWARD

The Board is committed to drive and strengthen its governance practices and processes in identified key focus areas in across the Company and the Group as part of its way forward strategies in enhancing shareholder value. The key focus areas that have been identified include formalisation of remuneration policies, board diversity policy, external auditors' evaluation process and corporate communication and disclosure.

The Board is cognisant of the importance of good corporate governance culture and in this regard, strives to ensure attention is paid to Practices that have yet to be adopted by the Company so as to ensure that the Intended Outcomes of MCCG 2021 are achieved, after taking into consideration the business environment, culture and needs of Pappajack. Whilst there is departure by the Company from certain Practices advocated by MCCG 2021, the Board is satisfied that the corporate governance processes and practices of the Company is in line with the Intended Outcome of MCCG 2021. Hence, the Board is of the view that the Company has, in all material aspects, satisfactorily applied the Practices that support the Principles set out in MCCG 2021.

This Corporate Governance Overview Statement has been approved by the Board of Directors on 18 April 2022.

AUDIT COMMITTEE REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Board of Director ("the Board") of Pappajack Berhad ("Pappajack" or "the Company") is pleased to present the Report of the Audit Committee ("the AC Report") for the financial year ended 31 December 2021 ("FY2021"). The AC Report provides insights into the manner the Audit Committee ("AC" or "the Committee") discharged its duties and responsibilities in accordance with its Terms of Reference ("TOR") for FY2021.

The AC was established to assist the Board in fulfilling its oversight responsibilities, specifically in the areas of financial reporting, corporate governance, risk management, internal control and financial reporting of Pappajack and its subsidiary combined entities companies ("Pappajack Group" or "the Group"), as well as other areas of responsibilities that may be promulgated by the ACE Market Listing Requirements ("AMLR") and the Malaysian Code on Corporate Governance 2021 ("MCCG" 2021) from time to time. The duties, responsibilities and authority of the AC are set out in its terms of reference which has been approved by the Board.

COMPOSITION & MEETING

Members of the AC are appointed from amongst the Board. The AC comprising three (3) members, all of whom are Independent Non-Executive Directors ("INEDs"), complies with the requirements of AMLR. Composition of the AC and the meeting attendance of each member for FY 2021 are provided as below:

Name	Designation	Meeting Attendance
Ms Koo Woon Kan	Chairman	1/1
Dato' Magaret Ting Thien Hung	Member	1/1
Mr Cheong Woon Yaw	Member	1/1

Chairman of the AC is a charted accountant and is a member of Association of Chartered Certified Accountants ("ACCA") and the Malaysian Institute of Accountants ("MIA"). Profiles of the AC members are set out in Directors' Profile Section of this Annual Report.

Notice pertaining to AC meeting and relevant meeting papers are distributed in advance to each AC member so as to ensure they are able to discharge their duties and responsibilities effectively. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting are independent. All decisions at AC meeting shall be decided on a show of hands on a majority of votes

The Company Secretary shall be the Secretary of the AC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting. The Company Secretary shall also be responsible for keeping the minutes of AC meetings and for circulating them to the AC members after the conclusion of each AC meeting.

The Committee may call for a meeting as and when required with reasonable notice as the AC members deem fit. AC members may participate in a meeting by means of tele-conference video-conference, videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting

The Managing Director, Executive Director, Chief Operating Officer ("COO") and Chief Financial Officer ("CFO") are invited to AC meetings to facilitate direct reporting by Executive Management and to enable the provision of updates on the Group's operations, activities and financial performances. Representatives of the internal audit function, external auditors and relevant members of management are invited to attend the AC meetings, where appropriate, to brief the AC on the findings and results of their work.

SUMMARY OF ACTIVITIES CARRIED BY AUDIT COMMITTEE

The AC reports regularly to the Board on its activities, deliberations and recommendations in discharging its duties and responsibilities. The following are activities undertaken by the AC during FYE2021:

1. **Financial Reporting**

    - Reviewed the quarterly and annual unaudited financial statements of the Company and the Group together with the accompanying notes relating thereto, before recommending to the Board for approval and release to Bursa Securities and the public;

    - Assessed the significant accounting policies proposed by the Company and the Group and ensure compliance with generally accepted accounting standards and other regulatory requirements prior to recommending the adoption to the Board for approval;

    - Evaluated the disclosure of related party transactions and, any conflict-of-interest situation and transactions which may have an impact on financial reporting and management's integrity; and

    - Reported to and updated the Board on significant matters discussed during the AC's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board members.

2. **External Audit**

    - Reviewed the external auditors' audit planning memorandum, which outlined the audit scope, areas of audit emphasis and the auditors' independence, for the financial year ending 31 December 2021.

3. **Risk Management and Internal Control**

    - Assess and approved the policies and guidelines for managing risk within the Group as well as for determining the risk appetite and tolerance of the Group;

    - Reviewed the risk assessment results to ascertain the significant risks of the Group and ensure implementation of appropriate risk management processes that can effectively identify, analyse, evaluate, monitor, and mitigate the significant risks impacting the Group;

    - Reviewed and discussed Internal Audit Plan presented by Internal Auditors and recommended the same for the Board's approval; and

    - Reviewed the adequacy and effectiveness of governance, risk management and compliance processes.

4. **Other Activities**

    - Conducted private sessions with the external auditors and the internal audit function without the presence of Executive Management in conjunction with AC meetings;

    - Reviewed the Anti-Bribery and Corruption Policy and Whistleblowing Policy; and

    - Reviewed other significant matters that relates the Company and the Group before recommending the proposed action to the Board for decision or approval.

AUDIT COMMITTEE REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

INTERNAL AUDIT FUNCTION

Subsequent to the FYE2021, Pappajack has outsourced its internal audit function to a professional services firm, namely Resolve IR Sdn Bhd ("Resolve IR"), to assist the AC in undertaking systematic and independent assessment on the adequacy, efficiency and effectiveness of the Group's system of risk management and internal control

Resolve IR is a corporate member of the Institute of Internal Auditors, Malaysia and it is adequately resourced with 18 personnel having the appropriate qualification and experience. The outsourced internal audit function is free from any relationship or conflict of interest that could impair its objectivity and independence. The outsourced internal audit function reports directly to the Audit Committee of Pappajack and administratively reports to the Chief Financial Officer of the Group.

The outsourced internal audit function is guided by the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors. The scope of internal audit reviews for year 2022 has been identified on a risk based approach and detailed areas of audit have been set out in the internal audit plan that has been reviewed and approved by the AC.

Approved internal audit visits have been scheduled for the year 2022 and findings from the internal audit reviews undertaken have been scheduled for discussion with Senior Management prior to its finalisation for reporting. Results of internal audit reviews together with recommendations for improvement and management's responses to the internal audit results shall be presented to the Audit Committee for deliberation at their quarterly meetings.

Resolve IR is led by Mr Choo Seng Choon ("Mr Choo") who is a Certified Internal Audit and a Chartered Member of the Institute of Internal Auditors, Malaysia. He is also a Fellow Member of the Association of Chartered Certified Accountant, United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

INTRODUCTION

The Board of Directors ("the Board") of Pappajack Berhad ("Pappajack" or "the Company") is pleased to set out below Pappajack's Statement on Risk Management and Internal Control ("this Statement") for the financial year ended 31 December 2021. This Statement outlines the scope and nature of risk management and internal control of Pappajack and its subsidiary combined entities companies ("Pappajack Group" or "the Group") for the financial year under review and up to the date of approval of this Statement for inclusion in this annual report.

This Statement is prepared pursuant to Rule 15.26(b) of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires listed issuers to provide a statement about their state of risk management and internal control as a Group in their annual reports. For purposes of providing appropriate and pertinent disclosures, this Statement takes into account the Malaysian Code on Corporate Governance 2021 ("MCCG2021") and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("SORMIC Guidelines").

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining sound system of risk management and internal control within the Group in order to safeguard shareholders' investments and the Group's assets. Whilst the Board has overall responsibility for the Group's system of risk management and internal control, it has delegated the implementation of this system to Management, who regularly reports on the management of risks affecting the Group in respect of operations, strategy, financial, human resources, governance and compliances.

In discharging the Board's stewardship responsibilities, the Board has set out its risk appetite, embeds risk management in material aspects of the Group's processes and activities, and is dedicated to continuously review the system of risk management and internal control with a view to ensure its adequacy and effectiveness to facilitate the management of risks that may impede the achievement of the Group's business objectives.

Notwithstanding the above, the Board acknowledges that such system has inherent limitations as it is designed to manage, rather than eliminate the risks that impedes the achievement of the Group's business objectives. Therefore, such system can only provide reasonable and not absolute assurance against material misstatement, loss or contingencies.

RISK MANAGEMENT FRAMEWORK

The Group's business strategies and activities involve risk taking and risk mitigation. With the increasingly dynamic and complex business environment, proactive management of the overall business risks is a prerequisite in ensuring that the Group achieves its strategic objectives. The Board believes that risk management is essential for continued profitability and protection of shareholders' value. In line with these, the Board is committed to plan and execute activities that ensure risks inherent in its business are identified and effectively managed.

Risk management is regarded an integral part of the Group's philosophy and business practices, and not in isolation. The management of risks is aimed at achieving the appropriate balance between realising opportunities for gains while avoiding or minimising losses to the Group. Consequently, the Group has adopted an Enterprise Risk Management ("ERM") framework and put in place processes to facilitate the identification, evaluation, management and monitoring risks in order to enhance the Group's risk management effectiveness and to cultivate a risk awareness culture.

The ERM framework adopted by the Group set out the risk management governance, guidelines, processes and control responsibilities. The framework is a prerequisite in ensuring that risk management is able to facilitate the achievement of business objectives, safeguard business assets as well as create financial sustainability.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

RISK MANAGEMENT FRAMEWORK (CONTD.)

The ERM framework adopted aims to:

- Provide fundamentals and principles of risk and risk management that are to be applied in all situations and throughout all facets of the Group;
- Allow the Group to proactively manage its risks in a systematic and structured manner and to continually refine and reduce its risk exposures;
- Set out the process for identifying, assessing, responding, monitoring and reporting of risks and controls;
- Ensure appropriate strategies are in place to mitigate risks and maximize opportunities;
- Embed the risk management process and ensure it is an integral part of the Group's processes at the strategic and operational level;
- Facilitate the creation of a risk awareness culture at the group, entity, strategic and operational levels; and
- Give comfort and credibility on the risk management process and usher management towards the treatment, monitoring, reporting and review of key risks as well as to consider new and emerging risks on an ongoing basis.

The ERM framework adopted by the Group, which is in line with the standards on risk management as promulgated by Australian ISO 31000:2018 Risk Management – Principles and Guidelines, set out the following elements:

Under Pappajack's ERM framework, the Board is responsible to set the strategic direction for risk management, including roles and responsibilities relating to risk management as well as risk reporting structures and protocols of the Group. The Board's risk oversight role is assisted by the Risk Management Committee ("RMC"), inter-alia determining the Group's risk appetite and tolerance, monitoring the implementation of risk management policies, reviewing risk management structures, frameworks and practices, ascertaining the risk exposures of the Group and ensuring adequate infrastructure and resources are in place for effective risk management.

Key risks that the Group is exposed to which may have a material impact on the Group's operations, financial condition and liquidity can be generally grouped into economic conditions, regulatory compliance, reliance on key personnel, gold price volatility and COVID-19 pandemic.

RISK MANAGEMENT FRAMEWORK (CONTD.)

Details of the Group's key risks are as follows:

Unlawful and Suspicious Pawn Transactions and Transactions of Stolen Gold or Luxury Watches

There is no assurance that the measures taken for prevention of unlawful dealings can fully eliminate transactions of stolen gold or luxury watches in Pappajack's pawnbroking outlets in the event pawnbroking services are being used as medium for money laundering or terrorists financing purposes. Pledges of the Group may be confiscated by the police if transactions of stolen gold or luxury watches are identified or detected.

Regulatory Requirements for Pawnbroking Business

The Group's business operations are governed under the regulations of the Pawnbrokers Act 1972, which comes under the jurisdiction of Kementerian Perumahan dan Kerajaan Tempatan ("KPKT") or the Ministry of Housing and Local Government of Malaysia. Any changes in legislation, regulations and/or policies imposed by KPKT may restrict the Group's operations or lead to higher operating costs. In the event that such increase in operating costs cannot be passed down to customers, the Group will have to absorb such incremental cost and this may adversely affect the Group's business operations and profitability.

Reliance on Cash Capital to Grow Business Operations

The Group is relying on internally generated funds to finance its capital for the provision of pawn loans to customers. Internally generated funds are used to fund all operating costs and expenses and the issuance of new pawn loans. In the event the Group is unable to obtain and maintain adequate cash capital, the Group's business operations may be affected as the Group may be forced to reduce pawn financing to customers.

Liquidity Risk

The Group's pawnbroking business is exposed to liquidity risk in circumstances where the Group receives increased demand for new pawn loans from customers. Decrease in pawn loan repayment from customers as well as delay in the sale of unredeemed or bid pledges to scrap collectors or watch purchasers may aggressively deplete the Group's internally generated funds and subsequently impact its ability in maintaining sufficient liquidity and funds to meet daily cash requirements. Furthermore, the Group may have a mismatch in timing for the generation of sufficient cash flow through the repayment of pawn loans from customers and the sale of unredeemed or bid pledges to repay bank borrowings.

Dependent on Skilled, Reliable and Trustworthy Outlet Personnel for the Provision of Pawnbroking Services

Extensive knowledge and experience in personnel providing pawnbroking services is a key factor for the continuous growth and success of the Group's pawnbroking business. In addition, the Group's ability to provide quality customer service is largely dependent on the performance of its human capital. In the event the Group's personnel not able to execute their responsibilities satisfactorily or the Group is unable to retain or replace the loss of experienced personnel, customer satisfaction levels may decline causing the Group's businesses to be adversely affected.

Moreover, personnel with insufficient experience may lead to the Group in accepting counterfeit pledges or pledges with low gold purity. Such losses arising from counterfeit pledges or pledges with low gold purity are not covered under the Group's jeweler's block insurance policy and therefore will be a cost to the Group subsequently.

RISK MANAGEMENT FRAMEWORK (CONTD.)

Pledge Value is susceptible to Gold Price Volatility

Pledge value is influenced by gold price volatility as the Group offers pawn loans to customers based on the prevailing market value of gold article pledged, after factoring a loan margin. Gold prices will be volatile due to various factors, amongst others, interest rates, fluctuation in US Dollar, global or reginal economic or political circumstances, market speculations as well as market supply and demand of gold. The Group's pawnbroking business may be affected as customers may not redeemed the pledges made in the event that gold prices experience sudden and/or prolonged depression or decline.

Reliance on Key Personnel for Continues Success and Future Growth of Business

The Group is largely dependent on the contributions and involvement of key personnel including the Managing Director/Chief Executive Officer as well as key management personnel in the Group's business operations.

Continuous success and future growth of the Group depends on the capabilities and continuing efforts of key personnel. Therefore, any loss of key personnel may adversely impact the Group's business operations, financial performance and future growth, especially if without suitable successors and appropriate succession plans.

COVID-19 Pandemic May Affect Business Operations

The Group's business operations have been impacted by precautionary measures imposed by the Government due to the COVID-19 pandemic. The Group's pawnbroking outlets may be forced to close if the government imposes mandatory lockdown, which may lead to customers unable to undertake pawn transactions and/or redeem their pledges.

In addition, during the COVID-19 pandemic outlet personnel may be infected by COVID-19 and hence, operations of the affected pawnbroking outlet may disrupted as outlet personnel may be required to undergo quarantine.

INTERNAL CONTROL SYSTEM

The Board firmly believes in having a sound internal control system that is designed to manage and mitigate risks that may hinder the Group from achieving its business objectives. The Board firmly believes that regular review of the Group's system of internal control is essential towards maintaining a robust and effective internal control system. In this regard, the Board has delegated such responsibility to the AC and require the AC to ensure the Group maintains such system of internal control that promotes corporate governance, operational agility as well as ensure continuous compliance with applicable laws and regulatory requirements.

Key elements and features of the Group's system of internal control are set out as below:

Control Environment

1. The Board is supported by several committees to oversee the various aspects of governance, namely the Audit Committee, Nomination Committee, Risk Management Committee and Remuneration Committee. Each committee has a defined terms of reference ("TOR") outlining their functions and duties as delegated by the Board.

2. The Group has developed a clear organization structure to define line of responsibility and delegated authority. The day-to-day operations of business is entrusted to the Executive Directors and Senior Management. The Brach Manager are empowered with the responsibility of managing their respective outlet's operations.

INTERNAL CONTROL SYSTEM (CONTD.)

Control Environment (Contd.)

3. Internal operating policies and procedures are documented and formally set out. They are being reviewed and revised periodically to meet changes in the business and operating environment as well as to comply with statutory and regulatory requirements.

4. Business Ethics Policy has been set out to ensure that all personnel adhere to the Group's commitment when dealing with third parties and maintain high standards of integrity and ethics.

5. Performance reports such as financial, non-financial and corporate reports are regularly provided to the Board and Senior Management for their discussion and deliberations.

6. Regular meetings are held by the respective management team to discuss, deliberate and resolve matters relating to business development, operations, corporate, compliance and other administrative matters arising.

7. Direct involvement of Executive Directors in the running of key business entity as well as key business and operational areas of the Group.

8. Employee handbook outlines the Group's employment policies, benefits, code of ethics, entitlements, guidelines as well as responsibilities of employees.

9. Code of Conduct has been established to ensure all employees adopt practices in line with good corporate governance and observe high standards of integrity and ethics in daily business activities.

10. Succession planning for key management positions of the Group has been in place to ensure that business operations and performance will not be adversely affected by the departure of any key personnel.

11. Anti-Fraud Whistleblowing Policy that allows genuine concern on any improper conduct or action or conduct within the Group to be reported using private and confidential channels is in place.

12. The Group has adopted an Anti-Bribery and Corruption Policy that promulgate zero tolerance against all forms of bribery and corruption and commits the Group to conducting a corruption risk assessment annually to identify areas vulnerable to bribery and corruption. Such policy is in line with Malaysian Anti-Corruption Commission Act 2009.

13. The Anti-Money Laundering Policy has been adopted as a guideline to combat against money laundering and terrorist financing activities due to the Group's business that may be expose to the risk of unlawful, suspicious and unwarranted pawn transaction. Such policy has set out the required due diligence procedures to be conducted prior to any engagement of pawn transaction.

14. Policies and procedures on disaster recovery and data recovery have been in place to facilitate business continuity and to ensure safety of employees have been in place.

Information and Communication

1. Relevant and quality information are disseminated among members of the Board, Board Committees and Senior Management in accordance with established reporting lines across the Group in maintaining transparency and to facilitate appropriate deliberation and decision making.

2. Necessary communication with external parties (i.e. shareholders, auditor and etc.) regarding matters affecting the Group are undertaken by the relevant personnel and department across the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

INTERNAL CONTROL SYSTEM (CONTD.)

Monitoring Activities

1. Management of the Group and the respective outlet engages in monthly meetings to discuss, deliberate, review and decide on matters affecting operations, business development and performance of the Group and outlets within the Group, including future direction of businesses and to resolve business and operational issues.

2. The Board Committees and Senior Management undertake regular review of the Group's performances and operations as part of its regular monitoring over the affairs of the Group and its operating outlets.

ASSURANCE PROVIDED BY THE GROUP SENIOR MANAGEMENT

The Group's Senior Management monitors the Group's system of risk management and internal control and provided assurances to the Board, in accordance to the best of their knowledge, that the Group's system of risk management and internal control are operating adequately and effectively in all material aspects.

INTERNAL AUDIT FUNCTION

Subsequent to financial year under review, the Group has outsourced its internal audit function to an independent professional service firm to assist the Audit Committee ("AC") in undertaking regular reviews on the key risk areas and business processes of the Group with the intent of assessing the adequacy and effectiveness of the Group's system of internal control and to enhance its efficacy and coverage where appropriate.

The scope of work of the outsourced internal audit function has been set out in the internal audit plan that has been approved by the AC. Results of internal audit reviews conducted together with recommendations for improvements and Management's commitment to resolution are required to be reported to the AC for their attention on a quarterly basis.

The outsourced internal audit function reports directly to the AC of Pappajack and administratively reports to the Chief Financial Officer of the Group. The internal audit function is free from any relationship or conflict of interest that could impair its objectivity and independence.

REVIEW OF THE STATEMENTS BY EXTERNAL AUDITOR

Pursuant to Chapter 15.23 of the AMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control included in this annual report. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the processes that the Board has adopted in the review on adequacy and effectiveness of the Group's risk management and internal control system.

CONCLUSION

The Board is of the opinion that for financial year ended 31 December 2021 the Group's system of risk management and internal controls are operating adequately and effectively in all material aspects. In line with this, the Board endeavour to continually undertake appropriate reviews of the Group's system of risk management and internal control system to ensure the that the relevant assurances are obtained to enable the Board to reinforce or enhance such system in order to continually protect the interest of relevant stakeholders and to preserve the Group's investments and assets.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO")

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.

Our 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.

The utilisation of the proceeds as disclosed below should be read in conjunction with the Prospectus of the Company. As at the date of this statement, the utilisation of gross proceeds from the IPO, amounting to RM50.10 million, is outlined as follows:

	Description of Utilisation	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Unutilised Amount (RM'000)	Estimated Timeframe for Utilisation Upon Listing (RM'000)
(i)	Expansion of pawnbroking outlets	19,220	–	19,220	Within 12 months
(ii)	Cash Capital for our existing 20 pawnbroking outlets	27,080	–	27,080	Within 12 months
(iii)	Estimated listing expenses	3,800	3,800	–	Immediate
		50,100	**3,800**	**46,300**	

2. AUDIT FEE AND NON-AUDIT FEE

The amount of audit and non-audit fee paid/payable to the external auditors by the Group and the Company for the FYE 2021 are disclosed in Note 19 to the Financial Statements set out on page 108 of this Annual Report.

3. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

The Company and its subsidiaries combined entities have not entered any material contracts (not being contracts entered into the ordinary course of business) involving the interest of the Directors and major shareholders, either still subsisting at the end of the FYE 2021 and entered since the end of previous financial year.

ADDITIONAL COMPLIANCE INFORMATION
(CONT'D)

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

Details of the RRPTs occurred during the FYE 2021 are disclosed in Note 25 to the Financial Statements set out on page 120 of this Annual Report.

5. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company does not have any ESOS.

PAPPAJACK BERHAD

Registration No. 202001042414 (1398735-V)
(Incorporated in Malaysia under the Companies Act 2016)

Financial Statements

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of its combined entities are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit/(loss) for the financial year, net of tax	6,770,935	(105,266)
Attributable to:		
Owners of the Company	6,786,389	(105,266)
Non-controlling interests	(15,454)	–
	6,770,935	(105,266)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year/period.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2021.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Lim Boon Hua*	
Law Book Ching*	
Chong Chee Fire	(Appointed on 3 May 2021)
Koo Woon Kan	(Appointed on 3 May 2021)
Dato' Magaret Ting Thien Hung	(Appointed on 3 May 2021)
Cheong Woon Yaw	(Appointed on 27 December 2021)

* Directors of the Company and certain combined entities

Other than as stated above, the names of the directors of the combined entities in office during the financial year and during the period from the end of the financial year to the date of this report are:

Chew Leng Chow
Chin Sook Fong
Choo Ai Khuan
Kelvin Eng Si Jie
Lau Nian Choon
Law Book Ching
Lee Kha Yee
Lee Kooi Lan
Lee Kun Way
Lim Boon Keong
Lim Chee Hsiung
Lim Siew Fang
Ng Cheng Lam
Ng Shyh Chyuh
Ong Tian Yang
See Swee Choy
Soo Jon Teng
Tan Chai Heng
Tan Hui Koon
Wong Pui Yin

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia. The interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interest in the Company

	Number of ordinary shares			
	At 1 January 2021	**Bought**	**Sold**	**At 31 December 2021**
Direct interests:				
Lim Boon Hua	1	–	–	1

Other than as stated above, none of the directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 20 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.
Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there was no indemnity coverage and insurance premium paid for the directors and officers of the Company.

COMBINED ENTITIES

The details of the combined entities are disclosed in Note 7 to the financial statements.

The available auditors' report on the accounts of the combined entities did not contain any qualification.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 27 to the financial statements.

DIRECTORS' REPORT
(CONT'D)

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 28 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 19 to the financial statements.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

LIM BOON HUA
Director

LAW BOOK CHING
Director

Date: 18 April 2022

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	9,718,004	9,156,028	–	–
Investment properties	6	1,328,268	1,347,801	–	–
Total non-current assets		11,046,272	10,503,829	–	–
Current assets					
Inventories	8	4,879,581	873,221	–	–
Current tax assets		721,303	23,785	–	–
Trade and other receivables	9	101,687,421	101,419,661	174,727	–
Cash and bank balances	10	16,574,473	15,657,603	1,001	1
Total current assets		123,862,778	117,974,270	175,728	1
TOTAL ASSETS		134,909,050	128,478,099	175,728	1
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Invested equity/share capital	11	106,940,234	106,940,234	1	1
Reorganisation deficit	12	(10,437,376)	(10,437,376)	–	–
Retained earnings/(accumulated losses)		18,297,428	11,511,039	(112,266)	(7,000)
		114,800,286	108,013,897	(112,265)	(6,999)
Non-controlling interest		760,423	775,877	–	–
TOTAL EQUITY		115,560,709	108,789,774	(112,265)	(6,999)
Non-current liabilities					
Loans and borrowings	13	4,861,332	4,732,143	–	–
Deferred tax liabilities	14	52,561	46,572	–	–
Other payables	15	6,000,000	12,000,000	–	–
Total non-current liabilities		10,913,893	16,778,715	–	–
Current liabilities					
Loans and borrowings	13	1,200,175	1,000,379	–	–
Current tax liabilities		274,500	1,150,598	44,799	–
Other payables	15	6,959,773	758,633	243,194	7,000
Total current liabilities		8,434,448	2,909,610	287,993	7,000
TOTAL LIABILITIES		19,348,341	19,688,325	287,993	7,000
TOTAL EQUITY AND LIABILITIES		134,909,050	128,478,099	175,728	1

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	22.12.2020 (Date of incorporation) to 31.12.2020 RM
Revenue	16	54,124,935	30,768,968	–	–
Cost of sales		(39,775,046)	(16,951,275)	–	–
Gross profit		14,349,889	13,817,693	–	–
Other income	17	123,462	365,901	186,664	–
Administrative expenses		(3,721,922)	(2,329,299)	(247,131)	(7,000)
Operating profit/(loss)		10,751,429	11,854,295	(60,467)	(7,000)
Finance costs	18	(543,266)	(743,921)	–	–
Profit/(loss) before tax	19	10,208,163	11,110,374	(60,467)	(7,000)
Income tax expense	21	(3,437,228)	(2,906,417)	(44,799)	–
Profit/(loss) for the financial year/period, representing total comprehensive income/(loss) for the financial year/period		6,770,935	8,203,957	(105,266)	(7,000)
Profit/(loss) attributable to:					
Owners of the Company		6,786,389	8,208,080	(105,266)	(7,000)
Non-controling interest		(15,454)	(4,123)	–	–
		6,770,935	8,203,957	(105,266)	(7,000)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		6,786,389	8,208,080	(105,266)	(7,000)
Non-controling interest		(15,454)	(4,123)	–	–
		6,770,935	8,203,957	(105,266)	(7,000)
Earnings per share (sen)					
- Basic and diluted	22	6.57	7.95		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Attributable to owners of the Company			Sub-total RM	Non-controlling interest RM	Total equity RM
		Invested equity RM	Reorganisation deficit RM	Retained earnings RM			
Group							
At 1 January 2020		61,200,000	–	3,488,959	64,688,959	–	64,688,959
Total comprehensive income/ (loss) for the financial year							
Profit/(loss) for the financial year		–	–	8,208,080	8,208,080	(4,123)	8,203,957
Transactions with owners							
Issuance of ordinary shares	11	102,940,234	–	–	102,940,234	780,000	103,720,234
Reorganisation deficit	12	(57,200,000)	(10,437,376)	–	(67,637,376)	–	(67,637,376)
Dividend paid on shares	23	–	–	(186,000)	(186,000)	–	(186,000)
At 31 December 2020		106,940,234	(10,437,376)	11,511,039	108,013,897	775,877	108,789,774
Total comprehensive income/ (loss) for the financial year							
Profit/(loss) for the financial year		–	–	6,786,389	6,786,389	(15,454)	6,770,935
At 31 December 2021		106,940,234	(10,437,376)	18,297,428	114,800,286	760,423	115,560,709

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

	Attributable to owners of the Company		
	Share capital RM	**Accumulated losses RM**	**Total equity RM**
Company			
At 22 December 2020	1	–	1
Total comprehensive loss for the financial period			
Loss for the financial period	–	(7,000)	(7,000)
At 31 December 2020	1	(7,000)	(6,999)
Total comprehensive loss for the financial year			
Loss for the financial year	–	(105,266)	(105,266)
At 31 December 2021	1	(112,266)	(112,265)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	22.12.2020 (Date of incorporation) to 31.12.2020 RM
Cash flows from operating activities					
Profit/(loss) before tax		10,208,163	11,110,374	(60,467)	(7,000)
Adjustments for:					
Depreciation of property, plant and equipment		1,988,979	1,514,023	–	–
Depreciation of investment property		19,533	19,533	–	–
Gain on disposal of property, plant and equipment		–	(20)	–	–
Property, plant and equipment written off		15,315	–	–	–
Trade receivables written off		46,472	146,649	–	–
Impairment loss on inventories		520,286	–	–	–
Interest expenses		543,266	743,921	–	–
Interest income		(397)	(8,692)	–	–
Operating profit/(loss) before changes in working capital		13,341,617	13,525,788	(60,467)	(7,000)
Changes in working capital:					
Inventories		(4,526,646)	378,970	–	–
Trade and other receivables		(1,094,232)	(49,124,032)	–	–
Other payables		183,412	186,800	236,194	7,000
Net cash from/(used in) operations		7,904,151	(35,032,474)	175,727	–
Income tax paid		(5,004,855)	(2,222,221)	–	–
Income tax refunded		–	5,850	–	–
Interest received		397	8,692	–	–
Net cash from/(used in) operating activities		2,899,693	(37,240,153)	175,727	–
Cash flows from investing activities					
Purchase of property, plant and equipment	10(i)	(927,357)	(2,288,844)	–	–
Proceeds from disposal of property, plant and equipment		–	1,200	–	–
Net cash used in investing activities		(927,357)	(2,287,644)	–	–

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

	Note	Group 1.1.2021 to 31.12.2021 RM	Group 1.1.2020 to 31.12.2020 RM	Company 1.1.2021 to 31.12.2021 RM	Company 22.12.2020 (Date of incorporation) to 31.12.2020 RM
Cash flows from financing activities	10(ii)				
Proceeds from issuance of ordinary shares		–	36,082,858	–	1
Proceeds from issuance of redeemable preference shares		–	4,190,000	–	–
Redemption of redeemable preference shares		–	(8,315,000)	–	–
Payment of lease liabilities		(1,257,936)	(855,242)	–	–
Repayment of term loan		(51,992)	(8,236)	–	–
Net changes in advance from shareholders		117,728	14,157,776	–	–
Net changes in amount owing by related party		–	–	(174,727)	–
Net changes in amount owing by minority interest		680,000	(780,000)	–	–
Dividend paid		-	(186,000)	–	–
Interest paid		(543,266)	(743,921)	–	–
Net cash (used in)/from financing activities		(1,055,466)	43,542,235	(174,727)	1
Net increase in cash and cash equivalents		916,870	4,014,438	1,000	1
Cash and cash equivalents at the beginning of the financial year/period		15,657,603	11,643,165	1	–
Cash and cash equivalents at the end of the financial year/period	10	16,574,473	15,657,603	1,001	1

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Pappajack Berhad (the "Company") is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad on 1 April 2022. The registered office of the Company is located at No. Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Federal Territory of 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 Darul Ehsan, Malaysia.

The principal activity of the Company is investment holding. The principal activities of its combined entities are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and its combined entities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 April 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 139	Financial Instruments: Recognition and Measurement

* Early adopted the amendment to MFRS 16 *Leases* issued by the Malaysian Accounting Standards Board ("MASB") on 6 April 2021.

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies.

Amendment(s) to MFRS 16 Leases

The Group and the Company have early adopted the amendment(s) to MFRS 16 that was issued on 6 April 2021 that exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications, applying to reduction in lease payments originally due on or before 30 June 2022.

The Group and the Company elected the practical expedient not to assess whether a rent concession received from landlord is a lease modification. The effect of adoption of the above amendment is disclosed in Note 17 to the financial statements as rent concession income.

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 and the Company have not adopted the following new MFRS and amendments/ improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRSs	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operation	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
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#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRSs 2018-2020*
\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

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 and the Company plan 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.

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.

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 Malaysian Accounting Standards Board 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 the 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 is 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.

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 and the Company plan 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.

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 and the Company plan 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 financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's and the Company's functional currency, and has been rounded to the nearest thousand, unless stated otherwise.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial year/period presented in the financial statements of the Group and of the Company.

3.1 Basis of combination

The combined financial statements comprise the financial statements of the Company and its combined entities. The financial statements of the combined entities 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.

(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/period. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Group and the Company 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 and the Company have 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 and the Company 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 and the Company categorise 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise 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 and the Company reclassify financial assets when and only when their its business models for managing those assets change.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their 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. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise 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 statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Upon initial recognition, the Group and the Company 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 and the Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(a) Subsequent measurement (continued)

(ii) Financial liabilities

The Group and the Company classify 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 and the Company have 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 liablities 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.

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 and the Company commit 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 and the Company have 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 and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate 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 and the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company 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 and the Company has retained.

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 and the Company could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(d) Derecognition (continued)

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 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.

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 the Company 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.

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.

	Useful lives (years)
Furniture and fittings	10
Office equipment	5
Computer hardware and softwares	5
Renovation	10
Electrical appliances	10
Signboard	10
Motor vehicle	5

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.

3.4 Leases

(a) Definition of a lease

At inception of a contract, the Group and the Company assess 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 and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

(b) Lessee accounting

At the lease commencement date, the Group and the Company recognise 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 and the Company present right-of-use assets and lease liabilities as separate lines in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leases (continued)

(b) Lessee accounting (continued)

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.

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 and the Company expect 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 and the Company use 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

The Group and the Company remeasure 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 and the Company have 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 and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise 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.

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 and the Company are 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 and the Company apply the exemption described in Note 3.4(a), 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 and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

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 and the Company use 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Inventories

Inventories principally comprise of unredeemed or bid pledges purchased on auction as a result of the Group's and the Company'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.

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 and the Company have received the consideration or have billed the customers.

3.8 Cash and cash equivalents

For the purpose of the statements 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 and the Company measure 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.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider 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 and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company 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 and the Company have 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 and the Company are 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.

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 and the Company assess 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 and the Company determine 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 and the Company'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 and the Company make an estimate of the asset's recoverable amount.

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").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

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/period. 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.

3.10 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company 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 where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are 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 and the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group and the Company reasonably expect that the effects on the 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.

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 Company 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 Company 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.

<u>Financing components</u>

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Company expect 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue and other income (continued)

(a) Pawnbroking – Interest charges

Interest charges from pawnbroking is recognised on 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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/period.

(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.

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.

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 and the Company'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 and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

4.1 Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rate. The Group and the Company use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group and the Company use 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 and the Company use 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 and the Company's historical observed default rates. The Group and the Company 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 and the Company's financial assets are disclosed in Note 24(b).

4.2 Write-down of obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. The economic uncertainties resulting from COVID-19 pandemic may continue to impact the saleability of inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amounts of the Group's inventories are disclosed in Note 8.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Furniture and fittings RM	Office equipment RM	Computer hardware and software RM	Renovation RM	Electrical Appliances RM	Signboard RM	Right-of-use assets RM	Motor Vehicle RM	Total RM
Cost										
At 1 January 2021		116,708	1,744,425	270,410	3,758,110	19,689	287,466	6,658,182	134,192	12,989,182
Additions		14,736	180,984	158,961	497,376	–	75,300	3,667,949	–	4,595,306
Written off		(1,427)	(31,446)	(4,560)	–	–	–	(3,782,301)	–	(3,819,734)
At 31 December 2021		130,017	1,893,963	424,811	4,255,486	19,689	362,766	6,543,830	134,192	13,764,754
Accumulated depreciation										
At 1 January 2021		35,677	749,460	97,797	872,199	19,689	53,303	1,991,610	13,419	3,833,154
Depreciation charge for the financial year	19	11,245	306,615	73,108	377,822	–	32,205	1,161,145	26,839	1,988,979
Written off		(500)	(19,181)	(2,437)	–	–	–	(1,753,265)	–	(1,775,383)
At 31 December 2021		46,422	1,036,894	168,468	1,250,021	19,689	85,508	1,399,490	40,258	4,046,750
Carrying amount										
At 1 January 2021		81,031	994,965	172,613	2,885,911	–	234,163	4,666,572	120,773	9,156,028
At 31 December 2021		83,595	857,069	256,343	3,005,465	–	277,258	5,144,340	93,934	9,718,004

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Furniture and fittings RM	Office equipment RM	Computer hardware and software RM	Renovation RM	Electrical Appliances RM	Signboard RM	Right-of-use assets RM	Motor Vehicle RM	Total RM
Cost										
At 1 January 2020		74,601	1,251,628	160,430	2,365,414	19,689	171,594	5,761,943	–	9,805,299
Additions		42,107	493,997	109,980	1,392,696	–	115,872	1,395,546	134,192	3,684,390
Written off		–	(1,200)	–	–	–	–	(499,307)	–	(500,507)
At 31 December 2020		116,708	1,744,425	270,410	3,758,110	19,689	287,466	6,658,182	134,192	12,989,182
Accumulated depreciation										
At 1 January 2020		27,374	506,645	60,676	592,899	19,689	31,002	1,309,711	–	2,547,996
Depreciation charge for the financial year	19	8,303	242,835	37,121	279,300	–	22,301	910,744	13,419	1,514,023
Written off		–	(20)	–	–	–	–	(228,845)	–	(228,865)
At 31 December 2020		35,677	749,460	97,797	872,199	19,689	53,303	1,991,610	13,419	3,833,154
Carrying amount										
At 1 January 2020		47,227	744,983	99,754	1,772,515	–	140,592	4,452,232	–	7,257,303
At 31 December 2020		81,031	994,965	172,613	2,885,911	–	234,163	4,666,572	120,773	9,156,028

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Right-of-use assets

The Group leases shoplots as their office space and residential unit as their staff hostel. The leases for shoplots space generally have lease terms between 2 to 9 years.

Information about leases for which the Group is presented below:

Group	Shoplots RM	Hostel RM	Total RM
Carrying amount			
At 1 January 2020	4,452,232	–	4,452,232
Additions	1,395,546	–	1,395,546
Written off	(270,462)	–	(270,462)
Depreciation charge for the financial year	(910,744)	–	(910,744)
At 31 December 2020	4,666,572	–	4,666,572
Additions	3,637,190	30,759	3,667,949
Depreciation charge for the financial year	(1,147,047)	(14,098)	(1,161,145)
Written off	(2,029,036)	–	(2,029,036)
At 31 December 2021	5,127,679	16,661	5,144,340

6. INVESTMENT PROPERTIES

Group	Freehold Land RM	Freehold Building RM	Total RM
Cost			
At 1 January 2021	488,333	976,667	1,465,000
Accumulated depreciation			
At 1 January 2021	–	117,199	117,199
Depreciation charge for the financial year	–	19,533	19,533
At 31 December 2021	–	136,732	136,732
Carrying amount			
At 1 January 2021	488,333	859,468	1,347,801
At 31 December 2021	488,333	839,935	1,328,268

Group	Freehold Land RM	Freehold Building RM	Total RM
Cost			
At 1 January 2020	488,333	976,667	1,465,000
Accumulated depreciation			
At 1 January 2020	–	97,666	97,666
Depreciation charge for the financial year	–	19,533	19,533
At 31 December 2020	–	117,199	117,199
Carrying amount			
At 1 January 2020	488,333	879,001	1,367,334
At 31 December 2020	488,333	859,468	1,347,801

6. INVESTMENT PROPERTIES (CONTINUED)

Investment properties with a carrying amount of RM1,328,268 (2020: RM1,347,801) have 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:

	Group	
	2021	**2020**
	RM	**RM**
Rental income	47,652	48,906
Direct operating expenses:		
- income generating investment properties	1,726	1,526

Fair value information

The directors estimated the fair value of investment property of approximately RM3,588,000 (31.12.2020: 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 year.

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.

Description	**Valuation technique**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
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 Company'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 properties, the highest and best use of the properties is their current use.

7. COMBINED ENTITIES

Details of the combined entities are as follows:

Name of combined entities	Principal place of business/ Country of incorporation	Ownership interest and voting interest 2021 %	Ownership interest and voting interest 2020 %	Principal activities
Pajak Gadai Tetap Sejiwa Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pajak Gadai Pappajack Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pajak Gadai Bertuah Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pajak Gadai PPJack Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pajak Gadai PPJ Sehati Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pajak Gadai PPJ Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pajak Gadai Pappajack Sehati Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pajak Gadai Consistent Reach Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pajak Gadai TSE Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pajak Gadai BT Cleaning Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pajak Gadai TMI Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Dhoby Ghaut (Kapar) Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Dhoby Ghaut Holdings Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Dhoby Ghaut (M) Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Mashita Holdings Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Consistent Reach Holdings Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
Pappajack Holdings Berhad	Malaysia	100%	100%	Licensed pawnshop
Dhoby Ghaut (Sel) Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
DGH Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop

7. COMBINED ENTITIES (CONTINUED)

Details of the combined entities are as follows (continued):

Name of combined entities	Principal place of business/ Country of incorporation	Ownership interest and voting interest 2021 %	Ownership interest and voting interest 2020 %	Principal activities
Pajak Gadai PPJ Sejiwa Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
PPJ Sejaya Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
PPJ Rezeki Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
PPJ Sinar Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
PPJ Makmur Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
PPJ Abadi Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
PPJ Sukses Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
PPJ Landas Emas Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
PPJ Mandiri Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop
PPJ Berkat Sdn. Bhd.	Malaysia	80.5%	80.5%	Licensed pawnshop
PPJ Maju Sdn. Bhd.	Malaysia	100%	100%	Licensed pawnshop

(a) Non-controlling interest in combined entity

The financial information of the combined entity that has material non-controlling interest is as follows:

Equity interest held by non-controlling interest:

Name of combined entities	Principal place of business/ Country of incorporation	Ownership interest and voting interest 2021	Ownership interest and voting interest 2020
PPJ Berkat Sdn. Bhd.	Malaysia	80.5%	80.5%

7. COMBINED ENTITIES (CONTINUED)

(b) Summarised financial information of material non-controlling interest

The summarised financial information (before intra-group elimination) of the combined entity that has material non-controlling interest are as follows:

	PPJ Berkat Sdn. Bhd. RM
Summarised statement of financial position	
As at 31 December 2021	
Current assets	3,656,664
Non-current assets	361,631
Current liabilities	(25,700)
Non-current liabilities	(95,650)
Net assets	3,896,945
Summarised statement of comprehensive income	
Financial year ended 31 December 2021	
Revenue	–
Loss for the financial period	(79,252)
Total comprehensive loss	(79,252)
Summarised cash flow information	
Financial year ended 31 December 2021	
Cash flow from operating activities	34,569
Cash flow used in investing activities	(162,845)
Cash flow from financing activities	262,400
Net increase in cash and cash equivalents	134,124

8. INVENTORIES

	Group 2021 RM	2020 RM
At cost:		
Auctioned pledges	4,879,581	873,221

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM33,486,712 (2020: RM12,421,655).

9. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Trade					
Trade receivables	(a)				
- Pawn loans		99,265,573	98,779,431	–	–
Non-trade					
Other receivables		13,962	1,084,780	–	–
Amount owing by related party	(b)	–	–	174,727	–
Deposits		396,328	356,138	–	–
Prepayments		2,011,558	1,199,312	–	–
		2,421,848	2,640,230	174,727	–
Total trade and other receivables		101,687,421	101,419,661	174,727	–

(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% (2020: 1.50% to 2.00%).

(b) Amount owing by related party

Amount owing by related party is unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

10. CASH AND BANK BALANCES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances	16,574,473	15,657,603	1,001	1

10. CASH AND BANK BALANCES (CONTINUED)

(i) During the financial year/period, the Group made the following cash payments to purchase property, plant and equipment.

	Note	Group 2021 RM	Group 2020 RM
Purchase of property, plant and equipment	5	4,595,306	3,684,390
Financed by way of lease arrangements		(3,667,949)	(1,395,546)
Cash payments on purchase of property, plant and equipment		927,357	2,288,844

(ii) Reconciliation of changes in liabilities arising from financing activities are as follows:

	1.1.2021 RM	Cash Flow RM	Non-cash Rent concession RM	Non-cash Effect of MFRS 16 RM	31.12.2021 RM
Group					
Lease liabilities	4,931,684	(1,257,936)	–	1,638,913	5,312,661
Term loan	800,838	(51,992)	–	–	748,846
Amount owing to shareholders	12,076,113	117,728	–	–	12,193,841
Amount owing by minority interest	(780,000)	680,000	–	–	(100,000)
	17,028,635	(512,200)	–	1,638,913	18,155,348

	1.1.2020 RM	Cash Flow RM	Non-cash Rent concession RM	Non-cash Effect of MFRS 16 RM	31.12.2020 RM
Group					
Term loan	809,074	(8,236)	–	–	800,838
Lease liabilities	4,661,842	(819,852)	(35,390)	1,125,084	4,931,684
Redeemable preferences shares	4,125,000	(4,125,000)	–	–	–
Amount owing to shareholders	–	12,076,113	–	–	12,076,113
Amount owing by shareholders	(2,081,663)	2,081,663	–	–	–
Amount owing by minority interest	–	(780,000)	–	–	(780,000)
	7,514,253	8,424,688	(35,390)	1,125,084	17,028,635

10. CASH AND BANK BALANCES (CONTINUED)

(ii) Reconciliation of changes in liabilities arising from financing activities are as follows (continued):

	1.1.2021 RM	Cash Flow RM	Non-cash Rent concession RM	Non-cash Effect of MFRS 16 RM	31.12.2021 RM
Company					
Amount owing by related party	–	(174,727)	–	–	(174,727)
	–	(174,727)	–	–	(174,727)

11. INVESTED EQUITY/SHARE CAPITAL

	Group			
	Number of ordinary shares		Amount	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid-up:				
At 1 January	103,230,866	61,200,000	106,940,234	61,200,000
Issued during the financial year	–	99,230,866	–	102,940,234
Reorganisation deficit	–	(57,200,000)	–	(57,200,000)
At 31 December	103,230,866	103,230,866	106,940,234	106,940,234

	Company			
	Number of ordinary shares		Amount	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid-up:				
At 1 January/22 December	1	–	1	–
Issued during the financial year/period	–	1	–	1
At 31 December	1	1	1	1

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.

The Company did not issue any new shares or debentures during the financial year.

12. REORGANISATION DEFICIT

	Group 2021 RM	2020 RM
At 1 January	(10,437,376)	–
Effect of acquisition of proposed subsidaries	–	(10,437,376)
At 31 December	(10,437,376)	(10,437,376)

13. LOANS AND BORROWINGS

	Note	Group 2021 RM	2020 RM
Non-current:			
Term loan	(a)	693,602	776,063
Lease liabilities	(b)	4,167,730	3,956,080
		4,861,332	4,732,143
Current:			
Term loan	(a)	55,244	24,775
Lease liabilities	(b)	1,144,931	975,604
		1,200,175	1,000,379
Total loan and borrowings:			
Term loan	(a)	748,846	800,838
Lease liabilities	(b)	5,312,661	4,931,684
		6,061,507	5,732,522

(a) Term loan

Term loan of a combined entity bears interest at 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.

13. LOANS AND BORROWINGS (CONTINUED)

(b) Lease liabilities

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	Group	
	2021 RM	2020 RM
Minimum lease payments:		
Not later than one year	1,414,616	1,257,216
Later than one year and not later than five years	4,203,788	3,844,753
Later than five years	428,550	688,700
	6,046,954	5,790,669
Less: Future finance charges	(734,293)	(858,985)
Present value of minumum lease payments	5,312,661	4,931,684
Present value of minimum lease payments payable:		
Not later than one year	1,144,931	975,604
Later than one year and not later than five years	3,758,961	3,384,997
Later than five years	408,769	571,083
	5,312,661	4,931,684
Less: Amount due within twelve months	(1,144,931)	(975,604)
Amount due after twelve months	4,167,730	3,956,080

14. DEFERRED TAX LIABILITIES

	At 1 January 2021 RM	Recognised in profit or loss (Note 21) RM	At 31 December 2021 RM
Group			
Deferred tax liability:			
Property, plant and equipment	(46,572)	(5,989)	(52,561)

	At 1 January 2020 RM	Recognised in profit or loss (Note 21) RM	At 31 December 2020 RM
Group			
Deferred tax asset:			
Property, plant and equipment	24,441	(24,441)	–
Deferred tax liability:			
Property, plant and equipment	(10,029)	(36,543)	(46,572)

<u>Unrecognised deferred tax assets</u>

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2021 RM	2020 RM
Unused tax losses	462,942	68,604
Unabsorbed capital allowance	169,177	191,913
Temporary differences arising from property, plant and equipment	131,873	138,125
	763,992	398,642

The availability of unused tax losses for offsetting against future taxable profits of the respective combined entities in Malaysia are subject to requirements under the Income Tax Act,1967 and guidelines issued by the tax authority.

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendment to Section 44(5F) of Income Tax Act 1967, the time limit on the carried forward unused tax losses has been extended to maximum 10 consecutive years. This amendment is deemed to have effect for the year of assessment 2019 and subsequent year of assessment.

Any unused tax losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessments 2019 to 2028).

15. OTHER PAYABLES

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Non-current:					
Non-trade					
Advances from shareholders	(a)	6,000,000	12,000,000	–	–
Current:					
Non-trade					
Other payables		299,646	235,201	2,530	–
Advances from shareholders	(a)	6,093,841	76,113	–	–
Accruals		554,886	435,919	240,664	7,000
Deposits payable		11,400	11,400	–	–
Total other payables (current)		6,959,773	758,633	243,194	7,000
Total other payables (Non-current and current)		12,959,773	12,758,633	243,194	7,000

(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 and the Company's liquidity risk management processes, refer to Note 24(b)(ii).

16. REVENUE

	Group	
	1.1.2021 to 31.12.2021 RM	**1.1.2020 to 31.12.2020 RM**
Over time:		
Pawnbroking - Interest charges	18,843,207	13,792,985
At a point in time:		
Sale of unredeemed or bid pledges	35,159,125	16,884,641
Pawnbroking - Administrative fees	122,603	91,342
	54,124,935	30,768,968

(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 29.

17. OTHER INCOME

	Group		Company	
	1.1.2021 to 31.12.2021 RM	**1.1.2020 to 31.12.2020 RM**	**1.1.2021 to 31.12.2021 RM**	**22.12.2020 (Date of incorporation) to 31.12.2020 RM**
Government grants	24,500	249,600	–	–
Rental income	63,202	63,856	–	–
Rental concession	–	35,390	–	–
Interest income	397	8,692	–	–
Administration fee	–	–	186,664	–
Insurance rebates	35,363	6,297	–	–
Miscellaneous	–	2,066	–	–
	123,462	365,901	186,664	–

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18. FINANCE COSTS

	Group	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM
Interest expense on:		
- Term loan	25,191	29,085
- Lease liabilities	114,187	275,226
- Advances from shareholders	403,888	76,110
- Redeemable preference shares interest	–	363,500
	543,266	743,921

19. PROFIT/(LOSS) BEFORE TAX

Other than as disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit/(loss) before tax:

		Group		Company	
	Note	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	22.12.2020 (Date of incorporation) to 31.12.2020 RM
Auditors' remuneration					
- Current year		300,000	141,000	54,000	3,000
Depreciation of property, plant and equipment	5	1,988,979	1,514,023	–	–
Depreciation of investment property	6	19,533	19,533	–	–
Trade receivables written off		46,472	146,649	–	–
Impairment loss on inventories		520,286	–	–	–
Rental expenses		61,333	120,565	–	–
Employee benefits expense	20	3,846,030	2,478,827	–	–

20. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	22.12.2020 (Date of incorporation) to 31.12.2020 RM
Salaries, wages, allowances and bonuses	3,369,658	2,203,526	186,664	–
Defined contribution plans	422,443	246,282	–	–
Other staff related expenses	53,929	29,019	–	–
	3,846,030	2,478,827	186,664	–
Included in employee benefits expense are:				
Directors' remuneration				
Executive directors				
- Fees	106,664	–	106,664	–
- Salaries, allowances and bonuses	174,226	792	–	–
- Defined contribution plans	22,654	954	–	–
- Other related expenses	1,839	–	–	–
	305,383	1,746	106,664	–
Non-executive directors				
- Fees	80,000	–	80,000	–
	80,000	–	80,000	–
	385,383	1,746	186,664	–

21. INCOME TAX EXPENSE

The major components of income tax expense for the financial year/period ended 31 December 2021 and 31 December 2020 are as follows:

	Group		Company	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	22.12.2020 (Date of incorporation) to 31.12.2020 RM
Statement of comprehensive income				
Current income tax:				
- Current income tax charge	3,195,557	2,845,776	44,799	–
- Adjustment in respect of prior years	235,682	(343)	–	–
	3,431,239	2,845,433	44,799	–
Deferred tax: (Note 14)				
- Origination of temporary differences	(189)	61,280	–	–
- Adjustment in respect of prior years	6,178	(296)	–	–
	5,989	60,984	–	–
Income tax expense recognised in profit or loss	3,437,228	2,906,417	44,799	–

Domestic income tax is calculated at the Malaysia statutory income tax rate 24% (2020: 24%) of the estimated assessable profit for the financial year/period.

21. INCOME TAX EXPENSE (CONTINUED)

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	1.1.2021 to 31.12.2021 RM	**1.1.2020 to 31.12.2020 RM**	**1.1.2021 to 31.12.2021 RM**	**22.12.2020 (Date of incorporation) to 31.12.2020 RM**
Profit/(loss) before tax	10,208,163	11,110,374	(60,467)	(7,000)
Tax at Malaysian statutory income tax rate of 24%	2,449,959	2,666,490	(14,512)	(1,680)
Adjustments:				
Non-deductible expenses	658,458	266,269	59,311	1,680
Income not subject to tax	(733)	(26,887)	–	–
Utilisation of previously unrecognised temporary differences	(44,951)	(133,457)	–	–
Deferred tax not recognised on temporary differences	132,635	134,641	–	–
Adjustment in respect of current income tax of prior years	235,682	(343)	–	–
Adjustment in respect of deferred tax of prior years	6,178	(296)	–	–
Income tax expense	3,437,228	2,906,417	44,799	–

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 attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per ordinary share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per ordinary share are computed as follow:

	Group	
	2021 RM	**2020 RM**
Profit attributable to owners of the Company	6,786,389	8,208,080
Weighted average number of ordinary shares for basic and diluted earnings per share	103,230,866	103,230,866
Basic and diluted earnings per share (sen)	6.57	7.95

23. DIVIDENDS

	Group	
	2021 RM	**2020 RM**
Recognised during the financial year:		
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	–	120,000
- 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	–	66,000
	–	186,000

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

	Carrying amount RM	Amortised cost RM
Group		
At 31 December 2021		
Financial assets		
Trade and other receivables, less prepayment	99,675,863	99,675,863
Cash and bank balances	16,574,473	16,574,473
	116,250,336	116,250,336
Financial liabilities		
Loans and borrowings	(6,061,507)	(6,061,507)
Other payables	(12,959,773)	(12,959,773)
	(19,021,280)	(19,021,280)
At 31 December 2020		
Financial assets		
Trade and other receivables, less prepayment	100,220,349	100,220,349
Cash and bank balances	15,657,603	15,657,603
	115,877,952	115,877,952
Financial liabilities		
Loans and borrowings	(5,732,522)	(5,732,522)
Other payables	(12,758,633)	(12,758,633)
	(18,491,155)	(18,491,155)

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM	Amortised cost RM
Company		
At 31 December 2021		
Financial assets		
Trade and other receivables, less prepayment	174,727	74,727
Cash and bank balances	1,001	1,001
	175,728	175,728
Financial liabilities		
Other payables	(243,194)	(243,194)
	(243,194)	(243,194)
At 31 December 2020		
Financial assets		
Cash and bank balances	1	1
	1	1
Financial liabilities		
Other payables	(7,000)	(7,000)
	(7,000)	(7,000)

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The Group's and the Company'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. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company'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 and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

Credit risk concentration profile

The Group and the Company have no significant concentration of credit risk from its receivables. The Group and the Company minimise credit risk by requiring collateral and/or dealing with credit worthy counterparties.

The Group and the Company apply 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 Company determines the concentration of credit risk by monitoring its trade receivable.

The information about the credit risk exposure on the Group's and the Company's trade receivables using a provision matrix are as follows:

	Trade receivables						
	Current RM	1 to 30 days past due RM	31 to 60 days past due RM	61 to 90 days past due RM	91 to 120 days past due RM	>120 days past due RM	Total RM
Group							
At 31 December 2021							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	90,864,971	4,297,033	3,666,509	426,790	10,270	–	99,265,573
Impairment losses	–	–	–	–	–	–	–
At 31 December 2020							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	89,507,020	6,002,994	2,746,546	–	172,875	349,996	98,779,431
Impairment losses	–	–	–	–	–	–	–

Other receivables and other financial assets

For other receivables and other financial assets (including investment securities, cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

The Group and the Company consider 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 and the Company 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 borrower'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 entities within the Group 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 and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.9(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arises principally from trade and other payables, loan and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group's and the Company'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 and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying amount RM	On demand or within one year RM	Between one and five years RM	More than five years RM	Total RM
Group					
31 December 2021					
Other payables	12,959,773	6,959,773	6,000,000	–	12,959,773
Term loan	748,846	78,864	315,456	501,588	895,908
Lease liabilities	5,312,661	1,414,616	4,203,788	428,550	6,046,954
	19,021,280	8,453,253	10,519,244	930,138	19,902,635
31 December 2020					
Other payables	12,758,633	758,633	12,000,000	–	12,758,633
Term loan	800,838	78,864	315,456	949,183	1,343,503
Lease liabilities	4,931,684	1,257,216	3,844,753	688,700	5,790,669
	18,491,155	2,094,713	16,160,209	1,637,883	19,892,805

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows (continued):

		Contractual cash flows			
	Carrying amount RM	On demand or within one year RM	Between one and five years RM	More than five years RM	Total RM
Company					
31 December 2021					
Other payables	243,194	243,194	–	–	243,194
	243,194	243,194	–	–	243,194
31 December 2020					
Other payables	7,000	7,000	–	–	7,000
	7,000	7,000	–	–	7,000

(iii) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company'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 and the Company's total equity and profit for the financial years/period.

Group	Carrying mount RM	Change in basis point	Effect on profit for the financial year/ period/equity RM
31 December 2021			
Term loan	(748,846)	+ 50	(2,846)
		- 50	2,846
31 December 2020			
Term loan	(800,838)	+ 50	(3,043)
		- 50	3,043

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 to 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 year/period.

	Carrying amount RM	Fair value of financial instruments not carried at fair value — Fair Value — Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
At 31 December 2021					
Financial liabilities					
Term loan	693,602	–	–	578,772	578,772
Advances from shareholders	6,000,000	–	–	5,391,839	5,391,839
At 31 December 2020					
Financial liabilities					
Term loan	776,063	–	–	795,343	795,343
Advances from shareholders	12,000,000	–	–	10,503,119	10,503,119

Level 3 fair value

<u>Fair value of financial instruments not carried at fair value</u>

The fair value of liability component of term loan and finance 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.

25. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company have 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 Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group and the Company include:

(i) Entities in which certain director has substantial financial interests;
(ii) Key management personnel of the Group and the Company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly and indirectly; and
(iii) Company's holding company.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	22.12.2020 (Date of incorporation) to 31.12.2020 RM
Sales to				
Key management personnel of the Group's and the Company's	–	839,072	–	–
Staff costs				
Entities in which certain director has substantial interest	–	363,458	–	–
Interest expense on advances				
Key management personnel of the Group's and the Company's	388,136	–	–	–
Administration fee				
Company's holding company	–	–	186,664	–
Rental expense				
Entities in which certain director has substantial interest	61,333	–	–	–

25. RELATED PARTIES (CONTINUED)

(c) Compensation of key management personnel

	Group	
	2021	**2020**
	RM	**RM**
Salaries, allowances and bonuses	247,800	115,858
Defined contribution plans	32,942	16,187
Other related expenses	1,847	531
	282,589	132,576

26. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial year/period ended 31 December 2021 and 31 December 2020.

The Group and the Company 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 2021 and 31 December 2020 are as follows:

		Group	
		2021	**2020**
	Note	**RM**	**RM**
Term loan	13	748,846	800,838
Total equity		115,560,709	108,789,774
Net gearing ratio (times)		0.01	0.01

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

27. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR/PERIOD

Acquisition of Pappajack Holdings Berhad ("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. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR/PERIOD

(a) COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. Many countries including the Malaysian Government imposed the Movement Control Order ("MCO") to curb the spread of the COVID-19 pandemic. The COVID-19 pandemic also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 pandemic since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

The Group and the Company have performed assessments on the overall impact of the situation on the Group's and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there was no material adverse effects on the financial statements for the financial year ended 31 December 2021.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2022 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

(b) Listing on ACE Market of Bursa Malaysia Securities Berhad

On 11 March 2022, the Company issued its Prospectus for its Initial Public Offering ("IPO") entailing the public issue of 167,000,000 new ordinary shares, representing 25.00% of the enlarged number of shares of the Company, to be allocated and allotted in the following manner:

(i) 33,400,000 new ordinary shares made available to the Malaysian public;
(ii) 6,680,000 new ordinary shares made available for application by the eligible directors and employees and persons who have contributed to the success of the Group;
(iii) 43,420,000 new ordinary shares made available by way of private placement to selected investors; and
(iv) 83,500,000 new ordinary shares made available by way of private placement to selected Bumiputera investors approved by MITI.

On 1 April 2022, the Company was listed on the ACE Market of Bursa Malaysia Securities Berhad comprising public issue of 167,000,000 new ordinary shares.

29. 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:

Segments	Product and services
Interest income	Interest charges from pawnbroking
Sales auction	Sales of unredeemed or bid pledges

<u>Segment profit</u>

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.

<u>Segment assets</u>

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.

<u>Segment liabilities</u>

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.

Group	Pawnbroking interest charges RM	Sales of unredeemed or bid pledges RM	Adjustments and eliminations RM	Total RM
31 December 2021				
Revenue:				
Revenue from external customers	18,965,810	35,159,125	–	54,124,935
Segment profit	13,061,616	1,288,273	–	14,349,889
Other income				123,462
Administrative expenses				(3,721,922)
Finance costs				(543,266)
Income tax expense				(3,437,228)
Profit for the financial year				6,770,935
Results:				
Included in the measure of segments profit are:				
Employee benefits expense				3,846,030
Depreciation				1,988,979

29. SEGMENT INFORMATION (CONTINUED)

Group	Pawnbroking interest charges RM	Sales of unredeemed or bid pledges RM	Adjustments and eliminations RM	Total RM
31 December 2020				
Revenue:				
Revenue from external customers	13,884,327	16,884,641	–	30,768,968
Segment profit	9,479,057	4,338,636	–	13,817,693
Other income				365,901
Administrative expenses				(2,329,299)
Finance costs				(743,921)
Income tax expense				(2,906,417)
Profit for the financial year				8,203,957
Results:				
Included in the measure of segments profit are:				
Employee benefits expense				2,478,827
Depreciation				1,514,023

Information about major customers

For the Sales of unredeemed or bid pledges segment, revenue was from two (2) (FYE 31.12.2020: four (4)) major customers. The customers represented approximately RM28,533,385 (FYE 31.12.2020: RM13,115,000) of the Group's total revenue.

STATEMENT BY DIRECTORS

(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

We, **LIM BOON HUA** and **LAW BOOK CHING**, being two of the the directors of PAPPAJACK BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of its financial performance and cash flows for the financial year then ended.

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 April 2022

STATUTORY DECLARATION

(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016)

I, **WONG KOON WAI**, being the officer primarily responsible for the financial management of PAPPAJACK BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

WONG KOON WAI
(MIA Membership No: 28907)

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 18 April 2022.

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAPPAJACK BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pappajack Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 61 to 124.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Inventories (Note 8 to the financial statements)

We focused on this this area because inventories of the Group are significant. The review of the determination of carrying value of these inventories at lower of cost and net realisable value by the directors are major source of estimation uncertainty.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring and detection and write down/off of slow-moving inventories as at 31 December 2021;
- observing year end physical inventory count to examine physical existence and condition of the finished goods and evaluating the design and implementation of controls during the count;
- checking subsequent sales and understanding the directors' assessment on estimated net realisable value on selected inventory items; and
- discussing with management whether the inventories have been written down to their net realisable value for inventory items with net realisable value lower than their cost, if any.

Key Audit Matters (continued)

Group (continued)

Trade receivables (Note 9 to the financial statements)

The Group has significant trade receivables as at 31 December 2021. We focused on this area because the Group made significant judgement over assumption about risk of default and expected loss rate. Nevertheless, the trade receivables are secured with pledged articles therefore reducing the expected credit loss.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring of outstanding receivables;
- developing an understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports;
- checking subsequent receipts, understanding the level of activity with the customer and discussing with management on their explanation on recoverability with significantly past due balances; and
- discussing with management on the recoverability of the material debts as at the end of the reporting period.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company'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 the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial statements of the Group and of the Company, 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 and the Company's internal control.
- 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 and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company 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 auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statement 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAPPAJACK BERHAD
(CONT'D)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

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

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

Kuala Lumpur

Date: 18 April 2022

LIST OF PROPERTY

No.	Registered Owner/ Beneficial Owner	Title Identification/ Postal Address	Description/ Existing Use	Date of Certificate of Completion and Compliance	Express Conditions	Floor Area	Tenure	Encumbrances	Audited NBV as at 31.12.2021 (RM'000)
1.	Perbadanan Pengurusan Kompleks Puteri Square[(1)] / PG Pappajack	GRN 332493, Lot 116725, Mukim Petaling, Daerah Petaling/ Unit KPC04, No. 9, Kompleks Tempat Letak Kereta, Persiaran Puteri 1, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan	One unit of retail shop/ Retail shop	30.12.2011	Commercial building	2,072 Sqft	Freehold	Lease of a part of the land to Tenaga Nasional Berhad for a period of 30 years commencing from 12 March 2018 and ending on 11 March 2048 registered on 26 March 2018 vide presentation no. 26900/2018, 26901/2018, 26902/2018,26903/2018, and 26904/2018	1,328
Total									**1,328**

ANALYSIS OF SHAREHOLDINGS

AS AT 25 APRIL 2022

Issued Paid-Up Capital	:	RM158,120,897.00
Total Number of Issued Shares	:	668,000,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
Less than 100	5	0.191	100	0.000
100 – 1,000	328	12.543	174,400	0.026
1,001 - 10,000	1,110	42.447	6,829,200	1.022
10,001- 100,000	909	34.760	33,713,600	5.046
100,001 – 33,399,999 (*)	262	10.019	307,644,353	46.054
33,400,000 and above (**)	1	0.0381	319,638,347	47.850
Total	2,615	100.00	668,000,000	100.00

Remark :

* *Less than 5% of Issued Shares*

** *5% and Above of Issued Shares*

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
Chong Chee Fire	–	–	–	–
Lim Boon Hua	–	–	335,103,674*1	50.17
Law Book Ching	–	–	319,638,347*2	47.85
Dato' Magaret Ting Thien Hung	–	–	–	–
Koo Woon Kan	–	–	–	–
Cheong Woon Yaw	–	–	–	–

Notes :

*1 *Deemed interested by virtue of the interests of his spouse (Lee Kooi Lan) in the Company and his interest in TSE Sejahtera Sdn Bhd as per Section 8 of the Companies Act 2016.*

*2 *Deemed interested by virtue of his shareholdings in TSE Sejahtera Sdn Bhd as per Section 8 of the Companies Act 2016.*

ANALYSIS OF SHAREHOLDINGS
AS AT 25 APRIL 2022
(CONT'D)

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
TSE Sejahtera Sdn Bhd	319,638,347	47.85	–	–
Lim Boon Hua	–	–	335,103,674*1	50.17
Law Book Ching	–	–	319,638,347*2	47.85
Lim Siew Fang	–	–	319,638,347*3	47.85
Lee Kooi Lan	15,465,327	2.32	319,638,347*4	47.85

Notes :

**1 Deemed interested by virtue of the interests of his spouse (Lee Kooi Lan) in the Company and his interest in TSE Sejahtera Sdn Bhd as per Section 8 of the Companies Act 2016.*

**2 Deemed interested by virtue of his shareholdings in TSE Sejahtera Sdn Bhd as per Section 8 of the Companies Act 2016.*

**3 Deemed interested by virtue of her shareholdings in TSE Sejahtera Sdn Bhd as per Section 8 of the Companies Act 2016.*

**4 Deemed interested by virtue of the interest of her spouse (Lim Boon Hua) in the Company.*

LIST OF TOP 30 SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	TSE Sejahtera Sdn Bhd	319,638,347	47.85
2.	Lau Nian Choon	19,345,959	2.896
3.	Soo Jon Teng	18,950,159	2.836
4.	Ng Cheng Lam	17,348,629	2.597
5.	Lim Tong Lee	16,348,085	2.447
6.	Lee Kooi Lan	15,465,327	2.315
7.	Ng Shyh Chyuh	14,600,463	2.185
8.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chew Leng Chow	14,310,000	2.142
9.	See Swee Choy	13,218,223	1.978
10.	Chew Leng Chow	12,690,718	1.899
11.	Tan Chai Heng	9,054,277	1.355
12.	Teoh Kok Khong	7,580,686	1.134
13.	Yap Yoon Sing	6,001,000	0.898
14.	Tan Poo Chun	5,699,544	0.853
15.	Tan Hui Koon	4,848,537	0.725
16.	Chua Ang Lee	4,808,562	0.719
17.	Chin Sook Fong	4,097,649	0.613
18.	Tang Khoon Song	3,950,000	0.591

LIST OF TOP 30 SHAREHOLDERS (CONTINUED)

No.	Name	No. of Shares Held	%
19.	Sean Koh Wei Zhong	3,755,500	0.562
20.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Wang Jiew (BTinggi-CL)	3,080,000	0.461
21.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Yap Yean	2,320,000	0.347
22.	Law Siew Mui	2,060,000	0.308
23.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Chen Foong (MY1718)	2,000,000	0.299
24.	Chin Yat Yin	2,000,000	0.299
25.	Rajan Bhatt @ Achai	2,000,000	0.299
26.	Lim Thian Hou	1,729,700	0.258
27.	Kenanga Investment Bank Berhad	1,555,000	0.232
	Exempt an for Sentosa Jaya Capital Sdn Bhd		
28.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Poh Tat	1,500,000	0.224
29.	Gew Hui Jim	1,399,000	0.209
30.	Lim Chee Hsiung	1,365,884	0.204
	TOTAL	532,721,249	79.748

NOTICE OF THE FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the First Annual General Meeting of the Company will be held at Four Points by Sheraton Puchong, The Heron (Function Room), Level 2, Puchong Financial Centre (PFCC), Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan on Tuesday, 14 June 2022 at 2.00 p.m. to transact the following business:

AGENDA
As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon. ***Please refer to Note B***

2. To approve the payment of Directors' fees of Non-Executive Directors of up to RM300,000.00 from 1 January 2022 until the conclusion of the next Annual General Meeting. ***Ordinary Resolution 1***

3. To re-elect the following Directors who retire pursuant to Section 205(3)(a) of the Companies Act 2016:-

    (a) Mr. Lim Boon Hua ***Ordinary Resolution 2***

    (b) Mr. Law Book Ching ***Ordinary Resolution 3***

    (c) Mr. Chong Chee Fire ***Ordinary Resolution 4***

    (d) Dato' Magaret Ting Thien Hung ***Ordinary Resolution 5***

    (e) Ms. Koo Woon Kan ***Ordinary Resolution 6***

    (f) Mr. Cheong Woon Yaw ***Ordinary Resolution 7***

4. To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 8***

As Special Business

To consider and, if thought fit, to pass with or without modifications, the following Resolutions:

ORDINARY RESOLUTIONS

5. **Authority to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act, 2016** ***Ordinary Resolution 9***

    "THAT subject always to the Companies Act, 2016 ("Act") Constitution of the Company and approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 75 and Section 76 of the Companies Act, 2016, to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 20% of the issued share capital of the Company at the time of issue and the Directors are hereby further empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities") and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."Ordinary Resolution 9

6. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Act.

By Order of the Board

WONG YOUN KIM (MAICSA 7018778)
Company Secretary
Kuala Lumpur
29 April 2022

Notes:-

A. Proxy

1. *A proxy may but need not be a member of the Company.*
2. *To be valid, this form, duly completed must be deposited at the Registered Office of the Company, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than 24 hours before the time for holding the meeting Provided That in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy/proxies have been duly completed by the member(s).*
3. *A member may appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *If the appointor is a corporation, this form must be executed under its common seal or under the hand of an attorney duly authorised.*
7. *Only depositors whose names appear in the Record of Depositors as at 7 June 2022 shall be entitled to attend the First AGM.*

B. Audited Financial Statements

Item 1 of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

8. Resolutions 2 to 7 – Re-election of Directors who retire pursuant to Section 205(3)(a) of the Companies Act 2016

Section 205(3)(a) of the Companies Act 2016 provides that the Directors shall retire from office at the First Annual General Meeting of a public company.

Explanatory Notes on Special Business

9. Resolution 9 – Authority to allot and issue shares pursuant to Sections 75 and 76 of the Act

The Ordinary Resolution proposed under item 5, is a new mandate and if passed, will authorise the Directors of the Company to allot and issue shares up to a maximum of 20% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in a general meeting will expire at the conclusion of the next AGM.

The mandate is to provide flexibility to the Company to allot and issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to eliminate any delay and avoid incurring additional cost. The purpose of this mandate is to facilitate the Company to undertake possible fund-raising exercises including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital and/or acquisitions.

10. Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member disclose the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained prior consent of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

1. First Annual General Meeting of the Company will be held at Four Points by Sheraton Puchong, The Heron (Function Room), Level 2, Puchong Financial Centre (PFCC), Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan on Tuesday, 14 June 2022 at 2.00 p.m..

2. The Directors who are standing for re-election at the First Annual General Meeting of the Company pursuant to Section 205(3)(a) of the Companies Act 2016 are:

   (i) Mr. Lim Boon Hua
   (ii) Mr. Law Book Ching
   (iii) Mr. Chong Chee Fire
   (iv) Dato' Magaret Ting Thien Hung
   (v) Ms. Koo Woon Kan
   (vi) Mr. Cheong Woon Yaw

   The details of the above Directors seeking re-election are set out in the Board of Directors' Profile as disclosed on page 4 of this Annual Report.

3. The details of the above Directors' interest in the securities of the Company are stated on page 132 of this Annual Report.

4. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial year ended 31 December 2021 are disclosed in the Statement on Corporate Governance set out on page 40 of this Annual Report.

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PAPPAJACK BERHAD
[Registration No. 202001042414 (1398735-V)]
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	
No. of Shares Held	

*I/We ______________________________ *NRIC No./Co. No. ______________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

Telephone No. ______________________ Email Address: ______________________

being a *member / members of Pappajack Berhad [Registration No. 202001042414 (1398735-V)] ("the Company"), hereby appoint the following person(s):

Name of Proxy	NRIC No	Address	No. of Shares to be represented
1.			
2.			

or failing him/her, THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the First Annual General Meeting of the Company to be held at Four Points by Sheraton Puchong, The Heron (Function Room), Level 2, Puchong Financial Centre (PFCC), Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan on Tuesday, 14 June 2022 at 2.00 p.m. or at any adjournment thereof and to vote as indicated below:

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
Resolution 1	Approval of payment of Directors' fees of Non-Executive Directors of up to RM300,000.00 from 1 January 2022 until the conclusion of the next Annual General Meeting.				
Resolution 2	Re-election of Mr. Lim Boon Hua				
Resolution 3	Re-election of Mr. Law Book Ching				
Resolution 4	Re-election of Mr. Chong Chee Fire				
Resolution 5	Re-election of Dato' Magaret Ting Thien Hung				
Resolution 6	Re-election of Ms. Koo Woon Kan				
Resolution 7	Re-election of Mr. Cheong Woon Yaw				
Resolution 8	Re-appointment of Messrs. Baker Tilly Monteiro Heng PLT as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration				
Resolution 9	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016				

(Please indicate with an "X" in the spaces provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

**Strike out whichever is not desired.*

Dated this __________ day of ____________________ 2022

____
Signature of Shareholder(s) / Common Seal

Notes

1. *A proxy may but need not be a member of the Company.*
2. *To be valid, this form, duly completed must be deposited at the Registered Office of the Company, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than 24 hours before the time for holding the meeting Provided That in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy/proxies have been duly completed by the member(s).*
3. *A member may appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member of the company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *If the appointor is a corporation, this form must be executed under its common seal or under the hand of an attorney duly authorised.*
7. *Only depositors whose names appear in the Record of Depositors as at 7 June 2022 shall be entitled to attend the First Annual General Meeting*

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 April 2022.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

PAPPAJACK BERHAD
[Registration No. 202001042414 (1398735-V)]

Registered Office
HMC Corporate Services Sdn Bhd
Level 2, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur

1st fold here

www.pappajack.com.my

PAPPAJACK BERHAD
Registration No. 202001042414 (1398735-V)
(Incorporated in Malaysia under the Companies Act 2016)

No.11B, Jalan TK1/11A, Taman Kinrara, Seksyen 1,
47180 Puchong, Selangor.
Tel : 03 -8080 4884
Email : enquiry@pappajack.com.my