PAPPAJACK BERHAD

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

Annual Report **2022**

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CONTENTS

CORPORATE STRUCTURE

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

Note: *Dormant Companies*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chong Chee Fire
Independent Non-Executive Chairman

Dato' Magaret Ting Thien Hung
Independent Non-Executive Director

Lim Boon Hua
Managing Director/Chief Executive Officer

Koo Woon Kan
Independent Non-Executive Director

Law Book Ching
Executive Director

Cheong Woon Yaw
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Koo Woon Kan

Member
Dato' Magaret Ting Thien Hung
Cheong Woon Yaw

REMUNERATION COMMITTEE

Chairman
Dato' Magaret Ting Thien Hung

Member
Koo Woon Kan
Cheong Woon Yaw

NOMINATION COMMITTEE

Chairman
Dato' Magaret Ting Thien Hung

Member
Koo Woon Kan
Cheong Woon Yaw

RISK MANAGEMENT COMMITTEE

Chairman
Koo Woon Kan

Member
Dato' Magaret Ting Thien Hung
Cheong Woon Yaw

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)
CCM Practising Certificate 201908000410

Level 5, Tower 8, Avenue 5
Horizon 2, Bangsar South City
59200 Kuala Lumpur
Telephone No. : (603) 2280 6388
Facsimile No. : (603) 2280 6399

REGISTERED OFFICE

Level 5, Tower 8, Avenue 5
Horizon 2, Bangsar South City
59200 Kuala Lumpur
Telephone No. : (603) 2280 6388
Facsimile No. : (603) 2280 6399

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

11B, Jalan TK1/11A
Taman Kinrara Jalan Puchong
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

AUDITORS AND REPORTING ACCOUNTANTS

Baker Tilly Monteiro Heng PLT
Baker Tilly Tower, Tower 1
Avenue 5, Bangsar South
59200 Kuala Lumpur
Telephone No. : (603) 2297 1000
Facsimile No. : (603) 2282 9980

SHARE REGISTRAR AND ISSUING HOUSE

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

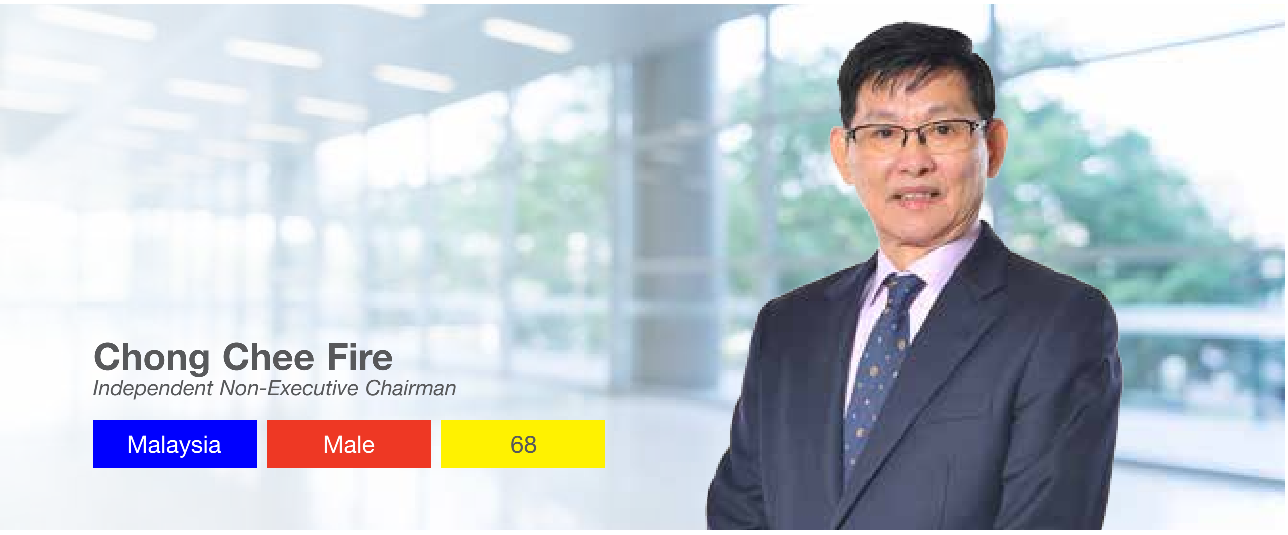
ACE Market of Bursa Securities
Stock Name : PPJACK
Stock Code : 0242

PRINCIPAL BANKER

Malayan Banking Berhad
No. 29 & 31, Jalan Puteri 1/4
Bandar Puteri Puchong
47100 Puchong, Selangor

RHB Bank Berhad
Level 6, Tower 3, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

DIRECTORS' PROFILE



Chong Chee Fire, a Malaysian aged 68, 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.

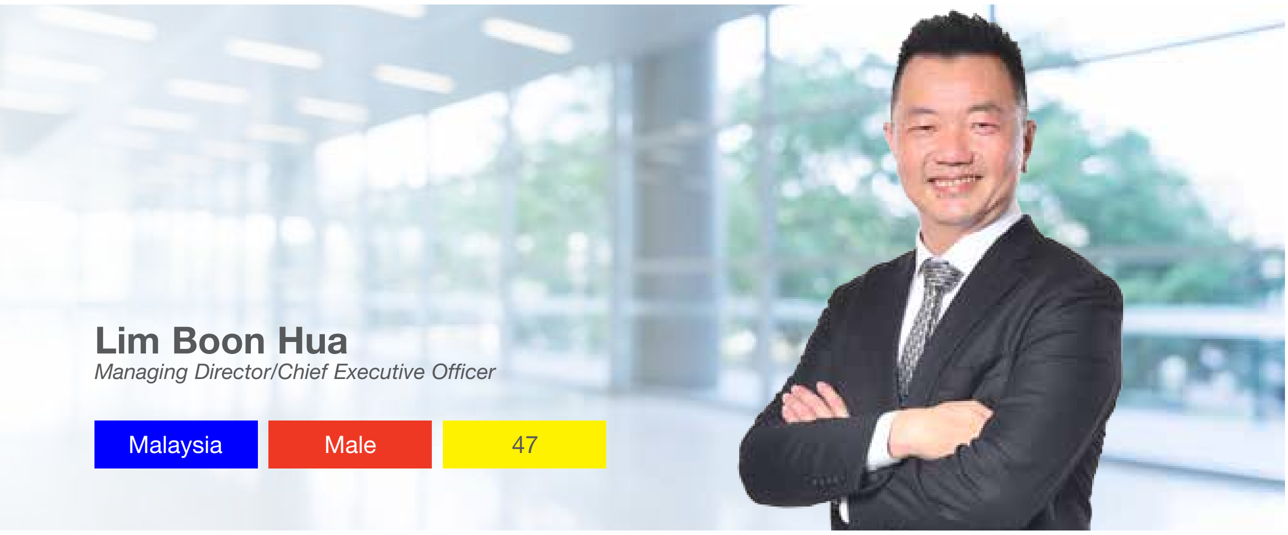
He began his career in May 1983 as an Inspector in the internal audit and inspection department of Overseas Union Bank, a foreign bank in Malaysia and his last held position was Assistant Vice President before leaving Overseas Union Bank in December 1990. From 1991 to 1996, he was appointed as the director of PT OCBC Sikap Securities 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. 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 before being redesignated as the Chief Executive Officer of PUTB from January 2002 before resigning in October 2003. He is presently a Partner of CF Associates PLT, a Chartered Accountants and Business Advisory practice which he founded in January 2004. Overall, he has more than 30 years of working experience in the banking and financial services industry serving in various capacities.

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 to 10 April 2023. He has decided to step down as Independent non-executive director after served the company for more than 12 years. He holds directorships in several private companies.

Chong Chee Fire does not have any family relationship with any other directors or major shareholders of the Company and has no conflict of interest with the Company. Other than traffic offences, he has not been convicted of any offence within the past 5 years and has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2022.

Chong Chee Fire had attended all the 6 Board Meetings held in financial year 2022.

DIRECTORS' PROFILE
(Cont'd)



Lim Boon Hua, a Malaysian aged 47, is our substantial shareholder, Managing Director/Chief Executive Officer. He was appointed to the Board on 22 December 2020.

He started his career with Goh Ah Lek Plastering Sdn. Bhd. in 1994 as a Human Resource Supervisor. In 1995, Lim Boon Hua, in his personal capacity, provided outsourcing foreign labour management services to Goh Ah Lek Plastering Sdn Bhd. Between 1998 to 2020, he has ventured into various businesses including the supply of domestic maids and manpower, food and beverage business, as well as pawnbroking business.

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. to venture into the provision of pawnbroking services. Pajak Gadai Pappajack Sdn. Bhd. 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 Pajak Gadai Pappajack Sdn. Bhd. and Pappajack Holdings Berhad, respectively.

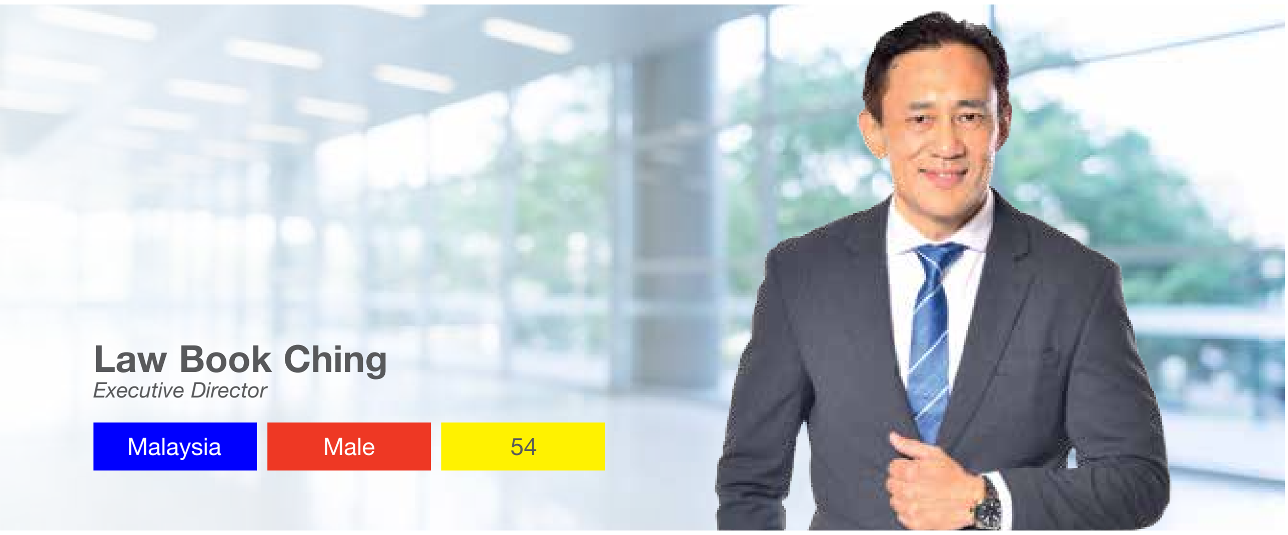
In his capacity as a director of companies within the Pappajack Group, Lim Boon Hua has provided business and management guidance and strategic advice to the key management of the Pappajack Group over the years. He has also played a leading role in the formulation of the business direction and strategies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

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

Other than traffic offences, he has not been convicted of any offence within the past 5 years and has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2022.

Lim Boon Hua had attended all the 6 Board Meetings held in financial year 2022.

DIRECTORS' PROFILE
(Cont'd)



Law Book Ching, a Malaysian aged 54, 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 our Group, namely in the area of business expansions, competition studies and corporate communications.

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 since been scaled down.

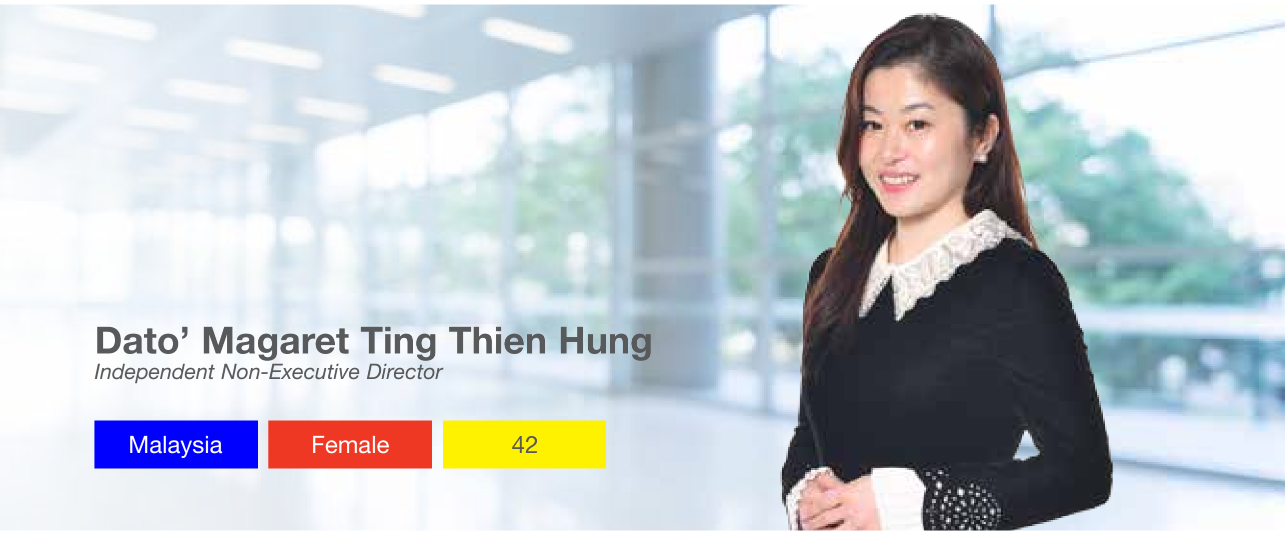
In June 2018, he was appointed as a director and is also a shareholder of Pajak Gadai Consistent Reach Sdn. Bhd. and Pajak Gadai TSE Sdn. Bhd. He was later appointed as a director of Pappajack Holdings Berhad in October 2020.

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

Law Book Ching does not have any family relationship with any other directors or major shareholders of the Company and has no conflict of interest with the Company. Other than traffic offences, he has not been convicted of any offence within the past 5 years and has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2022.

Law Book Ching had attended all the 6 Board Meetings held in financial year 2022.

DIRECTORS' PROFILE
(Cont'd)



Dato' Magaret Ting Thien Hung, a Malaysian aged 42, is our Independent Non-Executive Director. She was appointed to the Board on 3 May 2021. She is also a Chairman of Remuneration Committee, Nomination Committee and a member of Audit Committee and Risk Management Committee. 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. Dato' Magaret then established a legal firm known as Messrs Ting & Ting in 2006 and she has since been its Managing Partner.

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.

Dato' Magaret Ting Thien Hung does not have any family relationship with any other directors or major shareholders of the Company and has no conflict of interest with the Company. Other than traffic offences, she has not been convicted of any offence within the past 5 years and has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2022.

Magaret Ting Thien Hung had attended all the 6 Board Meetings held in financial year 2022.

DIRECTORS' PROFILE
(Cont'd)

Koo Woon Kan
Independent Non-Executive Director

Malaysia | Female | 47

Koo Woon Kan, a Malaysian aged 47, is our Independent Non-Executive Director. She was appointed to the Board on 3 May 2021. She is also a Chairman of Audit Committee, Risk Management Committee and a member of Remuneration Committee and Nomination Committee. 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 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 group of companies) up to February 2001. From February 2001 to June 2006, she continued her career as an Internal Auditor with HLI-Hume. She left HLI-Hume as a Senior Internal Auditor in July 2006. Between July 2006 to January 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. She then served as a senior accountant at Scope International (M) Sdn. Bhd. between July 2009 to June 2011. Subsequently, she founded Eco Circle Sdn. Bhd. and Rightway Management Sdn. Bhd. in May 2011 and October 2016 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. Overall, she has more than 20 years of experience in the accounting and finance, and financial services.

Koo Woon Kan does not have any family relationship with any other directors or major shareholders of the Company and has no conflict of interest with the Company. Other than traffic offences, she has not been convicted of any offence within the past 5 years and has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2022.

She sits on the board of several private companies in Malaysia.

Koo Woon Kan had attended all the 6 Board Meetings held in financial year 2022.

DIRECTORS' PROFILE
(Cont'd)

Cheong Woon Yaw
Independent Non-Executive Director

Malaysia | Male | 49

Cheong Woon Yaw, a Malaysian aged 49, is our Independent Non-Executive Director. He was appointed to the Board on 27 December 2021. He is also a member of Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee.

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 Ernst & Young and he was promoted to the position of Senior Auditor before leaving Ernst & Young in May 2003. He then joined Informatics Resource Corporation Sdn. Bhd. as a Finance Manager from May 2003 to February 2004. From February 2004 to May 2005, he joined T.S. Law Holding Sdn. Bhd. as a finance manager. Between June 2005 to May 2007, he ventured into sale and marketing of health products business. In May 2007, he joined Mangosteen Beverage (Malaysia) Sdn. Bhd. as a Finance Manager and he was later redesignated to the position of regional finance manager in June 2010. After he left in March 2013, he was a Senior Finance Manager of Avon Cosmetics (Malaysia) Sdn. Bhd. between March 2013 to November 2013. Subsequently in November 2013, he left to join Mindvalley Lab Sdn. Bhd. as a Senior Finance Manager until January 2016. He joined J. Walter Thompson Sdn. Bhd. as its finance director from February 2016 to June 2020. From June 2020, he served as a technical adviser of Multi Venture Networks Sdn. Bhd., a beverage distributor company and he was promoted as Chief Financial Officer in December 2021.

Cheong Woon Yaw does not have any family relationship with any other directors or major shareholders of the Company and has no conflict of interest with the Company. Other than traffic offences, he has not been convicted of any offence within the past 5 years and has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2022.

Cheong Woon Yaw had attended all the 6 Board Meetings held in financial year 2022

KEY MANAGEMENT PROFILE

Lim Chee Hsiung

Chief Operating Officer

Malaysia	Male	45

Lim Chee Hsiung, a Malaysian aged 45, 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. 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.

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). In 2016, while still being attached to Mashita Jaya Sdn. Bhd., he was seconded to assist Lim Boon Hua in overseeing the business and operations of Pajak Gadai PPJ Sdn. Bhd. as its Chief of Operating Officer. He assisted Lim Boon Hua in the expansion of the outlets of our Group.

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 our Group including the implementation of our Group's policies, both at the management and outlet levels.

KEY MANAGEMENT PROFILE
(Cont'd)

Wong Koon Wai
Chief Financial Officer

Malaysia	Male	48

Wong Koon Wai is our Chief Financial Officer, a Malaysian aged 48. He obtained his Bachelor Degree in Business (Accountancy) from the Royal Melbourne Institute of Technology (RMIT) in December 1999. He has been a member of CPA Australia and the Malaysian Institute of Accountants since 2008.

He started his career as an audit assistant in July 2000. He later joined Crowe Malaysia PLT in May 2003, and last held position was as a Senior Manager before leaving in June 2011.

During his tenure in the audit firms, he led engagements including public listed companies' audits, transactional services, fund raising exercises locally and cross border.

After leaving Crowe Malaysia PLT and in July 2011, he joined a private company which business activities including manufacturing of sheet piles and pipe piles, rooftop and decking solutions as well as shoring solutions for construction projects, as its Group Financial Controller. He was responsible for overseeing the finance and accounting functions of its group of companies in Malaysia, Singapore, China, Vietnam, and Indonesia.

He then joined the Malaysian Institute of Accountants in October 2012 as its director overseeing professional standards & practices of the accounting profession in Malaysia.

Two years later, he joined an information technology start-up from November 2014 to September 2018 as the Chief Operating Officer. He was primarily responsible for planning, directing, and coordinating the company's operational policies, rules, initiatives, and goals.

Since then till July 2020, he was involved in entrepreneurial ventures as an investor. He later joined our Group as our Chief Financial Officer in August 2020.

He is an independent non-executive director of HLT Global Berhad since 8 January 2016. HLT Global Berhad is listed on the ACE Market of Bursa Securities. He also sits on the board of Golden Plus Holdings Berhad, a public limited liability company and several private companies in Malaysia.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders and Stakeholders,

I am pleased to report that our company has had a successful year. Despite the challenging business environment, we have continued to grow and exceed expectations. Our overall revenue has increased by 29.26% and we are able to achieve profit after tax of RM10.12 million, representing a 49.42% jump as compared to financial year ended 2021.

We attribute our success to our dedicated employees, who have worked tirelessly to ensure that our customers receive the highest level of service. Our Managing Director, Mr Lim Boon Hua, together with the management team has also been instrumental in driving innovation and strategic planning, positioning us for long-term success.

As we move forward, we remain committed to delivering value to our shareholders. We will continue to invest in our people and business, while remaining focused on our core business objectives. Our goal is to continue to grow and expand our market reach, while remaining financially responsible and maintaining our commitment to corporate social responsibility.

Thank you for your continued support and investment in our company. We look forward to another successful year ahead.

Chong Chee Fire
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS

Pappajack Berhad is an investment holding company, whilst the principal activities of all its subsidiaries 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 subsidiary of our Group and each subsidiary is individually licensed by the Kementerian Pembangunan Kerajaan Tempatan ("KPKT") (formerly known as Kementerian Perumahan dan Kerajaan Tempatan).

Our Group currently operate 30 pawnbroking outlets.

Pawnbroking services are provided by licensed 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. To achieve this, we will remain focused in our commitment on customer service which will in turn support our long-term sustainability and growth.

FINANCIAL PERFORMANCE

The Group are pleased to report an improvement in our financial performance for the financial year ended 31 December 2022 ("FYE 2022"). The Group's profit after taxation ("PAT") increased to RM10.12 million compared to RM6.77 million in the previous year, reflecting a growth of approximately 49.42%.

This increase in PAT was primarily attributed to the Group's strong focus on optimising our margins through improved sales and cost management strategies. We have managed to keep our costs low while achieving higher sales, which has resulted in an overall improvement in our margins.

The Group's financial indicators pertaining to the financial performance and financial position for the FYE 2022 vis-à-vis the FYE 2021 are as follows:-

Our financial performance		**FYE 2022**	**FYE 2021**	**% Change**
Revenue	RM'000	69,963	54,125	29.26
Gross profit ("GP")	RM'000	22,301	14,350	55.41
Profit before taxation ("PBT")	RM'000	14,574	10,208	42.77
Profit After Tax ("PAT")	RM'000	10,117	6,771	49.42
GP margin	%	31.88	26.51	20.23
PBT margin	%	20.83	18.86	10.45
PAT margin	%	14.46	12.51	15.59
Our financial position				
Total non-current asset	RM'000	13,707	11,046	24.09
Total current assets	RM'000	206,619	123,863	66.81
Total non-current liabilities	RM'000	6,521	10,914	(40.25)
Total current liabilities	RM'000	39,560	8,434	369.05
Total shareholders' equity	RM'000	174,245	115,561	50.78

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

FINANCIAL PERFORMANCE *cont'd*

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

Revenue		**FYE 2022**	**FYE 2021**	**% Change**
Pawnbroking interests charges	RM'000	25,699	18,966	35.50
Sales of unredeemed or bid pledges	RM'000	44,264	35,159	25.90
TOTAL	RM'000	69,963	54,125	29.26
GP				
Pawnbroking interests charges	RM'000	18,611	13,062	42.48
Sales of unredeemed or bid pledges	RM'000	3,690	1,288	186.49
TOTAL		22,301	14,350	55.41
GP Margin				
Pawnbroking interests charges	%	72.42	68.87	5.15
Sales of unredeemed or bid pledges	%	8.34	3.66	127.87

For the FYE 2022, the Group's revenue increased by 29.26% compared to the previous financial year. The growth was mainly driven by a 35.50% increase in revenue from the pawnbroking interest charges segment resulting from the deployment of pawn loans through the proceeds from the Initial Public Offering (IPO) on the ACE Market of Bursa Securities completed on 1 April 2022. Additionally, the revenue from the sale of unredeemed or bid pledges segment also saw a 25.90% increase, contributing to a RM2.40 million increase in gross profit.

The Group's PBT increased to RM14.57 million, reflecting a growth of 42.77% compared to the previous financial year. The increase in PBT is attributed to the improved revenue while keeping costs stable, notwithstanding part of the listing expenses in respect to the IPO of approximately RM2.00 million for the FYE 2022. Furthermore, the Group's PAT increased by 49.42% or RM3.35 million to RM10.12 million, due to a lower tax rate of 30.58% and the improved revenue. The Group did not incur any material capital expenditure during the financial year under review.

The increase in total current assets was mainly attributed to the increase in trade receivables representing pawn loans deployed, as well as additional cash from a bank loan obtained at the end of the FYE 2022. The trade receivables are fully pledged against gold upon pawn loans being granted, which the management believes will have no negative financial impact on the Group.

The total non-current liabilities comprise a term loan to finance the Group's investment property and operating lease liabilities. The reduction in total non-current liabilities is mainly due to the classification of RM6.00 million shareholders' advances to current liabilities as repayment is fall due in FYE 2023. Similarly, the current liabilities increased by the same basis as well as a bank loan obtained towards the end of the financial year.

The Group's 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 operations, while external sources of funds comprise shareholders' advances totalling RM12.0 million received during end of FYE 2020 and the proceeds from the IPO, of which RM46.30 million was utilized for the purpose of pawn loans deployment.

In conclusion, the Group is not aware of any other known trends and events that are reasonably likely to have a material effect on the operations, performance, financial condition, and liquidity.

OPERATING ACTIVITIES

In FYE 2022, our pawnbroking segment remained the primary contributor to our gross profit, accounting for 83.45% of the total. Revenue from this segment increased by 35.50% or RM6.73 million compared to FYE 2021, with a gross profit contribution of RM18.61 million, representing a 42.48% increase over FYE 2021. Additionally, the GP margin for our pawnbroking segment improved slightly to 72.42% in FYE 2022 from 68.87% in FYE 2021.

The Group also experienced growth in the sale of unredeemed or bid pledges segment, with revenue increasing by 25.90% to RM44.26 million compared to FYE 2021. Gross profit for this segment improved significantly by 186.49% to RM3.69 million in FYE 2022, driven by higher gold prices during the sale of unredeemed or bid pledges. Furthermore, the gross profit margin for this segment increased to 8.34% in FYE 2022 from 3.66%, based on revenue of RM35.16 million in FYE 2021.

Overall, our pawnbroking segment and sale of unredeemed or bid pledges segment shown significant growth in revenue and gross profit for FYE 2022, with improvements in gross profit margins in both segments.

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.

II. We Are Subject to Regulatory Requirements for Pawnbroking Business

Our business operations are governed by the KPKT, and are governed by the regulations under the Pawnbrokers Act 1972. Under the Pawnbrokers Act 1972, a pawnbroking licence is mandatory for opening and operating a pawnbroking outlet. Such 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.

ANTICIPATED OR KNOWN RISKS *cont'd*

II. We Are Subject to Regulatory Requirements for Pawnbroking Business *cont'd*

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.

ANTICIPATED OR KNOWN RISKS *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

Pawnbrokers play a crucial role in providing short-term micro-loans to financially underserved individuals, complementing the services offered by traditional financial institutions. With the proceeds from its RM50.10 million IPO, the Group is expanding its network of pawnbroking outlets and exploring new geographical markets within Peninsular Malaysia. By increasing its market presence and serving a wider customer base, the Group aims to enhance its financial performance.

The Management is optimistic that the Group's expansion plan will yield positive results in the years to come. The pawnbroking industry in Malaysia has grown at a compound annual growth rate of 2.7% between 2017 and 2022, from RM8.3 billion to an estimated RM9.5 billion. This trend is expected to continue, with the industry projected to grow at a CAGR of 3.1% from 2022 to 2024, reaching RM10.1 billion in 2024.

With fresh capital from the IPO proceeds and additional funds raised through various channels such as bank borrowings, the Group is well-positioned to benefit from the growing domestic demand and increase its market shares. Leveraging its track record, capabilities, and strong position in the domestic market, the Group is poised to expand its presence in the pawnbroking industry.

DIVIDEND POLICY

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividend for the year is subject to shareholders' approval. Our Group presently does not have any formal dividend policy, nevertheless, we recognise that it is important to reward our investors with dividends. Therefore, it is our intention to pay dividends to shareholders in the future to allow our shareholders to participate in our profits subject to various factors including, inter-alia, our financial performance, cash flow requirement, availability of distributable reserves and capital expenditure plans.

As our Company is an investment holding company, our income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions that we receive from our subsidiaries. The payment of dividends or other distributions by our subsidiaries will depend upon its distributable profits, operating results, financial condition, capital expenditure plans and other factors that the Board of Directors deems relevant.

SUSTAINABILITY STATEMENT

1. INTRODUCTION

1.1 INTRODUCTION

Pappajack Berhad ("Pappajack") and its group of companies ("Pappajack Group" or "the Group") is committed towards value creation for long-term sustainability for its stakeholders. To this end, Pappajack has embedded practices that focus on building sustainability throughout the Group's business operations.

Pappajack is pleased to present its Sustainability Statement that details the Group's Environmental, Social and Governance ("ESG") performances. This Statement communicates the Group's journey towards embedding sustainability in the business and daily operations whilst considering the interests of our stakeholders and business growth. This Statement also sets out Pappajack's approach towards sustainable development and management of ESG risks and opportunities, after considering the impact of our business endeavours on the ESG facets the Group interacts with.

1.2 SCOPE AND BOUNDARIES

Pappajack Group is principally involved in the provision of pawnbroking services through a network of pawnbroking outlets in Malaysia. The scope of this Statement mainly relates to our Group's pawnbroking businesses in Malaysia and where available, this Statement also provides comparative historical data.

1.3 REPORTING PERIOD AND CYCLE

This statement describes the Group's sustainability activities covering both financial and non-financial aspects for the period from 1 January 2022 to 31 December 2022, and up to the date of this Statement.

1.4 GUIDELINES AND STANDARDS

We are pleased to present our sustainability statement prepared with reference to the Sustainability Reporting Guide ("SRG") issued by Bursa Securities.

Our Group has considered key sustainability matters as guided and defined by both the Global Reporting Initiative ("GRI") on Sustainability Standards and SRG.

1.5 GOVERNANCE STRUCTURE

The Board of Directors of Pappajack adopts a sustainability governance approach that is fit for the Group's purpose, after considering amongst others, our culture, needs, sustainability-related risks and opportunities and level of maturity of the sustainability intellect and readiness.

The diagram below highlights the key roles and responsibilities of Pappajack in relation to ESG matters:

Board of Directors

- Oversees and governs the Group's sustainability agenda and strategy
- Embeds ESG within the Group's business strategy
- Approves the Group's ESG strategy

Managing Directors

- Approves targets an market disclosures
- Develops ESG strategy and recommend appropriate revision to the Board
- Evaluates overall ESG risks and opportunities

Senior Management

- Support the Board and Managing Director in the implementation of sustainability-related strategies
- Oversees departments/functions in ensuring robustness of system in relation to ESG management
- Report management targets
- Develop plan and timeline for relevant disclosures

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.

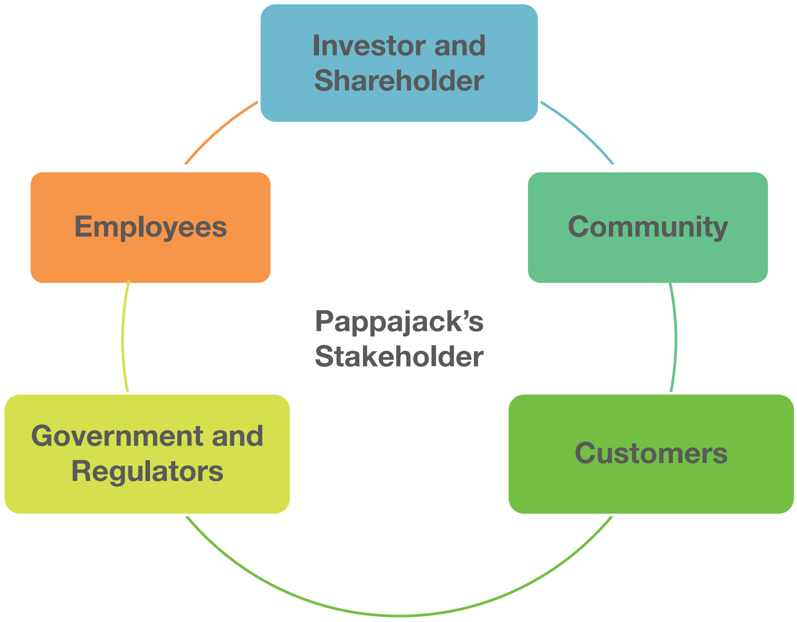
The Board considers it appropriate in this regard to limit the scope of materiality assessment and by extension the sustainability disclosure to the active companies within the Group. As the Group endeavours to enhance socio-economic benefits and create a positive social impact on immediate communities 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.

SUSTAINABILITY STATEMENT
(Cont'd)

2.2 STAKEHOLDER ENGAGEMENT

Pappajack's stakeholders are parties who are impacted by the Group's business decisions and activities and the parties whose actions and decisions will influence Pappajack's business growth. Pappajack continuously maintain a regular engagement with its stakeholders, which enables the Group to identify and align their key priorities and concerns within the Group's business practices and strategies towards addressing material sustainability matters.

Set out below are the various types of stakeholder engagements as well as the areas of interest identified together with the appropriate responses to address such interests arising:



2.2 STAKEHOLDER ENGAGEMENT

Areas of Interest

Investors and Shareholders	Community	Customers	Governance and Regulators	Employees
• Business performance • Business directions • Prospects and strategies • Return on Investment • Business continuity • Business risks • Trade velocity • Corporate governance	• Financial support and aid • Sosial responsibility • Environmental awareness and education • Lifestyle support • Business opportunity • Employment support • Livelihood support	• Quick access to pledge-backed short-term micro-loans • Safety of customers' pledges and security measures in place • Gold commodity prices	• Regulations, governance and compliance with laws, requirements and standards • Accuracy, transparency and relevant disclosure of information	• Career and personal development • Reasonable remuneration, welfare and benefits • Employment diversity and equal opportunity • Appropriate working enviroment • Job performance evaluation/ assessment • Ethics and integrity • Work-life balance

2.2 STAKEHOLDER ENGAGEMENT *cont'd*

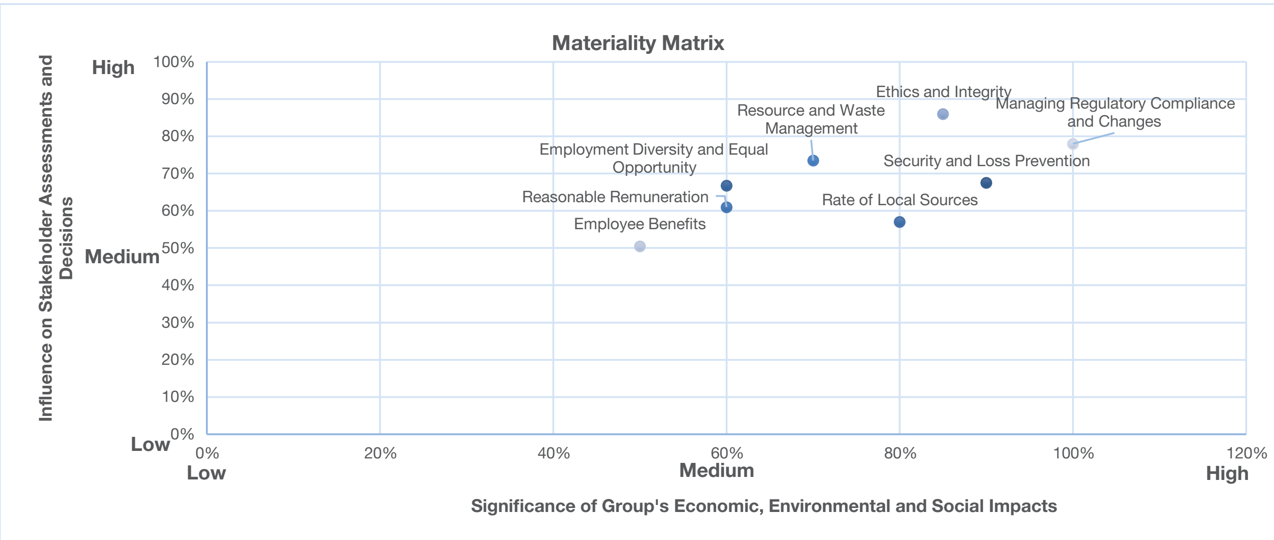
Forum of Response	Investors and Shareholders	Community	Customers	Governance and Regulators	Employees
	• Quaterly reporting and regular audit • Financial performance results • Announcements via Bursa Malaysia • Press conferences and media releases • Annual reports	• Financial assistance and donation • Corporate Social Responsibility ("CSR") events and programmes with community • Job opportunity • Festive events	• pawn registration/ ticket • Financing availability	• Engagement with regulatory bodies and government agencies • Compliance management (e.g. legal checklist) • Participattion in training provided by relevant agencies	• Internal and external training • Code of conduct and human resource policies • Staff welfare • Corporate activities and events • Performance management system • Whistleblowing channel

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 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 illustrated in the following sections.

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:



The activities undertaken in respect of such initiatives/matters are set out in the following section.

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 continuous adhered to and are updated regularly and at appropriate intervals.

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

For FY2022, we are pleased to report there is no incident of non-compliances reported.

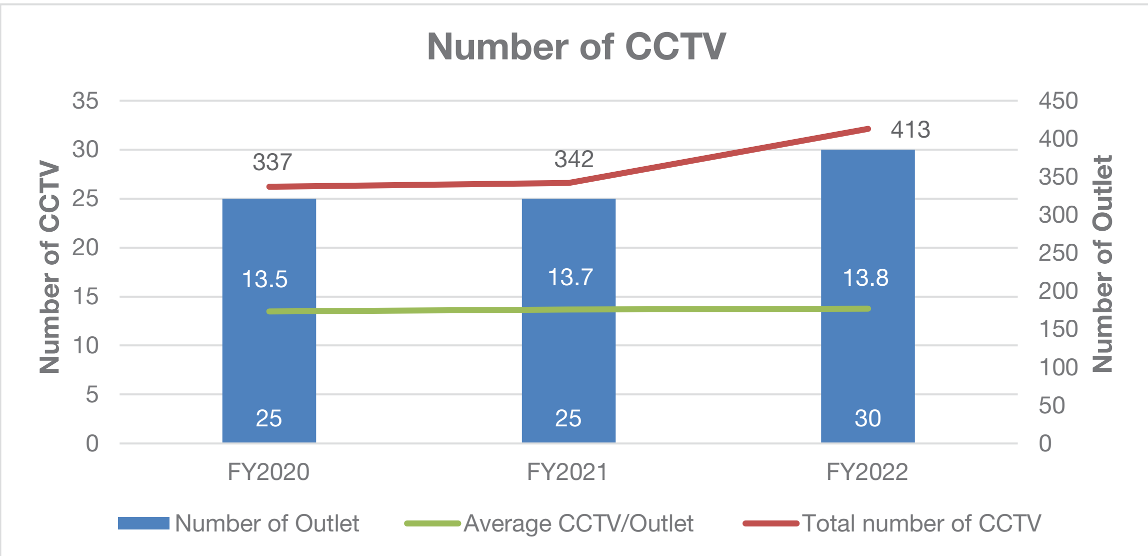
3.1.2 Security and Loss Prevention

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 342 units (FY2021) to 413 units (FY2022), propelled by the opening of additional pawnbroking outlets.

TOTAL	FY2020	FY2021	FY2022
Number of Outlet	25	25	30
Total number of CCTV	337	342	413
Average CCTV/Outlet	13.5	13.7	13.8



3.1 ECONOMIC *cont'd*

3.1.2 Security and Loss Prevention *cont'd*

Closed-Circuit Television ("CCTV") *cont'd*

In addition, periodic maintenance was also performed to ensure that all CCTVs are functioning properly at all outlets. During the past three financial years (FY2020 to FY2022), there were no incident of malfunction or major breakdown in CCTVs in any of the pawnbroking outlets, except for Pajak Gadai TSE Sdn. Bhd. in Selangor that experienced a breakdown.

The breakdown was caused by a flash flood which damaged the electronic equipment including CCTV and computer on 18 December 2021. The outlet was closed from 19 December 2021 to 26 December 2021 for restoration and resumed business on 27 December 2021.

Central Monitoring System

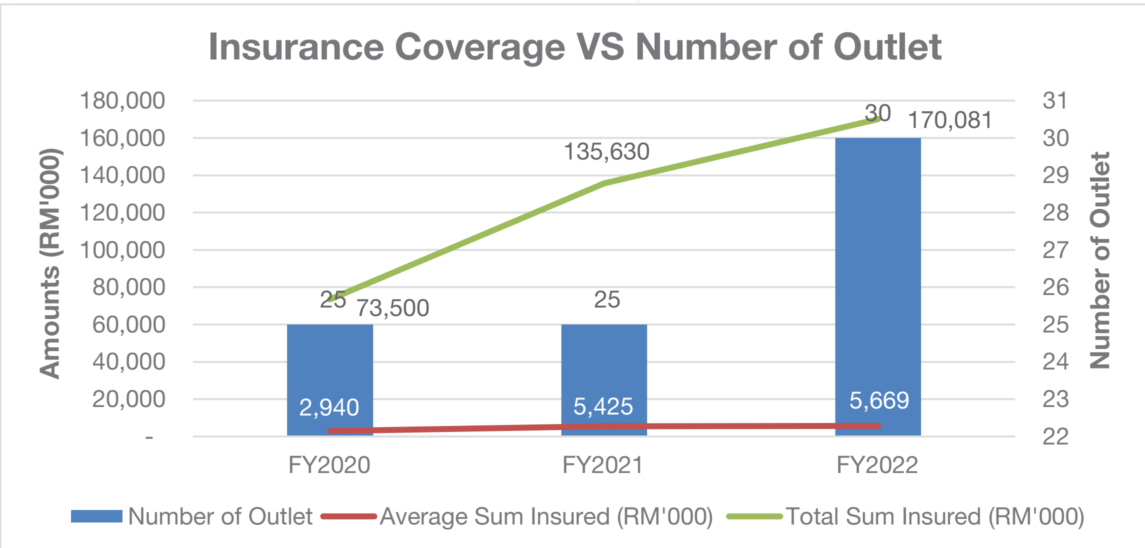
A central monitoring system compromising security alarm system and anti-theft system have been installed to detect intrusion and deter unauthorised entry into the Group's pawnbroking outlets. As a result of this, there were no cases of burglary, theft or robbery reported in any of the Group's pawnbroking outlets during the past three financial years (FY2020 to FY2022).

Insurance

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 customers 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 FY2020 to FY2022 are as follows:

TOTAL	FY2020	FY2021	FY2022
Number of Outlet	25	25	30
Average Sum Insured (RM'000)	2,940	5,425	5,669
Total Sum Insured (RM'000)	73,500	135,630	170,081



3.1 ECONOMIC *cont'd*

3.1.2 Security and Loss Prevention *cont'd*

Insurance *cont'd*

Total sum insured has increased from RM135.6 million (25 outlets, FY2021) to RM170.1 million (30 outlets, FY2022) and accordingly, the average sum insured per outlet has also increased from RM5.4 million in FY2021 to RM5.7 million in FY2022.

During the past three financial years (FY2020 to FY2022), the Group has not made any material claim under the jeweller's block insurance policies undertaken with third-party insurance providers.

3.1.3 Ethics and Integrity

Pappajack adopts a zero-tolerance stance against fraud, bribery and corruption. Apart from the Code of Ethics and Conduct, the Group is guided by a set of robust corporate policies that address anti-bribery and corruption, anti-money laundering and whistleblowing. The Anti-Bribery & Corruption ("ABC") Policy is communicated to employees via various platforms, including our Group's corporate website, training sessions and induction programmes.

Employees are expected to conduct themselves professionally and with integrity and shall not engage in any form of corrupt or illegal acts. Any allegation or suspicion of corruption or illegality is taken seriously, and every employee is to uphold its promulgated business ethics when carrying out their tasks and responsibilities.

Pappajack continues to provide Anti-Bribery & Corruption training to its employees. Anti-Corruption training was provided to all (90) employees of the Group during FY2021 and has been extended to all Pappajack new employees when they report to work. A total of 29 employees who newly join Pappajack have attend the training in FY2022.

In FYE 2022, there was no bribery and corruption case reported and our Group aims to maintain this record by promoting a positive ethical culture of integrity and compliance. None of our employees was disciplined or dismissed due to non-compliance with the ABC policy. Pappajack remains committed towards preserving this record and will continue to uphold high levels of integrity and ethical standards.

3.1.4 Rate of Local Sources

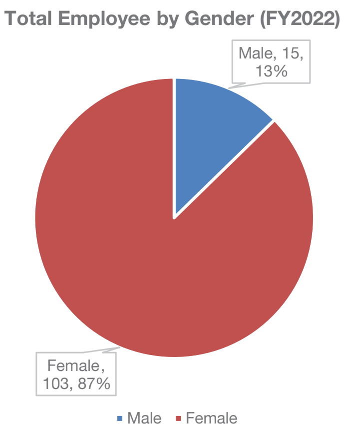
As a corporate citizen of Malaysia, Pappajack aims to stand tall and strong with the local community it operates in. Pappajack prides itself in the support of local businesses and society. During the Pappajack's procurement activities, the group will prioritise to source from local vendor if local vendor is available to supply the required items/services to Pappajack.

In FY2022, Pappajack's purchases are totally sourced from local vendors registered with the Group and its subsidiaries, and Pappajack continues to ensure 100% of its vendors are of local origins.

3.2 SOCIAL

3.2.1 Employment Diversity and Equal Opportunity

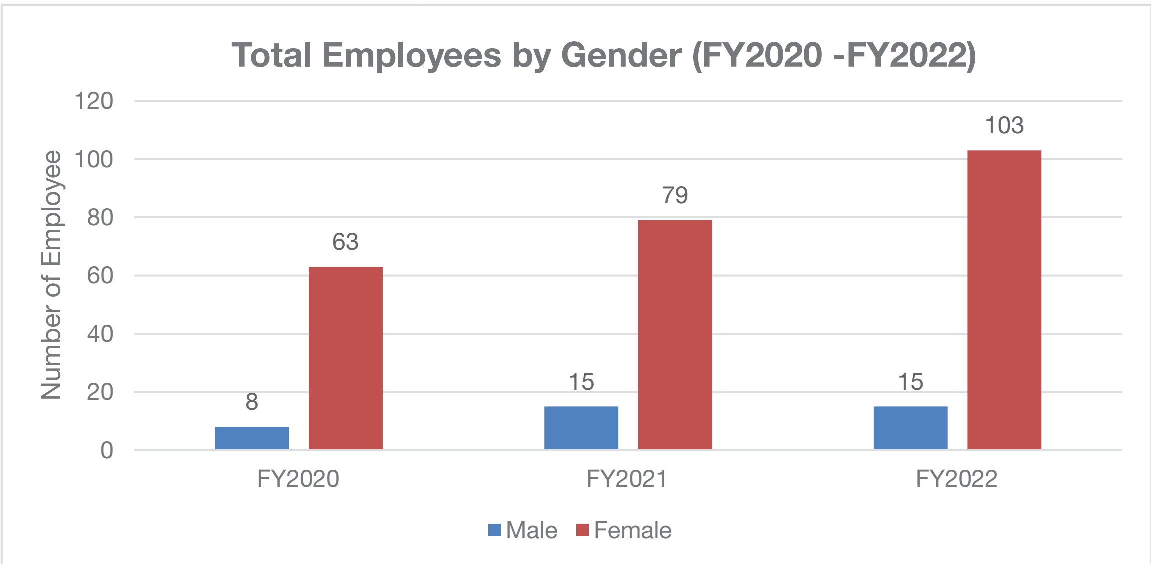
Backbone of success in any organisation lies in the human capital of the organisation. Organisation striving for sustainable success will have to manage their human capital as their first and foremost priority.



As at 31 December 2022, 87% (103 employees) of Pappajack's workforce comprising full-time employees are females whilst 13% (15 employees) are males.

The total number of employees has increased from 94 employees to 118 employees in the financial year ended 31 December 2022.

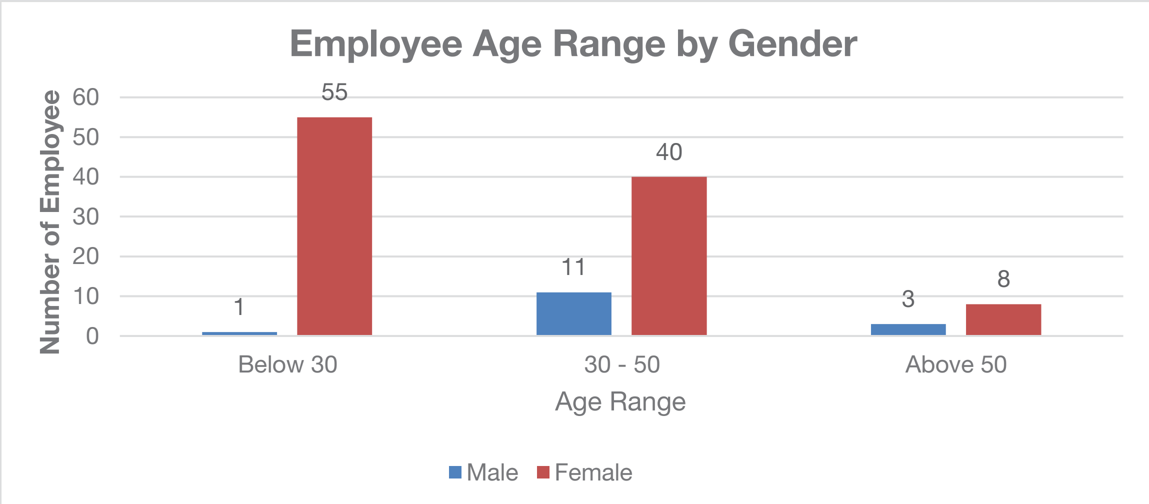
However, the gender diversity ratio of male-to-female employee has decreased from 16:84 in FY2021 to 13:87 in FY2022. Number of female employees has increased from 79 to 103 in FY2022 while the number of male employees remained at 15.



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 there is still room for improvement, work opportunity in Pappajack have always remained fair and equitable to all.

3.2 SOCIAL *cont'd*

3.2.1 Employment Diversity and Equal Opportunity *cont'd*



In FY2022, 47% of employees are below 30 years old and only 9% of employees are above 50 years old. Furthermore, 53% of female employees (55 out of 103 female employees) are below 30 years old while 73% of male employees (11 out of 15 male employees) are aged between 30 to 50 years old.

Age Range	Male	Female	Total
Below 30	1	55	56
30 - 50	11	40	51
Above 50	3	8	11
Total	**15**	**103**	**118**

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.

3.2.2 Reasonable Remuneration

Pappajack remunerates its employees in accordance with performance and in line with the minimum wage prescribed by the relevant labour law. A standard wage is applied to both genders at entry level and the Group rewards its employees based on 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 standard benefits are provided to all employees throughout the Company regardless of gender, race or religion.

3.2.3 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 in FY2022. The maternity leave is revised to ninety eight (98) days and paternity leave is revised to seven (7) days with effective from 1 January 2023, to be in line with the amendments to the Employment Act 1955.

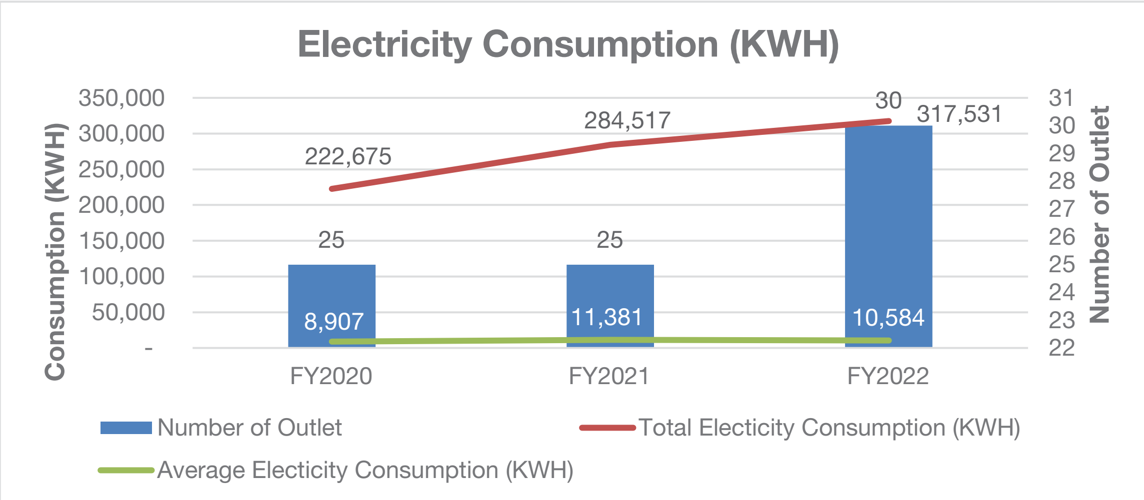
3.3 ENVIRONMENT

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 future generations, and to this end have undertaken the following efforts:

Electricity Consumption

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



TOTAL	FY2020	FY2021	FY2022
Number of Outlet	25	25	30
Total Electricity Consumption (KWH)	222,675	284,517	317,531
Average Electricity Consumption (KWH) per Outlet	8,907	11,381	10,584
Total Sales (RM)	30,768,968	54,124,935	69,962,964
Electricity (KWH) per Sales (RM)	0.007	0.005	0.005

The electricity consumption across the Group has increased by approximately 12% from 284,517KWH in FY2021 to 317,531KWH in FY2022 due to the increase in the number of outlets from 25 outlets in FY2021 to 30 outlets in FY2022. However, the average electricity consumption per outlet has decreased from 11,381KWH per outlet to 10,584KWH per outlet. The electricity consumption per Ringgit of sales generated has remained at RM0.005 in FY2022, indicating consistent efficiency in the use of electricity.

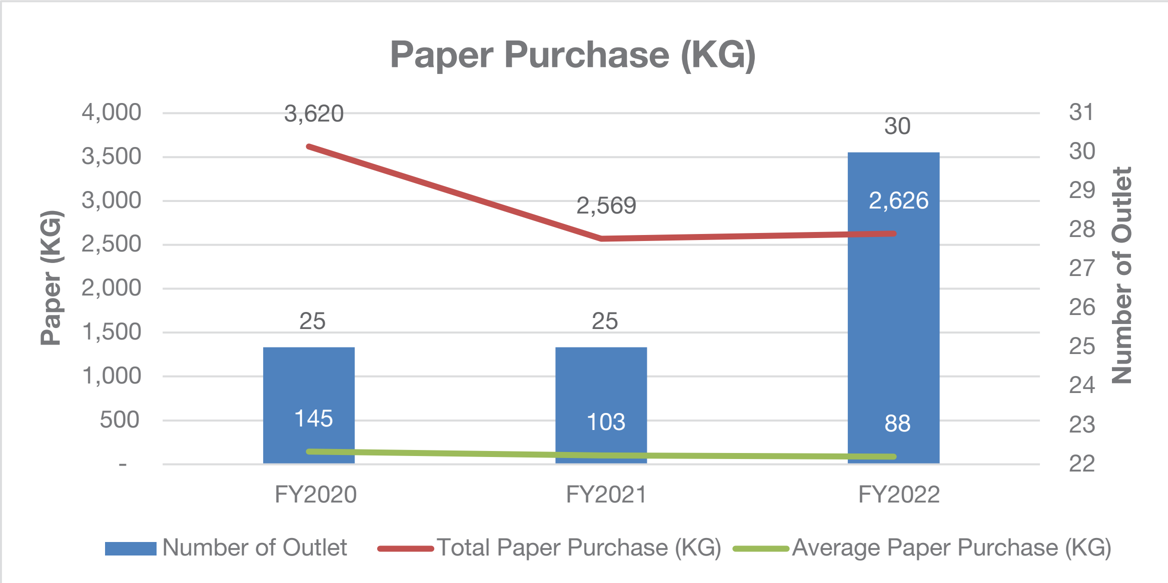
Paper Purchase

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

3.3 ENVIRONMENT *cont'd*

3.3.1 Resource and Waste Management *cont'd*

Paper Purchase *cont'd*



TOTAL	FY2020	FY2021	FY2022
Number of Outlet	25	25	30
Total Paper Purchase (KG)	3,620	2,569	2,626
Average Paper Purchase (KG)	145	103	88
Total Sales (RM)	30,768,968	54,124,935	69,962,964
Paper Purchase (KG) per Sales (RM)	0.00012	0.00005	0.00004

The paper purchased and consumed across the Group has increased by approximately 2% from 2,569kgs in FY2021 to 2,626kgs in FY2022 while the number of outlets has increased from 25 outlets in FY2021 to 30 outlets in FY2022. As a result, the average paper purchased and consumed per outlet has decreased from 103kgs per outlet to 88kgs per outlet and the paper cost per RM sale generated has decreased from RM0.00005 in FY2021 to RM0.00004 in FY2022, indicating a more efficient use of paper.

4. KEY PERFORMANCE INDICATOR ("KPI")

As part of our sustainability efforts, below are the historical and comparative data achieved by Pappajack Group toward sustainability goals:

Area	Sustainability Matter	Unit of Measurement	FY2020	FY2021	FY2022
Economic	**Managing Regulatory Compliance and Changes**				
	- List of Claims of Non-Compliance related to regulation	Number of Cases	nil	nil	nil
	Security and Loss Prevention				
	- List of incident malfunction/system breakdown on CCTV	Number of Cases	nil	1	nil
	- Average Sum Insured per outlet	Amount (RM'000)	2,940	5,425	5,669
	Ethics and Integrity				
	- Confirmed incidence of corruption and action taken	Number of Cases	nil	nil	nil
	Rate of Local Sources				
	- Percentage of local vendor	%	100%	100%	100%
Social	**Employment Diversity and Equal Opportunity**				
	- Gender diversity ratio of male-to-female employee	Ratio	11:89	16:84	13:87
Environment	**Resource and Waste Management**				
	- Average Electricity Consumption (KWH) per Outlet	KWH	8,907	11,381	10,584
	- Electricity (KWH) per Sales (RM)	KWH/RM	0.007	0.005	0.005

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 Pappajack Group operate in. The journey towards attaining sustainable growth and long-term profitability is a continuous one and the principles of sustainability have been ingrained into the Group's culture, value system and in its way of doing business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board recognises the importance of adopting the Principles and Recommendations as set out in the Malaysian Code on Corporate Governance ("**MCCG**"), 4th Edition of Corporate Governance Guide issued by Bursa Malaysia Securities Berhad ("**Bursa Securities**"), and the ACE Market Listing Requirements ("**AMLR**") of Bursa Securities and is fully committed in ensuring that the highest standards of corporate governance is observed and practised throughout the organisation to build sustainable business growth, safeguard the interest of shareholders, enhance shareholders' value and protect stakeholders' interest.

In the attainment of this purpose, the Board is pleased to outline how the Principles of the MCCG have been applied in the Group during the financial year and the extent of compliance with the Recommendations of the MCCG and clear and meaningful disclosure on why certain practices were not applied and how the alternative practices achieve the intended outcome.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

The Group acknowledges the vital role played by the Board in the stewardship of the direction and business operations of the Group and ultimately the enhancement of long-term shareholders' value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals, consideration of significant financial matters, review of the financial and operating performance of the Group and undertaking of major investments and capital expenditures.

I. BOARD RESPONSIBILITIES

The Company has an experienced Board that is primarily responsible for charting and reviewing the strategic direction of the Group and delegates the implementation of these directions to the management. The Board also ensures the implementation of appropriate risk management and internal control systems, including financial, operational and compliance to safeguard the shareholders' interest and the Group's assets. The Board has adopted certain responsibilities for effective discharge of its functions through formalising its Board Charter (available at the Company's website: www.pappajack.com.my) which, inter alia, sets a list of specific functions that are reserved for the Board and Chairman; and the authorisation limit which defines relevant matters and applicable limits reserved for Chairman and Executive Directors that are further cascaded to senior management team within the Company.

The Board have established Board Committees namely the Audit Committee, Nomination Committee, Risk Management Committee and Remuneration Committee, which are entrusted with specific oversight responsibilities for Pappajack Group's affairs. The Board Committees are granted the authorities to act on each Board's behalf in accordance with their respective Terms of Reference ("TOR") and to report to the Board with the necessary recommendation. The TOR of the Board Committees are available at the Company's website. Further, as part of the Boards' responsibilities in ensuring compliance by the Company and the Group with the AMLR, the Companies Act 2016 and rules of other relevant authorities.

The Group aims to ensure a balance of power and authority between the Chairman and Executive Directors with a clear division of responsibility between the running of the Board and the Company's business respectively. The Group also emphasises and practices a division of responsibility between the Executive and Non-Executive Directors. The distinct and separate roles of the Chairman and Executive Directors, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board, acts as facilitator at the meetings and ensure that Board proceedings is in compliance with good conduct and best practices. Whilst the Executive Directors are responsible for making and implementing operational and corporate decision as well as developing, coordinating and implementing business and corporate strategies. The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision-making process.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

All Directors have unrestricted access to all information pertaining to the Group's business and affair and has full access to management, Company Secretary and External Auditors for information needed to carry out their duties and responsibilities. This is to enable them to carry out their duties effectively and diligently. As and when necessary, the Board may obtain independent professional advice, in furtherance of their duties, at the Company's expenses.

The Board had adopted the Code of Conduct, Anti-Money Laundering Policy, Anti-Bribery and Corruption Policy, Whistle Blowing Policy and Fit and Proper Policy which is available on the Company's website.

II. BOARD COMPOSITION

As at the date of this report, the Board comprises six (6) Directors i.e. one (1) Independent Non-Executive Chairman, three (3) Independent Non-Executive Directors, and two (2) Executive Directors. The Independent Non-Executive Directors fulfilled the criteria of "Independence" as prescribed under the AMLR. This is in compliance with the AMLR which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors. All Independent Non-Executive Directors are independent of management and have no family or business relationships with the Executive Directors and major shareholders which would interfere with the exercise of their independent judgment.

The Board acknowledges the call by the Government and MCCG for Boards to comprise at least 30% women on board. The Company currently have two (2) women Directors to the Board, which represent 33% of the total number of board members.

The Board is satisfied that its current size and composition is adequate to provide for a diversity of views, to facilitate effective decision making and to reflect an appropriate balance of Executive and Non-Executive Directors for the scope and nature of the Group's business and operations.

The Board meets on a quarterly basis with additional meetings being convened when necessary to address urgent matters. All the Directors have complied with the minimum attendance requirements as stipulated by the AMLR. The Board met on six (6) occasions during the financial year ended 31 December 2022 and the details of attendance at Board Meetings is set out below:-

Name of Directors	Attendance	Percentage of attendance (%)
Chong Chee Fire	6/6	100%
Lim Boon Hua	6/6	100%
Law Book Ching	6/6	100%
Dato' Magaret Ting Thien Hung	6/6	100%
Koo Woon Kan	6/6	100%
Cheong Woon Yaw	6/6	100%

Prior to each meeting, a reasonable notice of meetings and agenda were circulated to all Directors together with the draft minutes of the previous meeting together with the respective reports/papers and other board meeting reference materials such as management reports and financial reports to be discussed were furnished to the Directors at least seven (7) days prior to the Board meeting via e-mail so that each Director had ample time to review the papers to enable informed decision making. The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes.

All Directors are encouraged to participate in relevant training programmes for continuous professional development and to further enhance their skills and knowledge. The Directors are aware that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments in the industry as well as new statutory and regulatory developments including changes in accounting standards.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Training programmes and seminars attended by the Directors of the Company during the financial year ended 31 December 2022 are as follows:-

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Chong Chee Fire	• Mandatory Accreditation Programme (ICDM) • Corporate Governance and Sustainability (SSM National Conference 2022) • Philipcapital 12th Investment Conference 2022
Lim Boon Hua	• Mandatory Accreditation Programme (ICDM) • Merger & Acquisition Course by Finsource
Law Book Ching	• Mandatory Accreditation Programme (ICDM) • Merger & Acquisition Course by Finsource
Dato' Magaret Ting Thien Hung	• Mandatory Accreditation Programme • Advocacy Session for Directors and Senior Management of Main Market Listed Issuers
Koo Woon Kan	• Mandatory Accreditation Programme (ICDM) • SSM - Seminar On "Company Secretaries Training Programme Essential 1.0 (Part A) • SSM - Seminar On "Company Secretaries Training Programme Essential 1.0 (Part B) • SSM - Seminar On "Company Secretaries Training Programme Essential 1.0 (Part C) • Seminar On " Hands-On Company Secretarial Work
Cheong Woon Yaw	• Mandatory Accreditation Programme (ICDM) • Integrated Reporting but Disintegrated Thinking (ICDM) • Leadership that sustains performance and builds trust • How to think critically and solve problems

During the financial year ended 31 December 2022, the External Auditors briefed the Board members on the changes to the Malaysian Financial Reporting Standards have impact on the Group's and the Company's financial statements for the financial year.

Company Secretary

The Board is supported by a qualified secretary who is a Fellow member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as Company Secretary under the Companies Act, 2016. As a practicing Company Secretary, she has also attended continuous professional development programmes as required by MAICSA and Companies Commission of Malaysia.

She is also responsible for ensuring that the Company's Constitution, procedures, policies and regulations are complied with. Also ensuring that, all obligations required by the regulatory and under the AMLR are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretary on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretary is suitably qualified and capable of carrying out the duties as required. The Board is satisfied with the service and support rendered by the Company Secretary in discharging her functions.

Nomination Committee

The Board has established an Nomination Committee ("NC") to assist the Board in their responsibilities in nomination new nominees to the Board and to assess the performance of the Board, the Board Committees and the Directors of the Company on a on-going basis. Full details of the NC duties and responsibilities are stated in its TOR which is available on the Company's website.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

The NC current comprises exclusively Independent Non-Executive Directors as follows:-

1. Dato' Magaret Ting Thien Hung (Chairman)
2. Koo Woon Kan
3. Cheong Woon Yaw

The NC is responsible for the Board evaluation process covering the Board, the Board Committees and individual Director. The NC, upon conclusion of the evaluation exercise performed for the year 2022, was satisfied that the composition of the Board and its Board Committees possess the right blend of knowledge, expertise and experience and the appropriate mix of skills. In addition, there was mutual respect amongst individual Director which contributed to a healthy environment for constructive deliberation and decision-making process.

The Company's Constitution provides that one third (1/3) or nearest to one-third (1/3) of the Directors for the time being shall retire from office and be eligible for re-election provided always that all the Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. All the retiring Directors will abstain from deliberations and decisions on their own eligibility to stand for re-election at the Board Meeting.

In considering whether to recommend a Director who is eligible to stand for re-election, the NC would consider a variety of factors, including:

- the Director's contributions to the Board and ability to continue to contribute productively;
- the Director's attendance at Board and committee meetings;
- the Director's compliance with the Code;
- whether the Director continues to possess the attributes, capabilities and qualifications considered necessary or desirable for Board service; and
- the independence of the Director.

The NRC had reviewed and assessed the size, mix of skill and experience, performance and contribution of the Board and Individual Director and satisfied with the current composition and performance of the Board for the financial year ended 31 December 2022.

The NRC met once during the financial year ended 31 December 2022. The details of the members' attendance were as follows:-

Name of NC Members	Attendance
Dato' Magaret Ting Thien Hung	1/1
Koo Woon Kan	1/1
Cheong Woon Yaw	1/1

III. DIRECTORS' REMUNERATION

The Remuneration Committee ("RC") comprises of three (3) Members, majority of which are Non-Executive Directors. The members of the RC are as follows:-

1. Dato' Magaret Ting Thien Hung (Chairman)
2. Koo Woon Kan
3. Cheong Woon Yaw

The RC is responsible for evaluating, deliberating and recommending to the Board the compensation and benefits that are fairly guided by market norms and industry practices for the business the company is in. The RC is also responsible for evaluating the Executive Directors' remuneration which is linked to the performance of the Executive Director and performance of the Group. Individual Director do not participate in the discussion and decision making of his own remuneration to avoid conflict of interest.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

III. DIRECTORS' REMUNERATION *cont'd*

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors and Senior Management needed to run the Company successfully, taking into consideration all relevant factors including the skill function, workload and responsibilities involved, and after giving due consideration to the Group's performance.

Pursuant to Section 230(1) of the Companies Act, 2016, fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The annual review during the financial year ended 31 December 2022 was conducted by the Remuneration Committee on 19 April 2023.

The remuneration of individual Directors of the Company, including the remuneration for services rendered to the Group and the Company for the financial year ended 31 December 2022 are as follows:-

Category	Salaries	Fees	Meeting Allowances	Bonuses	Other emoluments	Total
	RM	RM	RM	RM	RM	RM
Executive Directors						
Mr. Lim Boon Hua	120,000	120,000	-	-	16,601.80	256,601.80
Mr. Law Book Ching	60,000	39,996	-	-	8,801.80	108,797.80
Non-Executive Directors						
Chong Chee Fire	-	48,000	1,500	-	-	49,500
Dato' Magaret Ting Thien Hung	-	36,000	1,500	-	-	37,500
Koo Woon Kan	-	36,000	1,500	-	-	37,500
Cheong Woon Yaw	-	36,000	1,500	-	-	37,500

The details of the remuneration of the top Senior Management (including salary, bonus, benefit in kind and other emoluments) in each successive bands of RM50,000.00 during the financial year ended 31 December 2022 are as follows:-:

Range of Remuneration (RM)	Designation of Top Senior Management
100,001 – 150,000	Chief Financial Officer
250,001 – 300,000	Chief Operating Officer

The RC met once during the financial year ended 31 December 2022. The details of the members' attendance were as follows:-

Name of RC Members	Attendance
Dato' Magaret Ting Thien Hung	1/1
Koo Woon Kan	1/1
Cheong Woon Yaw	1/1

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Board is assisted by the Audit Committee ("AC") which comprises wholly of three (3) Independent Non-Executive Directors, to oversee the integrity of the financial statements, compliance with relevant accounting standards and the Group's risk management and internal controls.

The members of AC are as follows:

1. Koo Woon Kan (Chairman)
2. Dato' Magaret Ting Thien Hung
3. Cheong Woon Yaw

The Chairman of the AC is not the Chairman of the Board. The AC Chairman is able to assess to the Executive Directors, Senior Management, External Auditors and Internal Auditors. To-date, the Company has not appointed a former audit partner to be a member of the AC. In addition, the AC has revised the TOR of AC to update the cooling-off period of a former audit partner to three (3) years before he/she can be considered for appointment as a member of AC which aligns with the MCCG.

The composition of the AC is reviewed annually with the view to maintain an independent and effective AC, and in line with the principles of the MCCG. The AC members are expected to continuously update their knowledge and enhance their skills. Based on the performance evaluation of the AC for the financial year ended 31 December 2022, the Board is satisfied that the Chairman and the members of AC have discharge their responsibilities effectively.

The independence, suitability and appointment/re-appointment of the External Auditors is reviewed by the AC annually based on the External Auditors Assessment.

II. Risk Management and Internal Control Framework

The Risk Management Committee has been formed to assist the Board on the ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process is regularly reviewed and is in accordance with the Statement on Risk Management and Internal Control in the Annual Report.

The Board is responsible to ensure that the Group complies with all applicable provisions of law and regulations and ensures that appropriate risk management systems are in place throughout the Group. The AC assists the Board to oversee and review the effectiveness of the Group's risk management and internal control systems.

To facilitate effective monitoring, the Board through AC regularly receives reports from the Internal Auditors on any business risks related to its business activities that have impacted or likely to impact the Group from achieving its objectives and strategies.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANING RELATIONSHIP WITH STAKEHOLDERS

I. Engagement with Stakeholders

The Company aims to ensure that the shareholders and investors are kept informed of all major corporate developments, financial performance, AGM and other relevant information by promptly disseminating such information to shareholders and investors via announcements to Bursa Securities and the Company's website at www.pappajack.com.my.

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value and recognises the importance of timely dissemination of information to shareholders or stakeholders. The Board is accountable to shareholders as well as other stakeholders of the Company for the performances and operations of the Company. As such, the Board endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANING RELATIONSHIP WITH STAKEHOLDERS *cont'd*

II. Conduct of General Meetings

The Annual General Meeting ("AGM") represents the principal forum for dialogue and interaction with shareholders. At the AGM, the Board presents the performance and progress of the Company and provides ample opportunity for shareholders to raise questions pertaining to the business activities of the Company. All the Directors and key management personnel are available to provide responses to questions raised by the shareholders during the AGM.

In line with MCCG, the Notice of the First AGM and Annual Report 2021 of the Company are sent 28 days prior to the AGM, so as to provide sufficient time for shareholders to read through the Annual Report and make the necessary attendance and voting arrangements.

The Minutes of the First AGM (including all the Questions raised at the meeting and the Answers thereto) was also made available on the Company's website.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of financial year and of the results and cash flows of the Company and of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2022. The Company and the Group have used the appropriate accounting policies and applied them consistently and prudently. The Directors also consider that all relevant approved accounting standards have been followed in the preparation of these financial statements.

COMPLIANCE STATEMENT

The Board confirms that the Group has made significant effort to maintain high standards of corporate governance throughout the year under review. The Board acknowledges that achieving excellence in corporate governance is a continuous process and is committed to play a pro-active role in steering the Group towards the highest level of integrity and ethical standards.

The Board has complied with most of the recommended practices of the MCCG 2021 throughout the financial year, except for the following:-

i. Practice 5.10 - To have a policy on gender diversity, its targets and measures to meet those targets.
ii. Practice 13.3 - To leverage technology to facilitate voting including voting in absentia and remote shareholders' participation.
iii. Practice 13.5 - To ensure the conduct of a virtual general meeting support meaningful engagement between the board, senior management and shareholders.

The explanation for the departure of the above and adoption of alternative practice to achieve the intended outcome had been explained in the Corporate Governance Report.

This Corporate Governance Overview Statement was approved by the Board on 19 April 2023.

AUDIT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022 ("FYE 2022"). 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 FYE 2022.

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 FYE 2022 are provided as below:

Name	Designation	Meeting Attendance
Ms Koo Woon Kan	Chairman	5/5
Dato' Magaret Ting Thien Hung	Member	5/5
Mr Cheong Woon Yaw	Member	5/5

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 Chief Financial Officer ("CFO") is 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.

AUDIT COMMITTEE REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Cont'd)

COMPOSITION & MEETING *cont'd*

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 FYE 2022:

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 2022.

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.

INTERNAL AUDIT FUNCTION

AC recognises the importance of an adequately resourced internal audit function to assist in undertaking a systematic and disciplined approach to assess, evaluate and enhance the effectiveness of the Group's risk management, internal control and governance systems and processes, and to provide reasonable assurance that such systems and processes continue to operate effectively and in compliance with the Group's established objectives.

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 independent assessment on the adequacy, efficiency and effectiveness of the Group's system of risk management and internal control. Resolve IR is led by Mr Choo Seng Choon ("Mr Choo") who is a Certified Internal Auditor and a Chartered Member of the Institute of Internal Auditors, Malaysia. Mr Choo has more than 25 years of professional experience in internal audit, risk management, corporate governance, performance and business management, taxation, due diligence and corporate finance. 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.

Resolve IR is a corporate member of the Institute of Internal Auditors, Malaysia and it is adequately resourced with over 20 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. Internal audit activities undertaken by the outsourced internal audit function is guided by the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors.

During the financial year under review, Resolve IR has undertaken the following activities:

a) Developed risk-based internal audit plan for AC's approval
b) Conducted internal audit reviews in accordance with the internal audit plan that is approved by the AC
c) Presented results of internal audit reviews together with recommendations for improvement and management's responses to the internal audit results during quarterly AC meetings
d) Reviewed the adequacy and effectiveness of the system of internal control in managing risks that may impede the Group from achieving its business objectives

Total costs incurred on the outsourced internal audit function of the Group for FYE2022 was approximately at RM90,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Malaysian Code on Corporate Governance 2021 ("MCCG2021") and as guided by Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("SORMIC Guidelines"), the Board of Directors ("the Board") of Pappajack Berhad ("Pappajack" or "the Company") is pleased to present the Statement on Risk Management and Internal Control for the financial year ended 31 December 2022 ("FYE 2022") which outlines the main features of risk management and internal control of Pappajack and its subsidiary combined entities companies (collectively referred to as "Pappajack Group" or "the Group") during the financial year under review and up to the date of approval of this Statement for inclusion in this annual report.

BOARD RESPONSIBILITY

The Board is cognizant of its overall responsibility and committed towards maintaining sound system of risk management and internal control within the Group in order to safeguard shareholders' investments and the Group's assets. The Board, in demonstrating its commitment towards a sound risk management and effective internal control system, continuously reviews and evaluates the adequacy and effectiveness of the Group's risk management and internal control system.

In discharging the Board's stewardship responsibilities, the Board embeds risk management in material aspects of the Group's processes and activities, set out its risk appetite and continuously reviews the risk management framework, processes, and practices with a view to ensure they provide reasonable assurance that risks are are managed within tolerable range.

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

RISK MANAGEMENT FRAMEWORK

The Board understands the principal risks of the business that the Group is involved in and accepts that business decisions require balancing of risks and returns in order to facilitate the achivement of business objectives. The Group's risk management framework remains an integral part of the Group's structure, business processes, culture and philosphy to risk taking, especially in the assessment, mitigation and monitoring of inherent and emerging risks.

The management of risks is aimed at achieving the appropriate balance between realising opportunities for gains while avoiding or minimising losses to the Group. The Group continue to apply risk management practices in the Enterprise Risk Management ("ERM") framework that was adopted in previous year. Within the framework, the Group has established structured processes for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls implemented.

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

RISK MANAGEMENT FRAMEWORK *cont'd*

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 – 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.

The risk management process implemented within the Group continues to define, highlight, report and manage the key business and operational risks faced by the Group. During FYE2022, the Board has engaged an outsourced professional service provider to facilitate the annual enterprise risk assessment ("ERA") of the Group. Results of the ERA and the risk profiles were presented to the RMC, and subsequently brought to the attention of the Board. Periodic reporting to both the RMC and the Board on risk management activities undertaken by management keeps the RMC and the Board informed and updated on all aspects of risk of the business.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Cont'd)

RISK MANAGEMENT FRAMEWORK *cont'd*

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 business economics, regulatory compliance, reliance on key personnel, gold price volatility and COVID-19 pandemic.

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 the Group's 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 Pembangunan Kerajaan Tempatan ("KPKT") (formerly known as Kementerian Perumahan dan Kerajaan Tempatan), also known as 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 cash capital including but not limited to internally generated funds to finance its capital for the provision of pawn loans to customers. Internally generated funds are also used to fund all operating costs and expenses. 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Cont'd)

RISK MANAGEMENT FRAMEWORK *cont'd*

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.

INTERNAL CONTROL SYSTEM

The Board acknowledges the importance of having a sound internal control system that is designed to manage and mitigate risks that may impede the Group from achieving its business objectives. As the Group's system of internal control is embedded within its operations, the Board firmly believes that regular review of the Group's system of internal control is vital towards maintaining a sound and effective internal control system. In this regard, the Board has delegated such responsibility to the Audit Committee ("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 Branch Manager are empowered with the responsibility of managing their respective outlet's operations.

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.

3. 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.

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

5. 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.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Cont'd)

INTERNAL CONTROL SYSTEM *cont'd*

Control Environment cont'd

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

8. 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.

9. 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.

10. Whistleblowing Policy that allows genuine concern on any improper conduct or action within the Group to be reported using private and confidential channel is in place.

11. The Group has adopted an Anti-Bribery and Corruption Policy that promulgates 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 the provisions of Malaysian Anti-Corruption Commission Act 2009.

12. The Anti-Money Laundering Policy adopted provides guidance towards countering money laundering and terrorist financing activities due to the Group's business that is exposed 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.

13. 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.

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 reviews of the Group's performances and operations as part of its regular control and 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 to the best of their knowledge, provides assurance to the Board that the Group's system of risk management and internal control are operating adequately and effectively in all material aspects.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Cont'd)

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent professional service firm to assist the 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 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.

Internal control activities are conducted in accordance with the internal audit plan that has been approved by the AC. During the financial year, audit reviews covering the following business areas were undertaken:

- Corporate governance review
- Anti-corruption framework and processes
- Corporate disclosure and compliance
- Branch operations
- Anti-money laundering framework and processes

Results of the reviews were reported directly to the AC at its quarterly meeting, highlighting internal audit deficiencies, recommendations for improvements, Management's response and proposed action plans. Follow-up reviews on the implementation of action plans were carried out to ensure that any deficiency highlighted have subsequently been addressed.

Based on the internal audit reviews conducted, none of the weaknesses noted has resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report. The total costs incurred for outsourcing of its internal audit function for FYE2022 was at approximately RM90,000.

In addition to the internal audit function, the AC also receives report and management letter from the external auditors that primarily focus on financial controls. Where there are incidents of non-compliances, appropriate corrective actions have been taken and relevant enhanced procedures have been introduced.

REVIEW OF THE STATEMENTS BY EXTERNAL AUDITOR

Pursuant to Paragraph 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 not aware of any significant risk management and internal control deficiency or weakness which had directly resulted in any material misstatement, losses or contingencies to the Group for the financial year under review. The Board is of the opinion that risk management framework and internal control system of the Group continue to operate effectively in all material aspects. The Board shall endeavor to continually undertake reviews of the Group's system of risk management and internal control system to continue to safeguard stakeholders' interest and to preserve the Group's 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.

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)	Estimated Timeframe for Utilisation Upon Listing
(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	50,100	

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 2022 are disclosed in Note 19 to the Financial Statements set out on page 99 of this Annual Report.

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

The Company and its subsidiaries has 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 2022 and entered since the end of previous financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

The details of the shareholders' Mandate for the RRPTs are set out in the Circular to shareholders dated 28 April 2022 which is available on the Company's and Bursa Securities's website.

Details of the RRPTs occurred during the FYE 2022 are disclosed in Note 25 to the Financial Statements set out on page 109 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 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company. The principal activities of its subsidiaries are engaged in the business of licensed pawnshop.

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	10,116,893	(1,961,239)
Attributable to:		
Owners of the Company	10,088,341	(1,961,239)
Non-controlling interests	28,552	-
	10,116,893	(1,961,239)

DIVIDENDS

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

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2022.

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 no allowance for doubtful debts was required.

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

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.

AUDITORS' REMUNERATION

The auditors' remuneration of the Group and the Company during the financial year were RM430,000 and RM35,000 respectively.

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

DIRECTORS' REPORT
(Cont'd)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

(i) issued 500,999,999 new ordinary shares at a price of RM0.2156 per ordinary share for a total consideration of RM108,020,896 for the acquisition of 100% equity interest in Pappajack Holdings Berhad pursuant to the conditional share sale agreements dated 9 June 2021. The acquisition were completed on 27 January 2022; and

(ii) issued 167,000,000 new ordinary shares at a price of RM0.30 per ordinary share for a total cash consideration of RM50,100,000 pursuant to the Initial Public Offering ("IPO") of the Company on the ACE Market of Bursa Malaysia Securities Berhad on 1 April 2022.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, no new issue of debentures was 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
Koo Woon Kan
Dato' Magaret Ting Thien Hung
Cheong Woon Yaw

* *Directors of the Company and certain subsidiaries*

Other than as stated above, the names of the directors of the subsidiaries of the Company 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	
Lau Nian Choon	
Lee Kun Way	
Lim Siew Fang	
See Swee Choy	
Soo Jon Teng	
Chin Sook Fong	(Resigned on 19 September 2022)
Choo Ai Khuan	(Resigned on 19 September 2022)
Kelvin Eng Si Jie	(Resigned on 19 September 2022)
Lee Kha Yee	(Resigned on 19 September 2022)
Lee Kooi Lan	(Resigned on 19 September 2022)
Lim Boon Keong	(Resigned on 19 September 2022)
Lim Chee Hsiung	(Resigned on 19 September 2022)
Ng Cheng Lam	(Resigned on 19 September 2022)
Ng Shyh Chyuh	(Resigned on 19 September 2022)
Ong Tian Yang	(Resigned on 19 September 2022)
Tan Chai Heng	(Resigned on 19 September 2022)
Tan Hui Koon	(Resigned on 19 September 2022)
Wong Pui Yin	(Resigned on 19 September 2022)

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:

Interests in the Company

	Number of ordinary shares			
	At 1 January 2022	**Bought**	**Transferred**	**At 31 December 2022**
Direct interests:				
Lim Boon Hua	1	-	(1)	-
Indirect interests:				
Lim Boon Hua	- (1)	335,103,673	-	335,103,673 (1)
Law Book Ching	- (2)	319,638,347	-	319,638,347 (2)

Interests in the holding company

	Number of ordinary shares			
	At 1 January 2022	**Bought**	**Transferred**	**At 31 December 2022**
Direct interests:				
Lim Boon Hua	5,525	-	-	5,525
Law Book Ching	1,440	-	-	1,440

(1) Shares held through company in which the director has substantial financial interests and spouse.
(2) Shares held through company in which the director has substantial financial interests.

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Lim Boon Hua and Law Book Ching are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

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 shown below) 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 other than any deemed benefit which may arise from transactions as shown below.

DIRECTORS' REPORT
(Cont'd)

DIRECTORS' BENEFITS *cont'd*

The directors' benefits of the Group and of the Company were as follows:

	Group RM	Company RM
Directors of the Company		
Executive directors		
- Fees	159,996	159,996
- Salaries, allowances and bonuses	180,000	135,000
- Defined contribution plans	23,400	17,550
- Other related expenses	2,004	1,542
	365,400	314,088
Non-executive directors		
- Fees	156,000	156,000
- Other related expenses	6,000	6,000
	162,000	162,000
Director of a subsidiary		
Executive director		
- Salaries, allowances and bonuses	9,000	-
- Defined contribution plans	1,170	-
- Other related expenses	173	-
	10,343	-
	537,743	476,088

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, no indemnity was given to or insurance effected for, any director or officer of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest 2022 %	2021 %	Principal activities
Direct subsidiary				
Pappajack Holdings Berhad *	Malaysia	100	-	Licensed pawnshop
Subsidiaries of Pappajack Holdings Berhad				
Pajak Gadai Tetap Sejiwa Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai Pappajack Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai Bertuah Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai PPJack Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai PPJ Sehati Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai PPJ Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai Pappajack Sehati Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai Consistent Reach Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai TSE Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai BT Cleaning Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai TMI Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Dhoby Ghaut (Kapar) Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Dhoby Ghaut Holdings Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Dhoby Ghaut (M) Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Mashita Holdings Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Consistent Reach Holdings Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Dhoby Ghaut (Sel) Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
DGH Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai PPJ Sejiwa Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Sejaya Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Rezeki Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Sinar Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Makmur Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Abadi Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Sukses Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Landas Emas Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Mandiri Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Berkat Sdn. Bhd. *	Malaysia	80.50	-	Licensed pawnshop
PPJ Maju Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop

DIRECTORS' REPORT
(Cont'd)

SUBSIDIARIES *cont'd*

The details of the Company's subsidiaries are as follows: *cont'd*

Name of company	Principal place of business/ country of incorporation	Ownership interest 2022 %	2021 %	Principal activities
Subsidiaries of Pappajack Holdings Berhad cont'd				
Pappajack D Damai Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Kampar Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Sentosa Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Sri Muda Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack TG Malim Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
TSE Yong Peng Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Abadi Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Bagan Serai Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Georgetown Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Rezeki Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
PPJack Rezeki Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
TSE Segamat Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Berkat Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Bkt Sentosa Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Parit Buntar Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Sg Siput Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Simpang Ampat Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Mantin Sdn. Bhd. (formerly known as Pappajack Simpang Empat Sdn. Bhd.)	Malaysia	100	-	Licensed pawnshop
PPJack Abadi Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
PPJack Berkat Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop

** In the prior financial year, the financial statements of the Group were prepared using the basis of combination. The combined entity comprise the financial statement of the Company and its combined entities.*

INTERESTS IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS

Other than as disclosed elsewhere in this report, the Company does not have any interest in shares in the holding company and its other related corporations during the financial year.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) 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 RM0.2156 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.

(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% 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.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 22 February 2023, the Company proposes to undertake the following:

(i) proposed private placement of up to 15% of the total number of issued shares of the Company; and
(ii) proposed establishment of an employees' share option scheme ("Scheme") of up to 10% of the total number of issued shares of the Company at any point in time during the duration of the Scheme.

HOLDING COMPANY

The directors regard TSE Sejahtera Sdn. Bhd., a company incorporated in Malaysia, as the holding company of the Company.

AUDITORS

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

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: 19 April 2023

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	11,500,187	9,718,004	179,755	-
Investment property	6	1,308,733	1,328,268	-	-
Investment in a subsidiary	7	-	-	108,020,896	-
Deferred tax assets	8	898,459	-	-	-
Total non-current assets		13,707,379	11,046,272	108,200,651	-
Current assets					
Inventories	9	4,183,961	4,879,581	-	-
Current tax assets		746,077	721,303	-	-
Trade and other receivables	10	177,727,040	101,687,421	48,808,976	174,727
Cash and bank balances	11	23,961,910	16,574,473	88,376	1,001
Total current assets		206,618,988	123,862,778	48,897,352	175,728
TOTAL ASSETS		220,326,367	134,909,050	157,098,003	175,728
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital/Invested equity	12	156,588,547	106,940,234	156,588,547	1
Reorganisation deficit	13	(11,518,039)	(10,437,376)	-	-
Retained earnings/ (Accumulated losses)		28,385,769	18,297,428	(2,073,505)	(112,266)
		173,456,277	114,800,286	154,515,042	(112,265)
Non-controlling interest		788,975	760,423	-	-
TOTAL EQUITY/(CAPITAL DEFICIENCY)		174,245,252	115,560,709	154,515,042	(112,265)
Non-current liabilities					
Loans and borrowings	14	6,500,914	4,861,332	133,224	-
Deferred tax liabilities	8	20,222	52,561	-	-
Other payables	15	-	6,000,000	-	-
Total non-current liabilities		6,521,136	10,913,893	133,224	-
Current liabilities					
Loans and borrowings	14	28,311,063	1,200,175	28,012	-
Current tax liabilities		952,983	274,500	-	44,799
Other payables	15	10,295,933	6,959,773	2,421,725	243,194
Total current liabilities		39,559,979	8,434,448	2,449,737	287,993
TOTAL LIABILITIES		46,081,115	19,348,341	2,582,961	287,993
TOTAL EQUITY AND LIABILITIES		220,326,367	134,909,050	157,098,003	175,728

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
		2022	**2021**	**2022**	**2021**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	16	69,962,964	54,124,935	-	-
Cost of sales		(47,662,339)	(39,775,046)	-	-
Gross profit		22,300,625	14,349,889	-	-
Other income	17	268,475	123,462	1,408,014	186,664
Administrative expenses		(7,131,043)	(3,721,922)	(3,382,715)	(247,131)
Operating profit/(loss)		15,438,057	10,751,429	(1,974,701)	(60,467)
Finance costs	18	(863,692)	(543,266)	(31,337)	-
Profit/(Loss) before tax	19	14,574,365	10,208,163	(2,006,038)	(60,467)
Income tax expense	21	(4,457,472)	(3,437,228)	44,799	(44,799)
Profit/(Loss) for the financial year, representing total comprehensive income/(loss) for the financial year		10,116,893	6,770,935	(1,961,239)	(105,266)
Profit/(Loss) attributable to:					
Owners of the Company		10,088,341	6,786,389	(1,961,239)	(105,266)
Non-controling interest		28,552	(15,454)	-	-
		10,116,893	6,770,935	(1,961,239)	(105,266)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		10,088,341	6,786,389	(1,961,239)	(105,266)
Non-controling interest		28,552	(15,454)	-	-
		10,116,893	6,770,935	(1,961,239)	(105,266)
Earnings per share attributable to ordinary equity holders of the Company (sen)					
- Basic and diluted	22	1.71	6.57		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		← Attributable to owners of the Company →						
	Note	Share capital RM	Invested equity RM	Reorganisation deficit RM	Retained earnings RM	Sub-total RM	Non-controlling interest RM	Total equity RM
Group								
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, representing total comprehensive income/(loss)		-	-	-	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
Total comprehensive income for the financial year								
Profit for the financial year, representing total comprehensive income		-	-	-	10,088,341	10,088,341	28,552	10,116,893
Transactions with owners								
Issue of ordinary shares	12	50,100,001	(1)	-	-	50,100,000	-	50,100,000
Share issued for acquisition of a subsidiary	12	108,020,896	(106,940,233)	(1,080,663)	-	-	-	-
Transaction costs of share issue	12	(1,532,350)	-	-	-	(1,532,350)		(1,532,350)
Total transactions with owners		156,588,547	(106,940,234)	(1,080,663)	-	48,567,650	-	48,567,650
At 31 December 2022		156,588,547	-	(11,518,039)	28,385,769	173,456,277	788,975	174,245,252

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Cont'd)

	Note	Attributable to owners of the Company Share capital RM	 Accumulated losses RM	(Capital deficiency) /Total equity RM
Company				
At 31 December 2020		1	(7,000)	(6,999)
Total comprehensive loss for the financial year				
Loss for the financial year, representing total comprehensive loss		-	(105,266)	(105,266)
At 31 December 2021		1	(112,266)	(112,265)
Total comprehensive loss for the financial year				
Loss for the financial year, representing total comprehensive loss		-	(1,961,239)	(1,961,239)
Transactions with owners				
Issue of ordinary shares	12	50,100,000	-	50,100,000
Share issued for acquisition of a subsidiary	12	108,020,896	-	108,020,896
Transaction costs of share issue	12	(1,532,350)	-	(1,532,350)
Total transactions with owners		156,588,546	-	156,588,546
At 31 December 2022		156,588,547	(2,073,505)	154,515,042

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Cash flows from/(to) operating activities					
Profit/(Loss) before tax		14,574,365	10,208,163	(2,006,038)	(60,467)
Adjustments for:					
Depreciation of property, plant and equipment	5	2,360,973	1,988,979	28,733	-
Depreciation of investment property	6	19,535	19,533	-	-
Gain on lease modification		(1,560)	-	-	-
Inventories written down		-	520,286	-	-
Interest expenses	18	863,692	543,266	31,337	-
Interest income		(104,515)	(397)	(1,408,014)	-
Property, plant and equipment written off		-	15,315	-	-
Trade receivables written off		40,550	46,472	-	-
Operating profit/(loss) before changes in working capital		17,753,040	13,341,617	(3,353,982)	(60,467)
Changes in working capital:					
Inventories		695,620	(4,526,646)	-	-
Trade and other receivables		(76,080,169)	(1,094,232)	(19,000)	-
Other payables		(107,763)	183,412	(64,507)	236,194
Net cash (used in)/generated from operations		(57,739,272)	7,904,151	(3,437,489)	175,727
Interest received		104,515	397	5,099	-
Income tax paid		(4,734,561)	(5,004,855)	-	-
Net cash (used in)/from operating activities		(62,369,318)	2,899,693	(3,432,390)	175,727

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Cont'd)

		Group		Company	
		2022	**2021**	**2022**	**2021**
	Note	**RM**	**RM**	**RM**	**RM**
Cash flows from investing activities					
Advances to a related party		-	-	-	(174,727)
Advances to subsidiaries		-	-	(48,615,249)	-
Purchase of property, plant and equipment	11(a)	(656,292)	(927,357)	(24,388)	-
Sale proceeds from disposal of property, plant and equipment		750	-	-	-
Interest received		-	-	1,402,915	-
Net cash used in investing activities		(655,542)	(927,357)	(47,236,722)	(174,727)
Cash flows from financing activities	11(b)				
Proceeds from issuance of ordinary shares		48,567,650	-	48,567,650	-
Payment of lease liabilities		(1,324,756)	(1,257,936)	(22,864)	-
Repayment of term loan		(51,675)	(51,992)	-	-
(Repayment to)/Advances from shareholders		(2,719,869)	117,728	-	-
Advances from a director		63,792	-	-	-
Advances from subsidiaries		-	-	2,243,038	-
Drawdown of revolving credits		26,640,847	-	-	-
Repayment from minority interest		100,000	680,000	-	-
Interest paid		(863,692)	(543,266)	(31,337)	-
Net cash from/(used in) financing activities		70,412,297	(1,055,466)	50,756,487	-
Net increase in cash and cash equivalents		7,387,437	916,870	87,375	1,000
Cash and cash equivalents at the beginning of the financial year		16,574,473	15,657,603	1,001	1
Cash and cash equivalents at the end of the financial year	11	23,961,910	16,574,473	88,376	1,001

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 is listed on the ACE Market of Bursa Malaysia Securities Berhad on 1 April 2022. The registered office of the Company is located at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200, Kuala Lumpur. The principal place of business of the Company is located at No.11B, Jalan TK 1/11A, Taman Kinrara, Seksyen 1, 47180 Puchong, Selangor Darul Ehsan, Malaysia.

The directors regard TSE Sejahtera Sdn. Bhd., a company incorporated in Malaysia, as the holding company of the Company.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 7.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries 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 19 April 2023.

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 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 1	First-time Adoption of Malaysia Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

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.

2. BASIS OF PREPARATION *cont'd*

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
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023#
MFRS 3	Business Combinations	1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023# 1 January 2024
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 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 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

2. **BASIS OF PREPARATION** *cont'd*

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective *cont'd*

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.

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.

In another amendments, an entity is required 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.

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

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.

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.

2. BASIS OF PREPARATION *cont'd*

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 consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

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 years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated 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.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of consolidation *cont'd*

(a) Subsidiaries and business combination *cont'd*

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non- controlling interests even if the losses exceed the non-controlling interests.

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.2 Basis of combination *cont'd*

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.

3.3 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b).

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual 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 have applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.4 Financial instruments *cont'd*

(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 at amortised cost.

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 business models for managing those assets change.

Debt instruments

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. The measurement which the Group and the Company classify their 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 are subject to impairment. The policy for the recognition and measurement of impairment in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities at amortised cost.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.4 Financial instruments *cont'd*

(c) Regular way purchase or sale of financial assets *cont'd*

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 themselves 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 continue 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 have 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.5 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 3.10(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.

(c) Depreciation

All 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.6 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 that do not meet the definition of investment property in Note 5 and lease liabilities in Note 14.

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 3.10(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 their 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** *cont'd*

3.6 **Leases** *cont'd*

(b) **Lessee accounting** *cont'd*

Lease liability *cont'd*

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 statements 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.

(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.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements 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 to allocate the consideration under the contract to each component.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.7 Investment property

Investment property is property held to earn rental income or for capital appreciation or both.

The Group uses the cost model to measure its investment property after initial recognition. Accordingly, investment property is 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 3.10(b).

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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15.

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. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of plant and equipment.

3.8 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.

3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and bank balances which are subject to an insignificant risk of changes in value.

3.10 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.10 Impairment of assets *cont'd*

(a) Impairment of financial assets *cont'd*

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.

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 and the Company; 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.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impeired. 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 debtor;
- a breach of contract, such as a default of past due event;
- the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.10 Impairment of assets *cont'd*

(a) Impairment of financial assets *cont'd*

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) 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").

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 are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.11 Share capital

Ordinary shares are 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.12 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 and the Company.

(b) Defined contribution plan

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.

3.13 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.14 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.14 Revenue and other income *cont'd*

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) Pawnbroking – Interest charges

Interest charges from collateral loan services is recognised on time-proportion basis using the fixed 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 from investment property is recognised on a straight-line basis over the term of the lease.

(e) Interest income

Interest income is recognised using the effective interest method.

3.15 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 *cont'd*

3.16 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, 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.

(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 statements 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.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.16 Income tax *cont'd*

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.17 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.

3.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3.19 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 and the Company use 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 and the Company 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 and the Company 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.20 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 and of the Company.

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 and disclosure of contingent 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:

(a) 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 23(b).

(b) Net realisable value of 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 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 9.

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	Motor Vehicle RM	Right-of-use assets RM	Total RM
Cost										
At 1 January 2022		130,017	1,893,963	424,811	4,255,486	19,689	362,766	134,192	6,543,830	13,764,754
Additions		159,588	145,476	19,305	271,767	-	60,156	-	2,813,902	3,470,194
Disposal		-	-	-	(750)	-	-	-	-	(750)
Lease modification		-	-	-	-	-	-	-	651,268	651,268
At 31 December 2022		289,605	2,039,439	444,116	4,526,503	19,689	422,922	134,192	10,009,000	17,885,466
Accumulated depreciation										
At 1 January 2022		46,422	1,036,894	168,468	1,250,021	19,689	85,508	40,258	1,399,490	4,046,750
Depreciation charge for the financial year	19	24,077	310,362	76,097	429,592	-	40,032	26,838	1,453,975	2,360,973
Lease modification		-	-	-	-	-	-	-	(22,444)	(22,444)
At 31 December 2022		70,499	1,347,256	244,565	1,679,613	19,689	125,540	67,096	2,831,021	6,385,279
Carrying amount										
At 31 December 2022		219,106	692,183	199,551	2,846,890	-	297,382	67,096	7,177,979	11,500,187

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group	Note	Furniture and fittings RM	Office equipment RM	Computer hardware and software RM	Renovation RM	Electrical Appliances RM	Signboard RM	Motor Vehicle RM	Right-of-use assets RM	Total RM
Cost										
At 1 January 2021		116,708	1,744,425	270,410	3,758,110	19,689	287,466	134,192	6,658,182	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)	-	-	-	-	-	(37,433)
Lease modification		-	-	-	-	-	-	-	(3,782,301)	(3,782,301)
At 31 December 2021		130,017	1,893,963	424,811	4,255,486	19,689	362,766	134,192	6,543,830	13,764,754
Accumulated depreciation										
At 1 January 2021		35,677	749,460	97,797	872,199	19,689	53,303	13,419	1,991,610	3,833,154
Depreciation charge for the financial year	19	11,245	306,615	73,108	377,822	-	32,205	26,839	1,161,145	1,988,979
Written off		(500)	(19,181)	(2,437)	-	-	-	-	-	(22,118)
Lease modification		-	-	-	-	-	-	-	(1,753,265)	(1,753,265)
At 31 December 2021		46,422	1,036,894	168,468	1,250,021	19,689	85,508	40,258	1,399,490	4,046,750
Carrying amount										
At 31 December 2021		83,595	857,069	256,343	3,005,465	-	277,258	93,934	5,144,340	9,718,004

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Company	Note	Office equipment RM	Signboard RM	Right-of-use assets RM	Total RM
Cost					
At 1 January 2021/ At 31 December 2021		-	-	-	-
Additions		6,700	17,688	184,100	208,488
At 31 December 2022		6,700	17,688	184,100	208,488
Accumulated depreciation					
At 1 January 2021/ At 31 December 2021		-	-	-	-
Depreciation charge for the financial year	19	558	1,327	26,848	28,733
At 31 December 2022		558	1,327	26,848	28,733
Carrying amount					
At 31 December 2021		-	-	-	-
At 31 December 2022		6,142	16,361	157,252	179,755

(a) Right-of-use assets

The Group and the Company leases shoplots as their office space and residential unit as their staff hostel. The leases for shoplots space and staff hostel generally have lease terms between 2 to 8 years.

Information about leases for which the Group and the Company are lessees is presented below:

	Group		
	Shoplots RM	Hostel RM	Total RM
Carrying amount			
At 1 January 2021	4,666,572	-	4,666,572
Addition	3,637,190	30,759	3,667,949
Depreciation	(1,147,047)	(14,098)	(1,161,145)
Lease modification	(2,029,036)	-	(2,029,036)
At 31 December 2021	5,127,679	16,661	5,144,340
Additions	2,777,447	36,455	2,813,902
Depreciation	(1,424,925)	(29,050)	(1,453,975)
Lease modification	673,712	-	673,712
At 31 December 2022	7,153,913	24,066	7,177,979

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

(a) Right-of-use assets *cont'd*

	Company Shoplot RM
Carrying amount	
At 1 January 2021/31 December 2021	-
Addition	184,100
Depreciation	(26,848)
At 31 December 2022	157,252

The Group and the Company have included extension options. These options are negotiated by the Group and the Company to provide flexibility in managing the leased-asset portfolio and align with the Group and the Company's business needs.

6. INVESTMENT PROPERTY

Group	Note	Freehold Land RM	Freehold Building RM	Total RM
Cost				
At 1 January 2022/ At 31 December 2022		488,333	976,667	1,465,000
Accumulated depreciation				
At 1 January 2022		-	136,732	136,732
Depreciation charge for the financial year	19	-	19,535	19,535
At 31 December 2022		-	156,267	156,267
Carrying amount				
At 31 December 2022		488,333	820,400	1,308,733

Group	Note	Freehold Land RM	Freehold Building RM	Total RM
Cost				
At 1 January 2021/ At 31 December 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	-	19,533	19,533
At 31 December 2021		-	136,732	136,732
Carrying amount				
At 31 December 2021		488,333	839,935	1,328,268

6. INVESTMENT PROPERTY *cont'd*

Investment property of a subsidiary with a carrying amount of RM1,308,733 (2021: RM1,328,268) has been pledged as security to secure term loan granted to the Group as disclosed in Note 14(a).

The following are recognised in profit or loss in respect of investment property:

	Group	
	2022	**2021**
	RM	**RM**
Rental income	50,160	47,652
Direct operating expenses:		
- income generating investment property	30,302	28,968

Fair value information

The directors estimated the fair value of investment property of approximately RM3,589,000 (2021: RM3,588,000) is categorised at Level 3 of the fair value hierarchy.

There are no Level 1 and Level 2 investment property 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 and building required for financial reporting purposes, including Level 3 fair values. This team reports directly to the director.

Highest and best use

In estimating the fair value of the property, the highest and best use of the property is its current use.

7. INVESTMENT IN A SUBSIDIARY

	Company	
	2022	**2021**
At cost	**RM**	**RM**
Quoted shares	108,020,896	-

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

7. **INVESTMENT IN A SUBSIDIARY** *cont'd*

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %	Principal activities
Direct subsidiary				
Pappajack Holdings Berhad *	Malaysia	100	-	Licensed pawnshop
Subsidiaries of Pappajack Holdings Berhad				
Pajak Gadai Tetap Sejiwa Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai Pappajack Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai Bertuah Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai PPJack Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai PPJ Sehati Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai PPJ Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai Pappajack Sehati Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai Consistent Reach Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai TSE Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai BT Cleaning Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai TMI Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Dhoby Ghaut (Kapar) Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Dhoby Ghaut Holdings Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Dhoby Ghaut (M) Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Mashita Holdings Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Consistent Reach Holdings Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Dhoby Ghaut (Sel) Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
DGH Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pajak Gadai PPJ Sejiwa Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Sejaya Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Rezeki Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Sinar Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Makmur Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Abadi Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Sukses Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Landas Emas Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Mandiri Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
PPJ Berkat Sdn. Bhd. *	Malaysia	80.50	-	Licensed pawnshop
PPJ Maju Sdn. Bhd. *	Malaysia	100	-	Licensed pawnshop
Pappajack D Damai Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop

7. INVESTMENT IN A SUBSIDIARY *cont'd*

Details of the subsidiaries are as follows: *cont'd*

Name of company	**Principal place of business/ country of incorporation**	**Ownership interest 2022 %**	**Ownership interest 2021 %**	**Principal activities**
Subsidiaries of Pappajack Holdings Berhad *cont'd*				
Pappajack Kampar Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Sentosa Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Sri Muda Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack TG Malim Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
TSE Yong Peng Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Abadi Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Bagan Serai Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Georgetown Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Rezeki Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
PPJack Rezeki Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
TSE Segamat Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Berkat Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Bkt Sentosa Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Parit Buntar Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Sg Siput Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Simpang Ampat Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
Pappajack Mantin Sdn. Bhd. (formerly known as Pappajack Simpang Empat Sdn. Bhd.)	Malaysia	100	-	Licensed pawnshop
PPJack Abadi Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop
PPJack Berkat Sdn. Bhd.	Malaysia	100	-	Licensed pawnshop

* *In the prior financial year, the financial statements of the Group were prepared using the basis of combination. The combined entity comprise the financial statement of the Company and its combined entities.*

(a) 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 RM0.2156 per share.

The acquisition was completed on 27 January 2022 and consequently Pappajack Holdings and its subsidiaries, all of which are incorporated in Malaysia have became subsidiaries of the Company. The principal activities of Pappajack Holdings and its subsidiaries are engaged in the business of licensed pawnshop.

NOTES TO THE FINANCIAL STATEMENTS
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7. INVESTMENT IN A SUBSIDIARY *cont'd*

(b) Incorporation of subsidiaries

On 7 April 2022, the Company's wholly-owned subsidiary, Pappajack Holdings Berhad has incorporated six 100% owned subsidiaries, namely Pappajack D Damai Sdn. Bhd., Pappajack Kampar Sdn. Bhd., Pappajack Sentosa Sdn. Bhd., Pappajack Sri Muda Sdn. Bhd., Pappajack TG Malim Sdn. Bhd. and TSE Yong Peng Sdn. Bhd., all of which are incorporated in Malaysia with an issued and paid-up capital of RM4,000,000 each. The principal activities of all the subsidiaries are to engaged in the business of licensed pawnshop.

On 27 April 2023, the Company's wholly-owned subsidiary, Pappajack Holdings Berhad has incorporated fourteen 100% owned subsidiaries, namely Pappajack Abadi Sdn. Bhd., Pappajack Bagan Serai Sdn. Bhd., Pappajack Georgetown Sdn. Bhd., Pappajack Rezeki Sdn. Bhd., PPJack Rezeki Sdn. Bhd., TSE Segamat Sdn. Bhd., Pappajack Berkat Sdn. Bhd., Pappajack Bkt Sentosa Sdn. Bhd., Pappajack Parit Buntar Sdn. Bhd., Pappajack Sg Siput Sdn. Bhd., Pappajack Simpang Ampat Sdn. Bhd., Pappajack Mantin Sdn. Bhd. (formerly known as Pappajack Simpang Empat Sdn. Bhd.), PPJack Abadi Sdn. Bhd. and PPJack Berkat Sdn. Bhd., all of which are incorporated in Malaysia with an issued and paid-up capital of RM4,000,000 each. The principal activities of all the subsidiaries are to engaged in the business of licensed pawnshop.

(c) Non-controlling interest in subsidiary

The financial information of the Group's and the Company's subsidiaries that has material non-controlling interest is as follows:

Equity interest held by non-controlling interest:

Name of company	Principal place of business/ country of incorporation	Ownership interest 2022 %	2021 %
PPJ Berkat Sdn. Bhd.	Malaysia	80.50	80.50

Carrying amount of material non-controlling interest:

	2022 RM	2021 RM
PPJ Berkat Sdn. Bhd.	788,975	760,423

Profit allocated to material non-controlling interest:

	2022 RM	2021 RM
PPJ Berkat Sdn. Bhd.	28,552	(15,454)

7. INVESTMENT IN A SUBSIDIARY *cont'd*

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

The summarised financial information (before intra-group elimination) of the Group's and the Company's subsidiaries that has material non-controlling interest are as follows:

	PPJ Berkat Sdn. Bhd.	
	2022	2021
	RM	RM
Summarised statement of financial position		
Current assets	5,231,454	3,656,664
Non-current assets	303,180	361,631
Current liabilities	(1,416,145)	(25,700)
Non-current liabilities	(75,123)	(95,650)
Net assets	4,043,366	3,896,945
Summarised statement of comprehensive income		
Revenue	82,284	-
Profit/(Loss) for the financial year	163,373	(79,252)
Total comprehensive income/(loss)	163,373	(79,252)
Summarised cash flow information		
Cash flow (used in)/from operating activities	(1,576,124)	34,569
Cash flow from/(used in) investing activities	184,190	(162,845)
Cash flow from financing activities	1,217,898	262,400
Net (decrease)/increase in cash and cash equivalents	(174,036)	134,124

8. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2022	2021
	RM	RM
Deferred tax assets		
At 1 January	-	
Recognised in profit or loss (Note 21)	898,459	-
At 31 December	898,459	-
Deferred tax liabilities		
At 1 January	(52,561)	(46,572)
Recognised in profit or loss (Note 21)	32,339	(5,989)
At 31 December	(20,222)	(52,561)

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

8. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

	Group	
	2022	**2021**
	RM	**RM**
Presented after appropriate offsetting as follows:		
Deferred tax assets	898,459	-
Deferred tax liabilities	(20,222)	(52,561)
	878,237	(52,561)

The components of deferred tax assets/(liabilities) as at the end of the financial year comprise the following:

	Group	
	2022	**2021**
	RM	**RM**
Deferred tax assets		
Unused tax losses	876,526	
Unabsorbed capital allowance	21,933	-
	898,459	-
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and its tax bases	(20,222)	(52,561)

<u>Unrecognised deferred tax assets</u>

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

	Group	
	2022	**2021**
	RM	**RM**
Unabsorbed capital allowance	22,126	6,515
Temporary differences arising from property, plant and equipment	187,238	60,575
	209,364	67,090

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

The unused tax losses are available for offset against future taxable profits of the Group up to the following financial year:

	Group
	2022
	RM
2032	3,652,191

9. INVENTORIES

	Group 2022 RM	Group 2021 RM
At cost:		
Auctioned pledges	4,183,961	4,879,581

(a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM40,233,853 (2021: RM33,486,712).

(b) The Group recognised an expense in respect of write-down of inventories to net realisable value of RM Nil (2021: RM520,286).

10. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
Trade					
Trade receivables					
- Pawn loans	(a)	176,038,032	99,265,573	-	-
Non-trade					
Other receivables		10,445	13,962	6,000	-
Amounts owing by subsidiaries	(b)	-	-	48,789,976	-
Amount owing by a related party	(c)	-	-	-	174,727
Deposits		799,959	396,328	13,000	-
Prepayments		878,604	2,011,558	-	-
		1,689,008	2,421,848	48,808,976	174,727
Total trade and other receivables		177,727,040	101,687,421	48,808,976	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 0.8% to 2% (2021: 1% to 2%) and normal credit terms offered by the Group is 6 months.

The information about the credit exposures is disclosed in Note 23(b)(i).

(b) Amounts owing by subsidiaries

Amounts owing by subsidiaries are non-trade in nature, unsecured, subject to interest at 4.5% (2021: Nil) per annum and repayable on demand and is expected to be settled in cash.

10. TRADE AND OTHER RECEIVABLES *cont'd*

(c) Amount owing by a related party

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

11. CASH AND BANK BALANCES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Cash and bank balances	23,961,910	16,574,473	88,376	1,001

(a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment.

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
Purchase of property, plant and equipment	5	3,470,194	4,595,306	208,488	-
Financed by way of lease arrangements		(2,813,902)	(3,667,949)	(184,100)	-
Cash payments on purchase of property, plant and equipment		656,292	927,357	24,388	-

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

			← Non-cash	→	
	1.1.2022	Cash Flow	Acquisition	Lease modification	31.12.2022
	RM	RM	RM	RM	RM
Group					
Amount owing by minority interest	(100,000)	100,000	-	-	-
Amounts owing to shareholders	12,193,841	(2,719,869)	-	-	9,473,972
Amount owing to a director	-	63,792	-	-	63,792
Lease liabilities	5,312,661	(1,324,756)	2,813,902	672,152	7,473,959
Revolving credit	-	26,640,847	-	-	26,640,847
Term loan	748,846	(51,675)	-	-	697,171
	18,155,348	22,708,339	2,813,902	672,152	44,349,741

11. CASH AND BANK BALANCES *cont'd*

(b) Reconciliation of changes in liabilities arising from financing activities are as follows: *cont'd*

			Non-cash		
	1.1.2021	**Cash Flow**	**Acquisition**	**Lease modification**	**31.12.2021**
	RM	**RM**	**RM**	**RM**	**RM**
Group					
Amount owing by minority interest	(780,000)	680,000	-	-	(100,000)
Amounts owing to shareholders	12,076,113	117,728	-	-	12,193,841
Lease liabilities	4,931,684	(1,257,936)	3,667,949	(2,029,036)	5,312,661
Term loan	800,838	(51,992)	-	-	748,846
	17,028,635	(512,200)	3,667,949	(2,029,036)	18,155,348

	1.1.2022	**Cash Flow**	**Non-cash Acquisition**	**31.12.2022**
	RM	**RM**	**RM**	**RM**
Company				
Amounts owing to subsidiaries	-	2,243,038	-	2,243,038
Lease liabilities	-	(22,864)	184,100	161,236
	-	2,220,174	184,100	2,404,274

(c) Total cash outflows for leases:

During the financial year, the Group and the Company had total cash outflows for leases of RM1,708,257 (2021: RM1,433,456) and RM31,500 (2021: Nil) respectively.

12. SHARE CAPITAL/INVESTED EQUITY

(a) Share capital

	Group and Company		Company	
	Number of ordinary shares	**Amount**	**Number of ordinary shares**	**Amount**
	2022	**2022**	**2021**	**2021**
	Unit	**RM**	**Unit**	**RM**
Issued and fully paid-up (no par value):				
At 1 January	1	1	1	1
Acquisition of a subsidiary	500,999,999	108,020,896	-	-
Issued during the financial year	167,000,000	50,100,000	-	-
Transaction costs of share issue	-	(1,532,350)	-	-
At 31 December	668,000,000	156,588,547	1	1

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

12. SHARE CAPITAL/INVESTED EQUITY *cont'd*

(b) Invested equity

	Group	
	Number of ordinary shares	Amounts
	2021	2021
	Unit	RM
Issued and fully paid-up (no par value):		
At 1 January/At 31 December	103,230,866	106,940,234

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.

During the financial year, the Company:

(i) issued 500,999,999 new ordinary shares at a price of RM0.2156 per ordinary share for a total consideration of RM108,020,896 for the acquisition of 100% equity interest in Pappajack Holding Berhad pursuant to the conditional share sale agreements dated 9 June 2021. The acquisition were completed on 27 January 2022; and
(ii) issued 167,000,000 new ordinary shares at a price of RM0.30 per ordinary share for a total cash consideration of RM50,100,000 pursuant to the Initial Public Offering ("IPO") of the Company on the ACE Market of Bursa Malaysia Securities Berhad on 1 April 2022.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

13. REORGANISATION DEFICIT

	Group	
	2022	2021
	RM	RM
At 1 January	(10,437,376)	(10,437,376)
Effect of acquisition of proposed subsidaries	(1,080,663)	-
At 31 December	(11,518,039)	(10,437,376)

14. LOANS AND BORROWINGS

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
Non-current:					
Term loan	(a)	657,609	693,602	-	-
Lease liabilities	(b)	5,843,305	4,167,730	133,224	-
		6,500,914	4,861,332	133,224	-
Current:					
Term loan	(a)	39,562	55,244	-	-
Lease liabilities	(b)	1,630,654	1,144,931	28,012	-
Revolving credit	(c)	26,640,847	-	-	-
		28,311,063	1,200,175	28,012	-
		34,811,977	6,061,507	161,236	-
Total loan and borrowings:					
Term loan	(a)	697,171	748,846	-	-
Lease liabilities	(b)	7,473,959	5,312,661	161,236	-
Revolving credit	(c)	26,640,847	-	-	-
		34,811,977	6,061,507	161,236	-

(a) Term loan

Term loan of a subsidiary bears interest at base lending rate ("BLR") minus 2.2% per annum and is repayable by monthly instalments of RM6,959 (2021: RM6,572) over 20 years 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 subsidiary as disclosed in Note 6; and
(ii) Corporate guarantee by the Company.

14. LOANS AND BORROWINGS *cont'd*

(b) Lease liabilities

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Minimum lease payments:				
Not later than one year	2,007,900	1,414,616	36,000	-
Later than one year and not later than five years	5,813,038	4,203,788	144,000	-
Later than five years	698,440	428,550	4,500	-
	8,519,378	6,046,954	184,500	-
Less: Future finance charges	(1,045,419)	(734,293)	(23,264)	-
Present value of minimum lease payments	7,473,959	5,312,661	161,236	-
Present value of minimum lease payments:				
Not later than one year	1,630,654	1,144,931	28,012	-
Later than one year and not later than five years	5,297,109	3,758,961	128,731	-
Later than five years	546,196	408,769	4,493	-
	7,473,959	5,312,661	161,236	-
Less: Amount due within twelve months	(1,630,654)	(1,144,931)	(28,012)	-
Amount due after twelve months	5,843,305	4,167,730	133,224	-

(c) Revolving credit

The revolving credit of the Group is secured by way of:
(i) Debenture over the fixed and floating assets of certain subsidiaries; and
(ii) Corporate guarantee by the Company.

15. OTHER PAYABLES

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Non-current:					
Non-trade					
Advances from shareholders	(a)	-	6,000,000	-	-
Current:					
Non-trade					
Other payables		98,749	299,646	451	2,530
Advances from shareholders	(a)	9,473,972	6,093,841	-	-
Amounts owing to subsidiaries	(b)	-	-	2,243,038	-
Amount owing to a director	(c)	63,792	-	-	-
Accruals		648,020	554,886	178,236	240,664
Deposits received		11,400	11,400	-	-
Total other payables (current)		10,295,933	6,959,773	2,421,725	243,194
Total other payables (Non-current and current)		10,295,933	12,959,773	2,421,725	243,194

(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.

(b) Amounts owing to subsidiaries

Amounts owing to subsidiaries are non-trade in nature, unsecured, non-interest bearing, and repayable on demand, except for an amount of RM1,498,607 (2021: Nil), which arise mainly from short-term advances and subject to interest at 4.5% (2021: Nil) per annum.

(c) Amount owing to a director

Amount owing to a director are unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

For explanation on the Group's and the Company's liquidity risk management processes, refer to Note 23(b)(ii).

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16. REVENUE

	Group	
	2022	2021
	RM	RM
Over time:		
Pawnbroking - Interest charges	25,570,524	18,843,207
At a point in time:		
Sale of unredeemed or bid pledges	44,264,211	35,159,125
Pawnbroking - Administrative fees	128,229	122,603
	69,962,964	54,124,935

(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 27.

17. OTHER INCOME

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Government grants	-	24,500	-	-
Rental income	50,160	63,202	-	-
Gain on lease modification	1,560	-	-	-
Interest income	104,515	397	1,408,014	-
Administration fee	-	-	-	186,664
Insurance rebates	112,240	35,363	-	-
	268,475	123,462	1,408,014	186,664

18. FINANCE COSTS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Interest expense on:				
- Term loan	26,258	25,191	-	-
- Revolving credit	38,373	-	-	-
- Lease liabilities	349,061	114,187	8,636	-
- Advances from shareholders	450,000	403,888	-	-
- Advances from subsidiaries	-	-	22,701	-
	863,692	543,266	31,337	-

19. PROFIT/(LOSS) BEFORE TAX

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

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
Auditors' remuneration:					
- Statutory audit fees					
- Current year		424,000	295,000	29,000	49,000
- Prior year		(150,000)	-	(27,000)	-
- Non-statutory audit fees		6,000	5,000	6,000	5,000
Depreciation of property, plant and equipment	5	2,360,973	1,988,979	28,733	-
Depreciation of investment property	6	19,535	19,533	-	-
Trade receivables written off		40,550	46,472	-	-
Inventories written down		-	520,286	-	-
Expense relating to short-term lease		34,440	61,333	-	-
Employee benefits expense	20	6,004,247	4,010,902	1,955,277	186,664

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

20. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM	**RM**	**RM**	**RM**
Salaries, wages, allowances and bonuses	4,995,884	3,420,254	1,743,963	186,664
Defined contribution plans	611,238	404,749	183,321	-
Other staff related expenses	397,125	185,899	27,993	-
	6,004,247	4,010,902	1,955,277	186,664
Included in employee benefits expense are:				
Directors of the Company				
Executive directors				
- Fees	159,996	106,664	159,996	106,664
- Salaries, allowances and bonuses	180,000	174,226	135,000	-
- Defined contribution plans	23,400	22,654	17,550	-
- Other related expenses	2,004	1,839	1,542	-
	365,400	305,383	314,088	106,664
Non-executive directors				
- Fees	156,000	80,000	156,000	80,000
- Other related expenses	6,000	-	6,000	-
	162,000	80,000	162,000	80,000
Director of a subsidiary				
Executive directors				
- Salaries, allowances and bonuses	9,000	35,129	-	-
- Defined contribution plans	1,170	4,569	-	-
- Other related expenses	173	675	-	-
	10,343	40,373	-	-
	537,743	425,756	476,088	186,664

21. INCOME TAX EXPENSE

The major components of income tax expense for the financial year ended 31 December 2022 and 31 December 2021 are as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM	**RM**	**RM**	**RM**
Statement of comprehensive income				
Current income tax:				
- Current income tax charge	5,442,582	3,195,557	-	44,799
- Adjustment in respect of prior years	(54,312)	235,682	(44,799)	-
	5,388,270	3,431,239	(44,799)	44,799
Deferred tax:				
- Reversal of temporary differences	(812,860)	(189)	-	-
- Adjustment in respect of prior years	(117,938)	6,178	-	-
	(930,798)	5,989	-	-
Income tax expense recognised in profit or loss	4,457,472	3,437,228	(44,799)	44,799

Domestic income tax is calculated at the Malaysia statutory income tax rate 24% of the estimated assessable profit for the financial year.

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	
	2022	**2021**	**2022**	**2021**
	RM	**RM**	**RM**	**RM**
Profit/(Loss) before tax	14,574,365	10,208,163	(2,006,038)	(60,467)
Tax at Malaysian statutory income tax rate of 24%	3,497,848	2,449,959	(481,449)	(14,512)
Adjustments:				
Income not subject to tax	(537)	(733)	-	-
Non-deductible expenses	1,098,266	658,458	481,449	59,311
Utilisation of previously unrecognised temporary differences	(647)	(44,951)	-	-
Deferred tax not recognised on temporary differences	34,792	132,635	-	-
Adjustment in respect of current income tax of prior years	(54,312)	235,682	(44,799)	-
Adjustment in respect of deferred tax of prior years	(117,938)	6,178	-	-
Income tax expense	4,457,472	3,437,228	(44,799)	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	
	2022	**2021**
	RM	**RM**
Profit attributable to ordinary equity holders of the Company	10,088,341	6,786,389
Weighted average number of ordinary shares for basic earnings per share	590,676,712	103,230,866
Basic and diluted earnings per share (sen)	1.71	6.57

23. 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	**Amortised cost**
Group	**RM**	**RM**
At 31 December 2022		
Financial assets		
Trade and other receivables, net of prepayment	176,848,436	176,848,436
Cash and bank balances	23,961,910	23,961,910
	200,810,346	200,810,346
Financial liabilities		
Loans and borrowings	(27,338,018)	(27,338,018)
Other payables	(10,295,933)	(10,295,933)
	(37,633,951)	(37,633,951)

23. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments *cont'd*

Group	Carrying amount RM	Amortised cost RM
At 31 December 2021		
Financial assets		
Trade and other receivables, net of 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	(748,846)	(748,846)
Other payables	(12,959,773)	(12,959,773)
	(13,708,619)	(13,708,619)

	Carrying amount RM	Amortised cost RM
Company		
At 31 December 2022		
Financial assets		
Trade and other receivables, net of prepayment	48,808,976	48,808,976
Cash and bank balances	88,376	88,376
	48,897,352	48,897,352
Financial liabilities		
Other payables	(2,421,725)	(2,421,725)
At 31 December 2021		
Financial assets		
Trade and other receivables, net of prepayment	174,727	174,727
Cash and bank balances	1,001	1,001
	175,728	175,728
Financial liabilities		
Other payables	(243,194)	(243,194)

23. FINANCIAL INSTRUMENTS *cont'd*

(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.

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.

<u>Credit risk concentration profile</u>

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

The Group and the Company apply the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

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

23. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(i) Credit risk *cont'd*

Trade receivables *cont'd*

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

	Gross carring amount at default
	RM
Group	
2022	
Current	160,299,630
1 to 30 days past due	9,337,537
31 to 60 days past due	5,790,835
61 to 90 days past due	599,702
91 to 120 days past due	10,328
	176,038,032
2021	
Current	90,864,971
1 to 30 days past due	4,297,033
31 to 60 days past due	3,666,509
61 to 90 days past due	426,790
91 to 120 days past due	10,270
	99,265,573

Other receivables and other financial assets

For other receivables and other financial assets (including cash and bank balances), 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.

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 compare 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.

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.

23. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(i) Credit risk *cont'd*

Other receivables and other financial assets *cont'd*

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment 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.

As at the end of the reporting date, the Group and the Company considers the other receivables and other financial assets as low credit risk and any loss allowance would be negligible. Refer to Note 3.10(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loan and revolving credit granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM27,388,018 (2021: Nil) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 23(b)(ii). As at the reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantee.

The financial guarantees have not been recognised since the fair value on initial recognition was not material as the guarantee is provided as credit enhancement to subsidiaries's secured borrowings.

(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 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.

23. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(ii) Liquidity risk *cont'd*

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	**On demand or within one year**	**Between one and five years**	**More than five years**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**
Group					
31 December 2022					
Other payables	10,295,933	10,295,933	-	-	10,295,933
Term loan	697,171	83,508	334,032	584,103	1,001,643
Lease liabilities	7,473,959	2,007,900	5,813,038	698,440	8,519,378
Revolving credit	26,640,847	26,640,847	-	-	26,640,847
	45,107,910	39,028,188	6,147,070	1,282,543	46,457,801
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
Company					
31 December 2022					
Other payables	2,421,725	2,421,725	-	-	2,421,725
Lease liabilities	161,236	36,000	144,000	4,500	184,500
Financial guarantee contract	-	27,338,018	-	-	27,338,018
	2,582,961	29,795,743	144,000	4,500	29,944,243
31 December 2021					
Other payables	243,194	243,194	-	-	243,194

23. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(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.

	Carrying amount RM	Change in basis point	Effect on profit for the financial year RM	Effect on equity RM
Group				
31 December 2022				
Loans and borrowings	(27,338,018)	+ 50	(103,884)	(103,884)
		- 50	103,884	103,884
31 December 2021				
Loans and borrowings	(748,846)	+ 50	(2,846)	(2,846)
		- 50	2,846	2,846

(c) Fair value measurement

The carrying amount of cash and bank balances, 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.

		Fair value of financial instruments not carried at fair value			
		Fair Value			
	Carrying amount RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
At 31 December 2021					
Financial liabilities					
Advances from shareholders	6,000,000	-	-	5,391,839	5,391,839

23. FINANCIAL INSTRUMENTS *cont'd*

(c) Fair value measurement *cont'd*

Level 3 fair value

Fair value of financial instruments not carried at fair value

The fair value of advances from shareholders are calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities.

24. COMMITMENTS

The Group has made commitments for the following capital expenditures:

	Group	
	2022	**2021**
	RM	**RM**
Property, plant and equipment approved and contracted for	295,141	-

25. RELATED PARTIES

(a) Identity 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) Company's holding company;
(ii) Subsidiaries;
(iii) Entities in which certain directors have substantial financial interests; and
(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

25. RELATED PARTIES *cont'd*

(b) Significant related party transactions

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM	**RM**	**RM**	**RM**
Interest received/receivable from:				
- Holding company	95	-	-	-
- Subsidiaries	-	-	1,402,915	-
Interest paid/payable to:				
- Subsidiaries	-	-	22,701	-
- Shareholders	450,000	403,888	-	-
Administration fee				
- Holding company	-	-	-	186,664
Rental paid/payable to:				
- Entities in which certain director has substantial interest	194,250	61,333	31,500	-

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Notes 10 and 15.

The Company provides secured corporate guarantees to banks in respect of banking facilities granted to the subsidiaries as disclosed in Note 23(b)(i).

(c) Compensation of key management personnel

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM	**RM**	**RM**	**RM**
Salaries, allowances and bonuses	373,950	247,800	312,000	-
Defined contribution plans	48,633	32,942	40,560	-
Other related expenses	2,004	1,847	1,542	-
	424,587	282,589	354,102	-

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 ended 31 December 2022 and 31 December 2021.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as bank borrowings divided by total equity. The gearing ratio as at 31 December 2022 and 31 December 2021 are as follows:

		Group	
		2022	**2021**
	Note	**RM**	**RM**
Term loan	14	697,171	748,846
Revolving credit	14	26,640,847	-
		27,338,018	748,846
Total equity		174,245,252	115,560,709
Net gearing ratio (times)		0.16	0.01

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

27. 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

Segment profit

Segment performance is used to measure performance as the Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

Segment assets information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment liabilities.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

27. SEGMENT INFORMATION *cont'd*

Group	Pawnbroking interest charges RM	Sales of unredeemed or bid pledges RM	Adjustments and eliminations RM	Total RM
31 December 2022				
Revenue:				
Revenue from external customers	25,698,753	44,264,211	-	69,962,964
Segment profit	18,610,603	3,690,022	-	22,300,625
Other income				268,475
Administrative expenses				(7,131,043)
Finance costs				(863,692)
Income tax expense				(4,457,472)
Profit for the financial year				10,116,893
Results:				
Included in the measure of segments profit are:				
Employee benefits expense				6,004,247
Depreciation				2,360,973
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				4,010,902
Depreciation				1,988,979

<u>Information about major customers</u>

For the sales of unredeemed or bid pledges segment, revenue was from two (2021: two) major customers. The customers represented approximately RM29,361,660 (2021: RM28,533,385) of the Group's total revenue.

28. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

(a) 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 RM0.2156 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.

(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% 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. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 22 February 2023, the Company proposes to undertake the following:

(i) proposed private placement of up to 15% of the total number of issued shares of the Company; and
(ii) proposed establishment of an employees' share option scheme ("Scheme") of up to 10% of the total number of issued shares of the Company at any point in time during the duration of the Scheme.

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 set out on pages 56 to 113 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 2022 and of their 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: 19 April 2023

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 set out on pages 56 to 113 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 19 April 2023.

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAPPAJACK BERHAD (Incorporated in Malaysia)

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 2022 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 56 to 113.

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 2022, 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

Trade receivables (Note 10 to the financial statements)

The Group has significant trade receivables as at 31 December 2022. 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAPPAJACK BERHAD (Incorporated in Malaysia)
(Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Key Audit Matters *cont'd*

Inventories (Note 9 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 2022;
- 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.

<u>**Company**</u>

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

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 (Incorporated in Malaysia)
(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

Kenny Yeoh Khi Khen
No. 03229/09/2024 J
Chartered Accountant

Kuala Lumpur

Date: 19 April 2023

LIST OF PROPERTIES

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 31.12.2022 (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	1,309
Total									**1,309**

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2023

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	10	0.646	210	0.000
100 – 1,000	282	18.240	132,190	0.019
1,001 - 10,000	553	35.769	3,481,500	0.521
10,001- 100,000	500	32.341	18,221,400	2.727
100,001 – 33,399,999 (*)	200	12.936	326,526,353	48.881
33,400,000 and above (**)	1	0.064	319,638,347	47.850
Total	**1,546**	**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	22,640,677	3.389	340,235,374*1	50.933
Law Book Ching	2,230,000	0.333	319,638,347*2	47.850
Dato' Magaret Ting Thien Hung	-	-	-	-
Koo Woon Kan	-	-	-	-
Cheong Woon Yaw	-	-	-	-

Notes :
*1 *Deemed interest pursuant to Section 8 and 197 of the Companies Act 2016, held through TSE Sejahtera Sdn Bhd and his wife, Lee Kooi Lan.*
*2 *Deemed interest pursuant to Section 8 of the Companies Act 2016, held through TSE Sejahtera Sdn Bhd.*

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2023
(Cont'd)

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
TSE Sejahtera Sdn Bhd	319,638,347	47.850	-	-
Lim Boon Hua	22,640,677	3.389	340,235,374*1	50.933
Law Book Ching	2,230,000	0.333	319,638,347*2	47.850
Lim Siew Fang	-	-	319,638,347*3	47.850
Lee Kooi Lan	20,597,027	3.083	342,279,024*4	51.239

Notes :

*1 *Deemed interest pursuant to Section 8 and 197 of the Companies Act 2016, held through TSE Sejahtera Sdn Bhd and his wife, Lee Kooi Lan.*

*2 *Deemed interest pursuant to Section 8 of the Companies Act 2016, held through TSE Sejahtera Sdn Bhd.*

*3 *Deemed interest pursuant to Section 8 of the Companies Act 2016, held through TSE Sejahtera Sdn Bhd.*

*4 *Deemed interest pursuant to Section 8 and 197 of the Companies Act 2016, held through TSE Sejahtera Sdn Bhd and her husband, Lim Boon Hua.*

LIST OF TOP 30 SHAREHOLDERS

No.	**Name**	**No. of Shares Held**	**%**
1.	TSE Sejahtera Sdn Bhd	319,638,347	47.850
2.	Lau Nian Choon	19,892,959	2.977
3.	Soo Jon Teng	19,669,159	2.944
4.	Lee Kooi Lan	16,975,127	2.541
5.	Lim Tong Lee	15,602,385	2.335
6.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chew Leng Chow*	15,400,000	2.305
7.	See Swee Choy	13,218,223	1.978
8.	Ng Cheng Lam	13,112,329	1.962
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Boon Hua*	11,988,200	1.794
10.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Boon Hua*	10,632,377	1.591
11.	Tan Hui Koon	10,622,137	1.590
12.	Ng Shyh Chyuh	10,621,463	1.590
13.	Chew Leng Chow	6,800,018	1.017
14.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Shyh Chyuh*	6,643,800	0.994
15.	Teoh Kok Khong	6,300,686	0.943
16.	Tan Poo Chun	5,695,244	0.852

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023
(Cont'd)

LIST OF TOP 30 SHAREHOLDERS *cont'd*

No.	Name	No. of Shares Held	%
17.	Wong Pui Yin	5,218,000	0.781
18.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chiau Beng Teik*	4,984,100	0.746
19.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Soon Siew Khium*	4,400,000	0.658
20.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Sam Yin Thing*	4,226,500	0.632
21.	Chin Sook Fong	4,097,649	0.613
22.	Lee Kun Way	4,059,400	0.607
23.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Pui Yin*	4,000,000	0.598
24.	Ngah Swee Huan	3,772,400	0.564
25.	Yap Yoon Sing	3,671,300	0.549
26.	Lee Kooi Lan	3,631,700	0.543
27.	Tang Khoon Song	3,538,000	0.529
28.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chiau Haw Choon*	3,418,000	0.511
29.	Gew Hui Jim	3,105,000	0.464
30.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Teoh Wang Jiew*	3,080,000	0.461
	TOTAL	**558,014,503**	**83.535**

NOTICE OF THE SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of the Company will be held at Four Points by Sheraton Puchong, Putera 1 & 2 (Function Room), Level 1, Puchong Financial Centre (PFCC), Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan on Wednesday, 14 June 2023 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 2022 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 2023 until the conclusion of the next Annual General Meeting. — Ordinary Resolution 1

3. To re-elect the following Directors who retire pursuant to Clause 97.1 of the Company's Constitution:-

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

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

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 4

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 5

   "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 10% 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."

   AND THAT pursuant to Section 85 of the Companies Act, 2016 read together with Clause 54 of the Company's Constitution, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company and to offer new shares arising from the issuance and allotment of the new shares pursuant to Sections 75 and 76 of the Companies Act 2016 AND FURTHER THAT the Board of Directors of the Company is exempted from the obligation to offer such new shares first to the existing shareholders of the Company".

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

NOTICE OF THE SECOND
ANNUAL GENERAL MEETING
(Cont'd)

By Order of the Board

WONG YOUN KIM (MAICSA 7018778)
Company Secretary
Kuala Lumpur
28 April 2023

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 5, Tower 8, Avenue 5, Horizon 2, 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 2023 shall be entitled to attend the Second 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.

Explanatory Notes on Special Business

C. Resolution 5 – 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 10% 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.

The approval of the issuance and allotment of the new shares under Sections 75 and 76 of the Companies Act 2016 shall have the effect of the shareholders having agreed to waive their statutory pre-emptive rights pursuant to Section 85 of the Companies Act, 2016 and Clause 54 of the Constitution of the Company, the shareholders of the Company hereby agree to waive and are deemed to have waived their statutory pre-emptive rights pursuant to Section 85 of the Companies Act, 2016 and Clause 54 of the Constitution of the Company pertaining to the issuance and allotment of new shares under Sections 75 and 76 of the Companies Act 2016, which will result in a dilution to their shareholding percentage in the Company.

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. Second Annual General Meeting of the Company will be held at Four Points by Sheraton Puchong, Putera 1 & 2 (Function Room), Level 1, Puchong Financial Centre (PFCC), Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan on Wednesday, 14 June 2023 at 2.00 p.m..

2. The Directors who are standing for re-election at the Second Annual General Meeting of the Company pursuant to Clause 97.1 of the Company's Constitution are:

   (i) Mr. Lim Boon Hua
   (ii) Mr. Law Book Ching

   The details of the above Directors seeking re-election are set out in the Board of Directors' Profile as disclosed on page 5 and 6 respectively of this Annual Report.

3. The details of the above Directors' interest in the securities of the Company are stated on page 51 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 2022 are disclosed in the Corporate Governance Overview Statement set out on page 31 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 Second Annual General Meeting of the Company to be held at Four Points by Sheraton Puchong, Putera 1 & 2 (Function Room), Level 1, Puchong Financial Centre (PFCC), Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan on Wednesday, 14 June 2023 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 for the financial year ended 31 December 2022.				
Resolution 2	Re-election of Mr. Lim Boon Hua				
Resolution 3	Re-election of Mr. Law Book Ching				
Resolution 4	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 5	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 ________________ 2023

____
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 5, Tower 8, Avenue 5, Horizon 2, 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 2023 shall be entitled to attend the Second 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 28 April 2023.

Fold this flap for sealing

Then fold here

Affix
Stamp

PAPPAJACK BERHAD
[Registration No. 202001042414 (1398735-V)]
Registered Office
Acclime Corporate Services Sdn Bhd
Level 5, Tower 8, Avenue 5, Horizon 2,
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 / whistleblowing@pappajack.com.my