



PAPPAJACK BERHAD

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



ANNUAL REPORT **2023**

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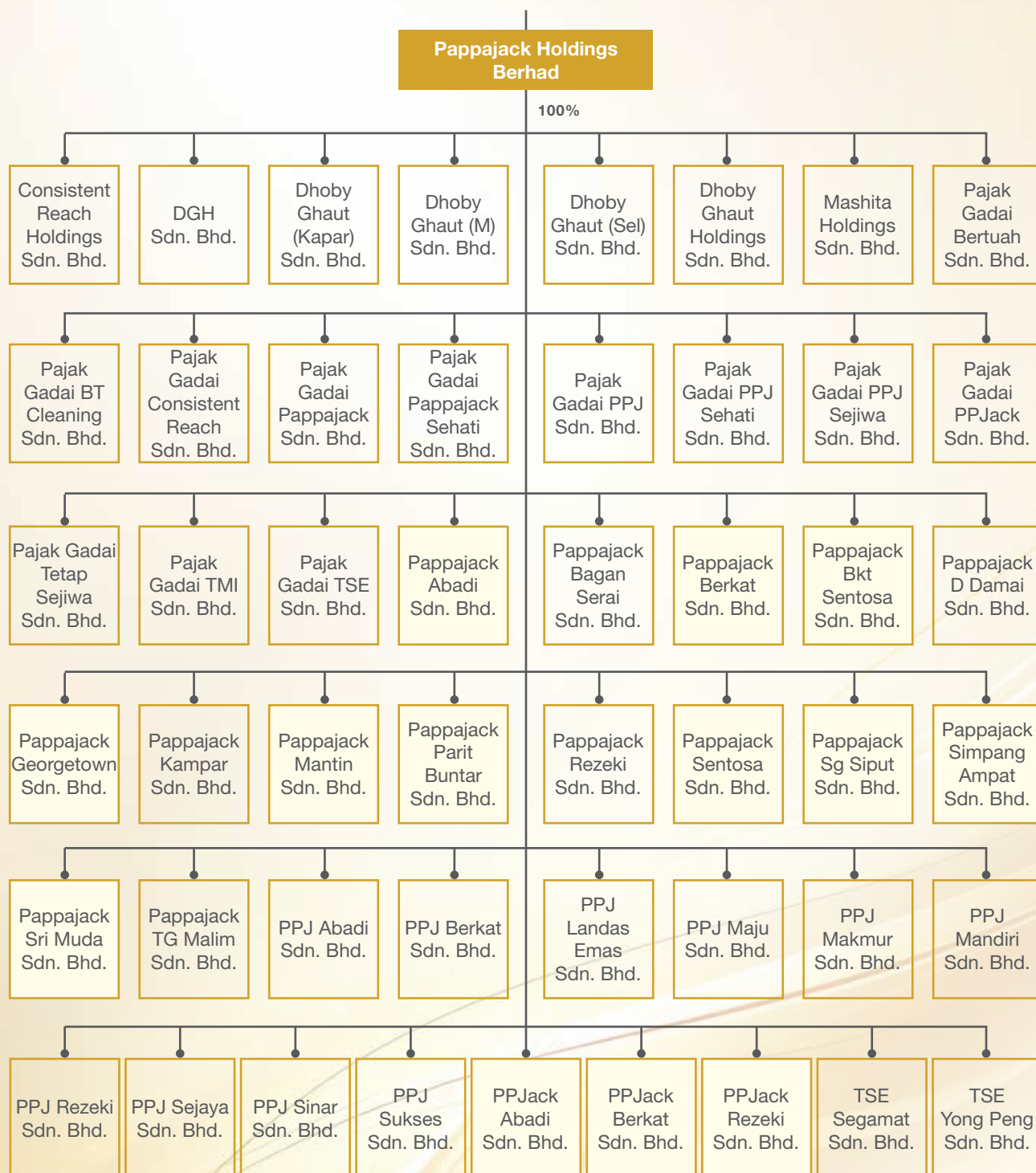
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Corporate Structure



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

Lim Boon Hua

Managing Director/
Chief Executive Officer

Law Book Ching

Executive Director

Dato' Magaret Ting Thien Hung

Independent Non-Executive Director

Koo Woon Kan

Independent Non-Executive Director

Cheong Woon Yaw

Independent Non-Executive Director

AUDIT COMMITTEE

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)
SSM PC No. 201908000410

REGISTERED OFFICE

Acclime Corporate Services Sdn. Bhd.
Level 5, Tower 8, Avenue 5, Horizon 2
Bangsar South City
59200 Kuala Lumpur
Telephone No. : (603) 2280 6388
Facsimile No. : (603) 2280 6399
Email address : listcomalaysia@acclime.com

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

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

SPONSOR

Kenanga Investment Bank Berhad

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

AUDITORS AND REPORTING ACCOUNTANTS

Baker Tilly Monteiro Heng PLT

Baker Tilly Tower, Level 10,
Tower 1, Avenue 5
Bangsar South City
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
Email address :
is.enquiry@my.tricorglobal.com

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

Director's Profile

CHONG CHEE FIRE

Independent Non-Executive Chairman

📍 Malaysian 🧑 Male 🎂 69 years old



Mr. Chong Chee Fire, a Malaysian male aged 69, 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, Mr. Chong has more than 30 years of working experience in the banking and financial services industry serving in various capacities. He currently sits on the board of several private limited companies in Malaysia. Save for his directorship of the Company, he does not hold any other directorship in public companies and listed issuers.

Mr. Chong does not have any family relationship with any other directors or major shareholders of the Company, and he does not have any conflict of interest or potential conflict of interest, including any interest in any competing business with Pappajack Berhad or its subsidiaries. He has no conviction for any offences within the past five years (other than traffic offences, if any), and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2023.

Mr. Chong attended all five Board Meetings held during the financial year ended 31 December 2023.

Director's Profile

(Cont'd)

LIM BOON HUA

Managing Director/Chief Executive Officer

📍 Malaysian 🧑 Male 🎂 48 years old



Mr. Lim Boon Hua, a Malaysian male aged 48, 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, Mr. 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 ventured into various businesses including the supply of domestic maids and manpower, food and beverage business, as well as pawnbroking business.

In June 2013, Mr. Lim 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, Mr. Lim 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 limited companies in Malaysia, Singapore, and Indonesia for personal investment purposes.

Mr. Lim does not have any conflict of interest or potential conflict of interest, including any interest in any competing business with Pappajack Berhad or its subsidiaries. He has no conviction for any offences within the past five years (other than traffic offences, if any), and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2023.

He attended all five Board Meetings held during the financial year ended 31 December 2023.

Director's Profile

(Cont'd)

LAW BOOK CHING

Executive Director

📍 Malaysian 🧑 Male 🎂 55 years old



Mr. Law Book Ching, a Malaysian male aged 55, 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, Mr. Law was appointed as a director 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 limited companies in Malaysia and Laos for personal investment purposes.

Mr. Law does not have any family relationship with any other directors or major shareholders of the Company, and he does not have any conflict of interest or potential conflict of interest, including any interest in any competing business with Pappajack Berhad or its subsidiaries. He has no conviction for any offences within the past five years (other than traffic offences, if any), and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2023.

Mr. Law attended all five Board Meetings held during the financial year ended 31 December 2023.

Director's Profile

(Cont'd)

DATO' MAGARET TING THIEN HUNG

Independent Non-Executive Director

📍 Malaysian 🧑 Female 🎂 43 years old



Dato' Magaret Ting Thien Hung, a Malaysian female aged 43, is our Independent Non-Executive Director. She was appointed to the Board on 3 May 2021. She is the Chairman of Remuneration Committee and Nomination Committee. She is also a member of the Audit Committee and Risk Management Committee of the Company. 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. She sits on the board of several private companies in Malaysia.

Dato' Magaret does not have any family relationship with any other directors or major shareholders of the Company, and she does not have any conflict of interest or potential conflict of interest, including any interest in any competing business with Pappajack Berhad or its subsidiaries. She has no conviction for any offences within the past five years (other than traffic offences, if any), and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2023.

Dato' Magaret attended all five Board Meetings held during the financial year ended 31 December 2023.

Director's Profile

(Cont'd)

KOO WOON KAN

Independent Non-Executive Director

📍 Malaysian 🧑 Female 🗓 48 years old



Ms. Koo Woon Kan, a Malaysian female aged 48, is our Independent Non-Executive Director. She was appointed to the Board on 3 May 2021. She is the Chairman of Audit Committee and Risk Management Committee. She is also a member of the Remuneration Committee and Nomination Committee of the Company. 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 October 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 May 2011. Subsequently, she founded Eco Circle Sdn. Bhd, Rightway Management Sdn. Bhd. and Rightway Corporate Advisory Sdn Bhd in May 2011, October 2016 and October 2022 which are principally involved in property investment and trading activities and in the provision of accounting services and secretarial 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, Ms. Koo has more than 20 years of experience in the accounting and finance, and financial services.

She currently sits on the board of RichTech Digital Berhad a public limited liability company and holds directorship in several private limited companies.

Ms. Koo does not have any family relationship with any other directors or major shareholders of the Company, and she does not have any conflict of interest or potential conflict of interest, including any interest in any competing business with Pappajack Berhad or its subsidiaries. She has no conviction for any offences within the past five years (other than traffic offences, if any), and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2023.

Ms. Koo attended all five Board Meetings held during the financial year ended 31 December 2023.

Director's Profile

(Cont'd)

CHEONG WOON YAW

Independent Non-Executive Director

📍 Malaysian 🧑 Male 🎂 50 years old



Mr. Cheong Woon Yaw, a Malaysian male aged 50, is our Independent Non-Executive Director. He was appointed to the Board on 27 December 2021. He is also a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee of the Company.

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 until he left in May 2023. He then joined Asea Redox Malaysia Sdn. Bhd. as a Regional Finance Director in June 2023. Save for his directorship of the Company, he does not hold any other directorship in public companies and listed issuers.

Mr. Cheong does not have any family relationship with any other directors or major shareholders of the Company, and he does not have any conflict of interest or potential conflict of interest, including any interest in any competing business with Pappajack Berhad or its subsidiaries. He has no conviction for any offences within the past five years (other than traffic offences, if any) and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2023.

Mr. Cheong attended all five Board Meetings held during the financial year ended 31 December 2023.

Key Management Profile

Lim Chee Hsiung

Chief Operating Officer

 Malaysian

 Male

 46 years old

Lim Chee Hsiung, a Malaysian male aged 46, 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.

He does not hold any directorship in public companies and listed issuers.

Mr. Lim does not have any family relationship with any other directors or major shareholders of the Company, and he does not have any conflict of interest or potential conflict of interest, including any interest in any competing business with Pappajack Berhad or its subsidiaries. He has no conviction for any offences within the past five years (other than traffic offences, if any), and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2023

Key Management Profile

(Cont'd)

Wong Koon Wai

Chief Financial Officer

 Malaysian  Male  49 years old

Wong Koon Wai is our Chief Financial Officer, a Malaysian male aged 49. 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 and EVD Berhad, both listed on the ACE Market of Bursa Securities. He also sits on the boards of Golden Plus Holdings Berhad and RichTech Digital Berhad, both a public limited liability company and several private companies in Malaysia.

Mr. Wong does not have any family relationship with any other directors or major shareholders of the Company, and he does not have any conflict of interest or potential conflict of interest, including any interest in any competing business with Pappajack Berhad or its subsidiaries. He has no conviction for any offences within the past five years (other than traffic offences, if any), and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2023.

Chairman's Statement

**Dear
Shareholders,**

It is with great pride that I address you at the close of another robust financial year. In 2023, Pappajack Berhad has continued to navigate through a challenging economic landscape, achieving remarkable growth and operational success.

Our revenue has surged by 56.40% from the previous year, and we are delighted to report a profit after tax

of RM20.01 million, which marks a significant increase of 97.76% compared to the financial year 2022. This achievement underscores the strength and resilience of our business model, as well as the tireless efforts of our dedicated team.

Under the astute leadership of our Managing Director, Mr. Lim Boon Hua, and the management team, we have not only sustained our growth trajectory but have also expanded our market presence significantly. In April 2024, we celebrated the opening of our 40th store, a testament to our expansion strategy which has been well received in the market. Our expansion has been particularly notable in regions such as Selangor, Kuala Lumpur, Penang, and Johor, among others.

In acknowledgment of our growth and to enhance shareholder value, we are actively preparing for a transition from the ACE Market to the Main Market of Bursa Malaysia. This strategic step is aimed at increasing our visibility in the market, attracting more investors, and further solidifying our financial foundation.

As we look forward, our vision is clear. We aim to not only expand our physical presence with an ambitious target of 50 stores in near future, but also to extend our reach to new regions. We are confident that our proactive strategies will continue to yield positive financial results.

Your continued trust and investment in Pappajack Berhad energise our commitment to delivering exceptional value. We are excited about the future and believe that our strategic initiatives will lead to sustained growth.

Thank you once again for your steadfast support and belief in our vision. We look forward to sharing further successes in the coming year.

Chong Chee Fire

*Chairman of the Board of Directors
Pappajack Berhad*



Management Discussion And Analysis

OVERVIEW OF THE GROUP'S BUSINESS

Pappajack Berhad is an investment holding company, while the principal activities of all its subsidiaries, are primarily focused on providing pawnbroking services through an extensive network of pawnbroking outlets across Malaysia.

Each pawnbroking outlet is owned and operated by a subsidiary within our Group, and these subsidiaries are individually licensed by the Kementerian Perumahan dan Kerajaan Tempatan ("KPKT"), formerly known as the Kementerian Pembangunan Kerajaan Tempatan.

Our Group operated 37 pawnbroking outlets as of the balance sheet date. We have since expanded our presence in the pawnbroking industry, and as of the date of this report, we currently operate 40 outlets.

Pawnbroking services are offered by licensed pawnbrokers who primarily provide short-term, collateral-based loans, also known as pawn loans, to clients known as pawners. These clients secure loans using items of value, commonly gold jewelry, gold bars, gold coins, and luxury watches.

Our ongoing goal is to identify and capitalise on market opportunities in Malaysia, aiming to bolster our business operations and expand our market presence. To realise this objective, we are dedicated to maintaining a strong commitment to customer service, which we believe is essential for our long-term sustainability and growth.

FINANCIAL PERFORMANCE

The Group is pleased to report a notable improvement in our financial performance for the fiscal year ended 31 December 2023 ("FYE 2023"). Our profit after tax ("PAT") increased to RM20.01 million, up from RM10.12 million in the previous year, representing a substantial growth of approximately 97.76%.

This significant rise in PAT can be largely attributed to our strategic focus on margin optimisation, which we achieved through enhanced sales techniques and effective cost management strategies. Our efforts to minimise costs while boosting sales have led to an overall enhancement in our profit margins.

Regarding the Group's financial metrics, the comparisons between our financial performance and position for FYE 2023 and FYE 2022 are outlined below: -

Our financial performance		FYE 2023	FYE 2022	% Change
Revenue	RM'000	109,419	69,963	56.40
Gross profit ("GP")	RM'000	37,427	22,301	67.83
Profit before tax ("PBT")	RM'000	28,356	14,574	94.57
Profit after tax ("PAT")	RM'000	20,007	10,117	97.76
GP margin	%	34.21	31.88	7.31
PBT margin	%	25.92	20.83	24.41
PAT margin	%	18.28	14.46	26.45
Our financial position				
Total non-current asset	RM'000	14,276	13,707	4.15
Total current assets	RM'000	272,001	206,619	31.64
Total non-current liabilities	RM'000	6,556	6,521	0.54
Total current liabilities	RM'000	34,437	39,560	(12.95)
Total shareholders' equity	RM'000	245,284	174,245	40.77

Management Discussion And Analysis

(Cont'd)

FINANCIAL PERFORMANCE *cont'd*

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

Revenue		FYE 2023	FYE 2022	% Change
Pawnbroking interests charges	RM'000	36,379	25,699	41.56
Sales of unredeemed or bid pledges	RM'000	73,040	44,264	65.01
TOTAL	RM'000	109,419	69,963	56.40
GP				
Pawnbroking interests charges	RM'000	28,133	18,611	51.16
Sales of unredeemed or bid pledges	RM'000	9,294	3,690	151.87
TOTAL		37,427	22,301	67.83
GP Margin				
Pawnbroking interests charges	%	77.33	72.42	6.79
Sales of unredeemed or bid pledges	%	12.72	8.34	52.64

For the FYE 2023, the Group's revenue rose by 56.40% compared to the previous financial year. This growth was primarily driven by a 41.56% increase in revenue from pawnbroking interest charges. Additionally, revenue from the sale of unredeemed or auctioned pledges also increased by 65.01%.

The Group's profit before tax ("PBT") climbed to RM28.36 million, marking a 94.57% increase over the previous fiscal year. This improvement in PBT primarily reflects the higher revenue achieved while maintaining stable operational costs.

While overall tax rate remained in the region of 30.00% over the two fiscal years, the Group's profit after tax ("PAT") surged by 97.76% or RM9.89 million, reaching RM20.01 million.

Notably, the Group did not undertake any significant capital expenditure other than for the opening of new outlets during the fiscal year.

The rise in total current assets was largely attributed to an increase in trade receivables from pawn loans issued and additional cash from a private placement exercise undertaken during the fiscal year. The trade receivables, which are fully secured against gold when pawn loans are granted, are expected to have no adverse financial impact on the Group.

Total non-current liabilities include a term loan for financing an investment property and operating lease liabilities. Current liabilities reduced due to the settlement of shareholders' advances during the fiscal year.

The Group's operations are funded through a mix of internal and external resources. Internally, funding comes primarily from shareholders' equity and operational cash flow. Externally, it includes proceeds from a private placement exercise during the fiscal year of RM55.11 million, with RM54.51 million allocated for pawn loans deployment.

In conclusion, the Group is not currently aware of any trends or events that are expected to significantly affect our operations, performance, financial condition, or liquidity.

Management Discussion And Analysis

(Cont'd)

OPERATING ACTIVITIES

In the FYE 2023, our pawnbroking segment remained the primary driver of our gross profit, contributing a substantial 75.17% to the total. This segment's revenue saw a remarkable increase of 41.56%, or RM10.68 million, compared to FYE 2022, with a gross profit contribution of RM28.13 million, representing a 51.16% growth over the previous year. Furthermore, the gross profit margin for our pawnbroking segment improved to 77.33% in FYE 2023 from 72.42% in FYE 2022.

Additionally, there was substantial growth in the segment for the sale of unredeemed or bid pledges. Revenue for this segment increased by 65.01% to RM73.04 million compared to RM44.26 million in FYE 2022. The gross profit in this segment saw a remarkable rise of 151.87%, amounting to RM9.29 million in FYE 2023, buoyed by higher gold prices during the sales period. The gross profit margin for this segment enhanced significantly, increasing to 12.72% in FYE 2023 from 8.34% in the prior year.

Overall, our pawnbroking segment and sale of unredeemed or bid pledges segment exhibited remarkable growth in revenue and gross profit for FYE 2023, accompanied by improvements in gross profit margins across 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.

Management Discussion And Analysis

(Cont'd)

ANTICIPATED OR KNOWN RISKS *cont'd*

II. We Are Subject to Regulatory Requirements for Pawnbroking Business

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

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

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

III. We Are Exposed to Liquidity Risk

Our pawnbroking business requires substantial cash capital for our business operations and thus, the liquidity of our pawnbroking business is dependent on our timely access to, and the costs associated with, raising and maintaining cash capital. In the event we receive an increase in demand for new pawn loans from customers, a decrease in pawn loan repayment from our customers, as well as a delay in the sale of unredeemed or bid pledges to scrap collectors and watch purchasers, our pawnbroking business may be exposed to liquidity risk. The decrease in pawn loan repayment from our customers and the delay in the sale of unredeemed or bid pledges to scrap collectors and watch purchasers may cause temporary deficit in our internally generated funds which may potentially impact our ability in maintaining sufficient liquidity and funds to meet daily cash needs (i.e. operating costs and expenses as well as the issuance of new pawn loans). Subsequently, this may thus impact our business operations and financial performance.

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

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

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

Management Discussion And Analysis

(Cont'd)

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 redeem 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 vital role in the financial ecosystem by providing short-term micro-loans to individuals who may have limited access to traditional banking, offering a unique value proposition that caters to the needs of financially underserved segments of the population.

By providing access to collateral-based lending solutions, pawnbrokers offer a reliable and expedient avenue for individuals to secure funds. Pawnbroking services fill a crucial gap in the market, ensuring that those who may not qualify for conventional loans or lack established credit histories have a viable alternative to meet their financial obligations.

The pawnbroking industry in Malaysia is experiencing growth trends fuelled by factors like rising inflation and a growing social acceptance of pawnbroking services. With regulatory support and an increase in licensed pawnbrokers, the industry is poised for continued expansion.

The Group is proactively expanding its presence in the pawnbroking industry by strategically opening new outlets and identifying viable acquisition targets among smaller pawnbrokers. This approach is aimed at consolidating the market, capturing a larger share, and leveraging economies of scale to drive operational efficiencies and profitability. Through this aggressive expansion strategy, the Group is positioning itself as a formidable player in the highly competitive pawnbroking landscape, while simultaneously enhancing its ability to serve a broader customer base across multiple locations.

The Malaysian government has been actively reviewing and updating regulations governing the industry, enhancing transparency, protecting consumer interests, and promoting responsible lending practices.

Overall, the outlook for the pawnbroking industry in Malaysia remains positive, driven by the growing demand for alternative financing options.

Management Discussion And Analysis

(Cont'd)

DIVIDEND POLICY

The decision to declare interim dividends and recommend final dividends rests at the discretion of our Board of Directors. Currently, our Group does not have a formal dividend policy in place. However, we recognise the importance of rewarding our investors with dividends and intend to pay dividends to shareholders in the future, subject to various factors. These factors include, but are not limited to, our financial performance, cash flow requirements, availability of distributable reserves, and capital expenditure plans.

As our Company is an investment holding company, our income and ability to pay dividends are dependent upon the dividends and other distributions received from our subsidiaries. The payment of dividends or other distributions by our subsidiaries will be contingent upon their distributable profits, operating results, financial condition, capital expenditure plans, and other factors deemed relevant by the Board of Directors.

We understand the significance of providing our shareholders with the opportunity to participate in our profits through dividend payments. Consequently, we remain committed to striking a balance between reinvesting profits for future growth and distributing dividends to our shareholders, taking into consideration the overall financial health and strategic objectives of our Group.

During the FYE 2023, an interim single tier dividend of 0.5 sen per ordinary share, totalling RM3.84 million was declared and paid 20 December 2023.

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.

Pappajack is pleased to present its Annual Sustainability Statement for FYE2023. This Statement provides an overview of the Group’s sustainability activities during the period of 1 January 2023 to 31 December 2023 including comparative historical data where available.

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 relates to our Group’s pawnbroking services in Malaysia.

1.3 GUIDELINES AND STANDARDS

We are pleased to present our sustainability statement prepared with reference to the Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) and Global Reporting Initiative (“GRI”) Standards.

1.4 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, its 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 Board and Management in relation to environmental, social, and governance (“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 and market disclosures
- Develops ESG strategy and recommend appropriate revision to the Board
- Evaluates overall ESG risks and opportunities



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

Sustainability Statement

(Cont'd)

2. MATERIALITY ASSESSMENT PROCESS

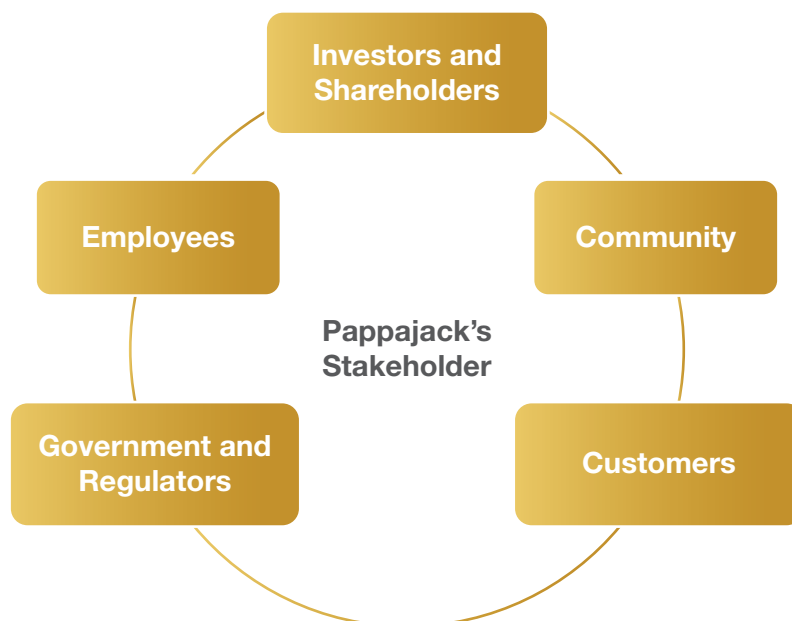
2.1 OBJECTIVES

A materiality assessment is a process used by organisations to identify, prioritise, and understand the significance of ESG matters that may impact the business and stakeholders. The goal of a materiality assessment is to determine which matters are most relevant and significant to the organisation and its stakeholders, helping the company to prioritise its efforts on addressing the most important sustainability and corporate responsibility challenges.

The Board considers it appropriate in this regard to limit the scope of materiality assessment and sustainability disclosure of 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 assessment applies as far as operations are concerned is limited to the provision of pawnbroking services through a network of pawnbroking outlets in Malaysia.

2.2 STAKEHOLDER ENGAGEMENT

Pappajack has a broad range of stakeholder groups that influence or affected by the Group and its activities. The key stakeholder groups include investors and shareholders, community, customers, government and regulators and employees. Such stakeholders are identified based on their different levels of influence over and dependence on Pappajack Group's businesses.



As a Group, we aim to maintain effective channels of communication with all our key stakeholder groups. Thus, regular engagements are held through both formal and informal channels. These interactions are held to help the Group to identify relevant material matters and provide insights into emerging opportunities and risks whilst responding to ESG needs more effectively.

Sustainability Statement

(Cont'd)

2. MATERIALITY ASSESSMENT PROCESS *cont'd*

2.2 STAKEHOLDER ENGAGEMENT *cont'd*

Areas of Interest

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

Forum of Response

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

2.3 PRIORITISATION OF SUSTAINABILITY MATTERS (MATERIALITY ASSESSMENT)

Through our key stakeholder engagement, we have identified the material matters in tandem with Pappajack's economic, environmental, and social impacts and their significance, both from the perspective of our business and stakeholders. Throughout the reporting period, eight (8) sustainability material matters have been identified with three (3) sustainability matters, namely Managing Regulatory Compliance and Changes, Ethics and Integrity and Security and Loss Prevention fall in the "significantly material" segment which represents the greatest significance to Pappajack's long-term business value and stakeholders' interest.

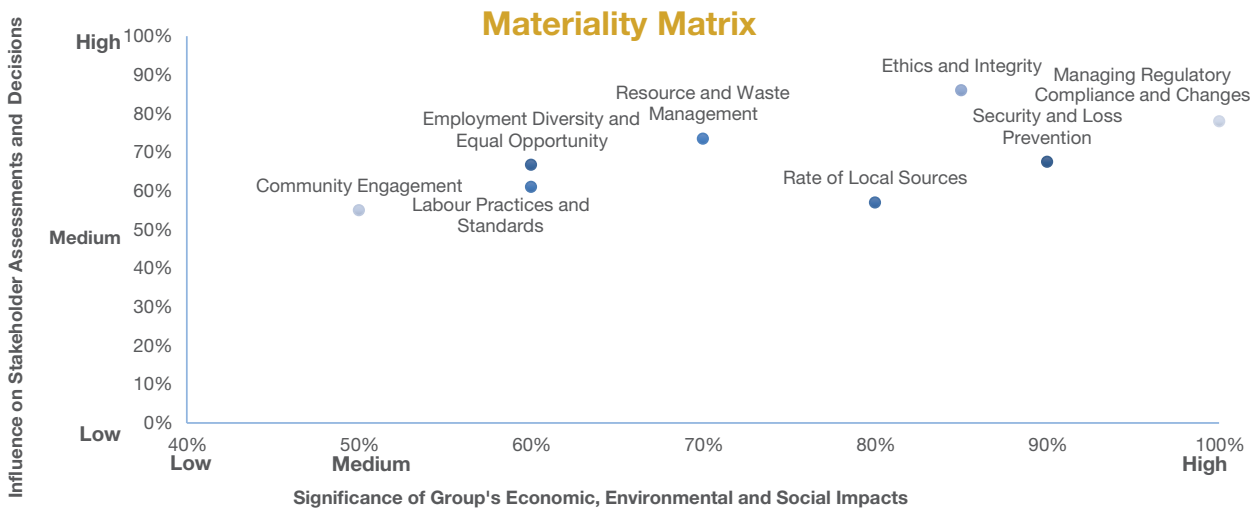
Sustainability Statement

(Cont'd)

2. MATERIALITY ASSESSMENT PROCESS *cont'd*

2.3 PRIORITISATION OF SUSTAINABILITY MATTERS (MATERIALITY ASSESSMENT) *cont'd*

The Group’s material matrix is illustrated below.



3. SUSTAINABILITY ACTIVITIES

3.1 ECONOMIC

3.1.1 Managing Regulatory Compliances and Changes

Pappajack recognises that any actual or potential regulatory non-compliance 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 (“P&P”) that governs regulatory compliances are continuously adhered to and are updated regularly and at appropriate intervals.

For FYE2023, we are pleased to report there is no claim or incident of non-compliances reported (FYE2021 and FYE2022: Nil).

Cybersecurity and Data Privacy

Businesses are increasingly relying on Information Technology (“IT”) systems and services such as cloud servers, remote access, virtual networks, etc. to enhance business capability and operational efficiency. Thus, safeguarding cybersecurity has become more pertinent to businesses the Group is operating in.

As a pawnbroking service provider, it is crucial to protect data belonging to various stakeholders such as customer’s personal information and the Group’s financial information from data security breaches.

The Group has dedicated personnels that are responsible for developing and maintaining the integrity of its IT systems, including ensuring appropriate controls such as firewalls, private networks, backup systems, and anti-virus and anti-malware systems are in place and are operating effectively.

As at FYE2023, Pappajack has not received any complaints concerning data privacy breaches, and the Group has not been alerted to any identified data leak, theft, or loss of customer data.

Sustainability Statement

(Cont'd)

3. SUSTAINABILITY ACTIVITIES *cont'd*

3.1 ECONOMIC *cont'd*

3.1.1 Managing Regulatory Compliances and Changes *cont'd*

Indicator	Unit	FYE2021	FYE2022	FYE2023
Number of substantiated complaints concerning breaches of customer privacy or losses of customer data	Number	Zero	Zero	Zero

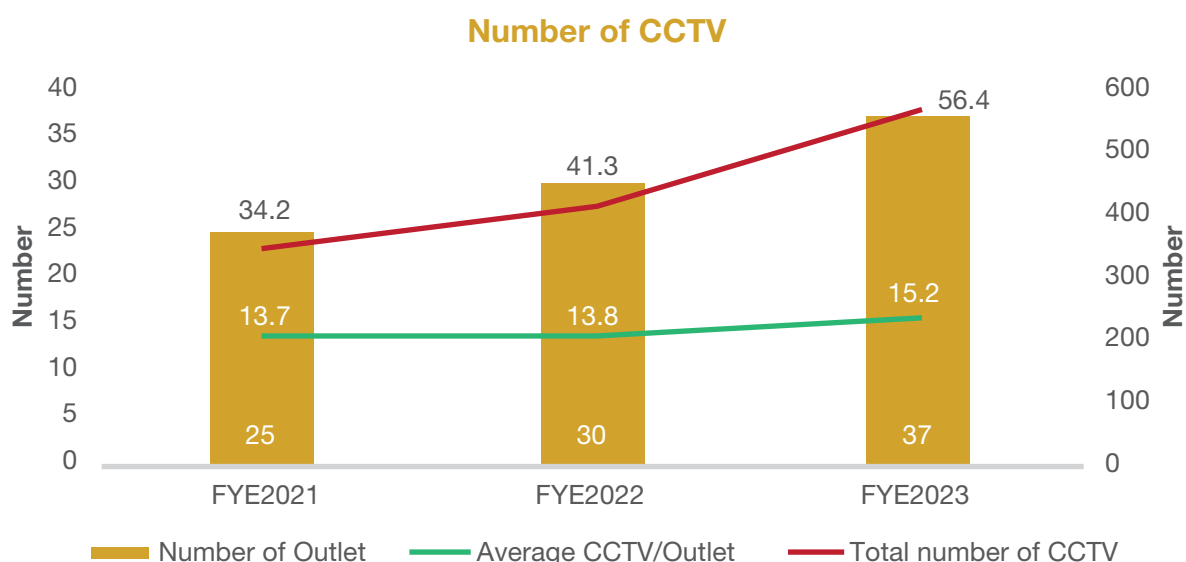
3.1.2 Security and Loss Prevention

Closed-Circuit Television ("CCTV")

In preventing losses due to crimes such as burglary, theft and robbery, Pappajack have implemented preventive measures in 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 413 units (FYE2022) to 564 units (FYE2023), propelled by the opening of additional pawnbroking outlets.

TOTAL	FYE2021	FYE2022	FYE2023
Number of Outlet	25	30	37
Total number of CCTV	342	413	564
Average CCTV/Outlet	13.7	13.8	15.2



In addition, periodic maintenance was performed to ensure that all CCTVs are functioning at all outlets. During the past three financial years (FYE2021 to FYE2023), 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.

Sustainability Statement

(Cont'd)

3. SUSTAINABILITY ACTIVITIES cont'd

3.1 ECONOMIC cont'd

3.1.2 Security and Loss Prevention cont'd

Central Monitoring System

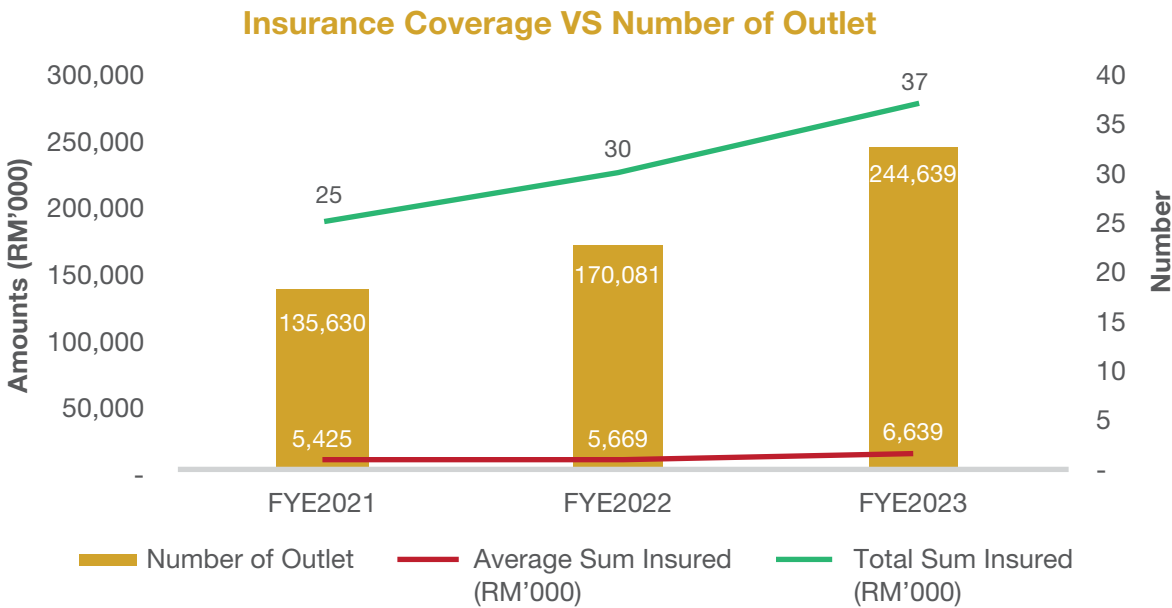
A central monitoring system comprising security alarm system and anti-theft system have been installed to detect intrusion and deter unauthorised entry into the Group's pawnbroking outlets. As a result of this, there were no cases of burglary, theft or robbery reported in any of the Group's pawnbroking outlets during the past three financial years (FYE2021 to FYE2023).

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 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/or for the sale to scrap collectors and watch purchasers.

The total jeweller's block insurance coverage for the FYE2021 to FYE2023 are as follows:

TOTAL	FYE2021	FYE2022	FYE2023
Number of Outlet	25	30	37
Average Sum Insured (RM'000)	5,425	5,669	6,639
Total Sum Insured (RM'000)	135,630	170,081	244,639



Sustainability Statement

(Cont'd)

3. SUSTAINABILITY ACTIVITIES *cont'd*

3.1 ECONOMIC *cont'd*

3.1.2 Security and Loss Prevention *cont'd*

Insurance *cont'd*

Total sum insured has increased from RM170.1 million (30 outlets, FYE2022) to RM244.6 million (37 outlets, FYE2023) and accordingly, the average sum insured per outlet has increased from RM5.7 million in FYE2022 to RM6.6 million in FYE2023.

During the past three financial years (FYE2021 to FYE2023), the Group has not made any material claims under the jeweller's block insurance policies undertaken with third-party insurance providers.

3.1.3 Ethics and Integrity

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.

Anti-Corruption Training

The Group has in place procedures to communicate its ABC Policy and stance to stakeholders. The policy is communicated to employees during onboarding orientation when joining the Group. Training is also provided to employees in positions and functions that are exposed to higher corruption risk.

Percentage of Pappajack's employees who have received training on anti-bribery and corruption are summarised as follows:

Indicator	Unit	FYE2021	FYE2022	FYE2023
Employees who have received training on anti-bribery and corruption by employee category				
Employees received training	Number	71	22	33
Total Number of Employees	Number	94	118	136
Percentage of Trained Employees	Percentage	76%	19%	24%

Incidents of Corruption

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

In FYE2023, there was no bribery and corruption case reported and the Group aims to maintain this record by promoting a positive culture of compliance. None of our employees was penalised 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.

Indicator	Unit	FYE2021	FYE2022	FYE2023
Confirmed incidents of corruption and action taken	Number	Zero	Zero	Zero

Sustainability Statement

(Cont'd)

3. SUSTAINABILITY ACTIVITIES *cont'd*

3.1 ECONOMIC *cont'd*

3.1.4 Rate of Local Sources

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

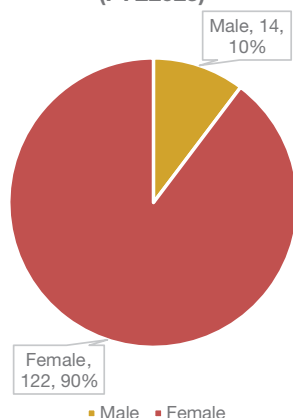
In FYE2023, Pappajack purchases are totally sourced from local vendors registered with the Group and its subsidiaries, and Pappajack continues to ensure 100% of its vendors are of local origins.

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.

Total Employees by Gender (FYE2023)

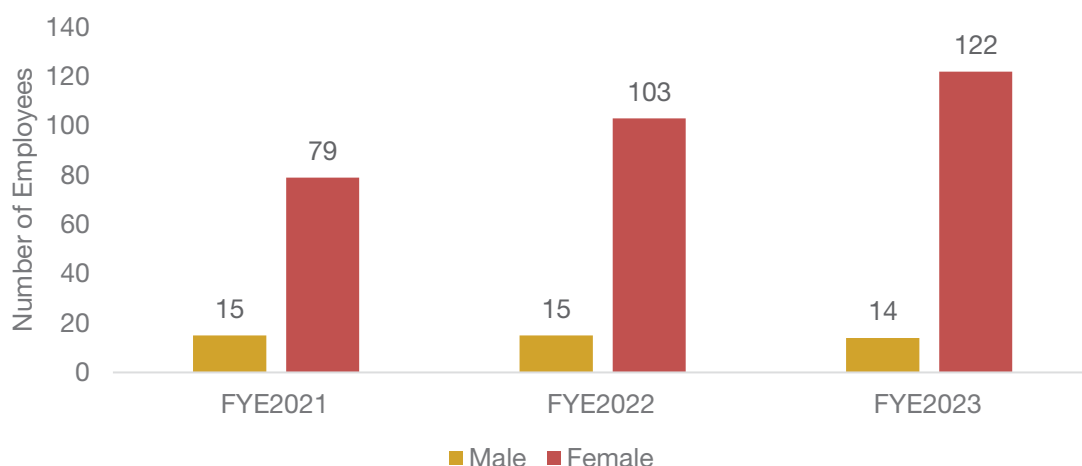


The total number of employees has increased from 118 employees to 136 employees in the financial year ended 31 December 2023.

As at 31 December 2023, 90% (122 employees) of Pappajack's workforce are females whilst 10% (14 employees) are males.

However, the gender ratio of male-to-female employee has decreased from 13:87 in FYE2022 to 10:90 in FYE2023. The number of female employees has further increased from 103 in FYE2022 to 122 in FYE2023 while the number of male employees has reduced from 15 in FYE2022 to 14 in FYE2023.

Total Employees by Gender (FYE2021 - FYE2023)



Sustainability Statement

(Cont'd)

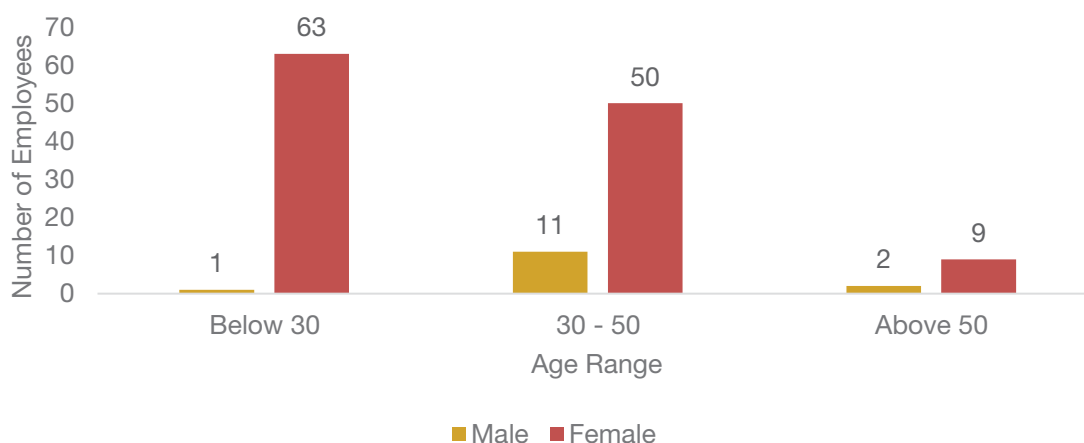
3. SUSTAINABILITY ACTIVITIES *cont'd*

3.2 SOCIAL *cont'd*

3.2.1 Employment Diversity and Equal Opportunity *cont'd*

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 room for improvement, work opportunity in Pappajack has always remained fair and equitable to all.

Employees Age Range by Gender



In FYE2023, 47% of employees are below 30 years old and only 8% of employees are above 50 years old. Furthermore, 52% of female employees (63 out of 122 female employees) are below 30 years old while 79% of male employees (11 out of 14 male employees) are aged between 30 to 50 years old.

Age Range	Male	Female	Total
Below 30	1	63	64
30 - 50	11	50	61
Above 50	2	9	11
Total	14	122	136

No discrimination based on gender, age, ethnic, religion or origins 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 Labour Practices and Standards

Human Rights

As a responsible organisation, Pappajack is committed towards protecting and respecting human rights across all our business operations. The Group believes that equitable human rights practices coupled with fair and ethical treatment improve productivity and promote a healthy working culture.

The Group also understands that addressing human rights and labour standards are an ongoing process where continual evaluation and review on the Group strategy on how best to strengthen the Group's approach is necessary in elevating human rights and living standards.

Sustainability Statement

(Cont'd)

3. SUSTAINABILITY ACTIVITIES *cont'd*

3.2 SOCIAL *cont'd*

3.2.2 Labour Practices and Standards *cont'd*

Human Rights *cont'd*

a) *Reasonable Remuneration*

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

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, religion or age.

b) *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 on family development. Our parental leave benefits for both male and female employees are provided in accordance with the prevailing labour regulations, comprising seven (7) days of paid paternity leave and ninety eight (98) days paid maternity leave with effect from 1 January 2023, to be in line with the amendments to the Employment Act 1955.

Pappajack conducts ongoing human rights and labour standards due diligence to assess and mitigate potential human rights and labour standards infringements on an ongoing basis. The Group is committed to act on the findings arising from such due diligence with proper monitoring and resolution, if any.

Indicator	Unit	FYE2021	FYE2022	FYE2023
Number of substantiated complaints concerning human rights violations	Number	Zero	Zero	Zero

3.2.3 Community Engagement

As responsible citizen and residents of the country the Group operates in, the Group is always supportive of the development and progress of the community and society.

Contributions made towards the community the Group operates in are as below:

Indicator	Unit	FYE2021	FYE2022	FYE2023
Total amount invested in the community where the target beneficiaries are external to the listed issuer	RM	Zero	13,000.00	76,050.00

The Group believes that adopting a continuous corporate social responsibility towards the community will create value and enhance the development of its local society and community.

Sustainability Statement

(Cont'd)

3. SUSTAINABILITY ACTIVITIES *cont'd*

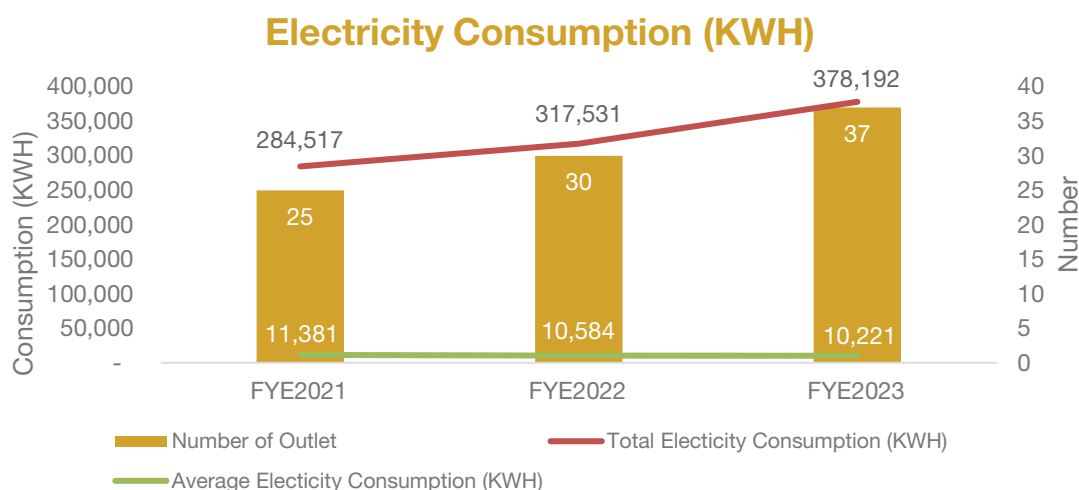
3.3 ENVIRONMENT

3.3.1 Resource and Waste Management

The Group recognises that managing electricity consumption is crucial in safeguarding our environment and preserving our resources. Efficient electricity consumption is essential in combating climate change and reducing carbon footprint of the Group, especially in respect of Greenhouse Gas ("GHG") emission.

Electricity Consumption

Pappajack continuously strive to ensure energy and resources are managed in an effective and efficient manner. In line with the net zero emission by 2050, the Group is focused on controlling greenhouse emissions in our daily business operations.



TOTAL	FYE2021	FYE2022	FYE2023
Number of Outlet	25	30	37
Total Electricity Consumption (KWH)	284,517	317,531	378,192
Average Electricity Consumption (KWH) per Outlet	11,381	10,584	10,221
Total Sales (RM)	54,124,935	69,962,964	109,418,831
Electricity (KWH) per Sales (RM)	0.005	0.005	0.003

The electricity consumption across the Group has increased for approximately 19% from 317,531KWH in FYE2022 to 378,192KWH in FYE2023 due to the increase in the number of outlets from 30 outlets in FYE2022 to 37 outlets in FYE2023. However, the average electricity consumption per outlet has decreased from 10,584KWH per outlet to 10,221KWH per outlet. The electricity consumption per Ringgit of sales generated has decreased from RM0.005 in FYE2022 to RM0.003 in FYE2023, indicating efficiency in the use of electricity.

Paper Purchase

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

Sustainability Statement

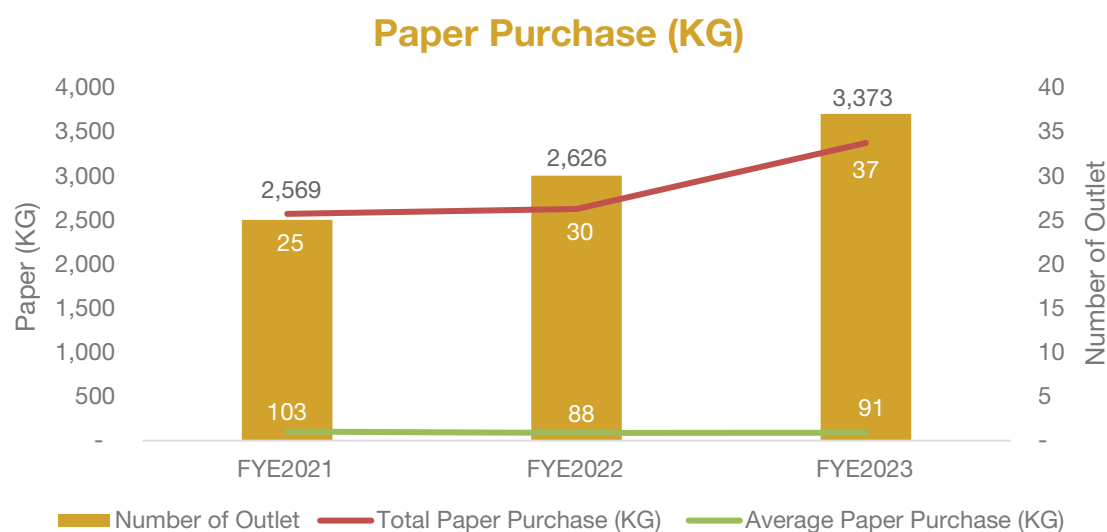
(Cont'd)

3. SUSTAINABILITY ACTIVITIES *cont'd*

3.3 ENVIRONMENT *cont'd*

3.3.1 Resource and Waste Management *cont'd*

Paper Purchase *cont'd*



TOTAL	FYE2021	FYE2022	FYE2023
Number of Outlet	25	30	37
Total Paper Purchase (KG)	2,569	2,626	3,373
Average Paper Purchase (KG)	103	88	91
Total Sales (RM)	54,124,935	69,962,964	109,418,831
Paper Purchase (KG) per Sales (RM)	0.00005	0.00004	0.00003

The paper purchased and consumed across the Group has increased by approximately 28% from 2,626kgs in FYE2022 to 3,373kgs in FYE2023 in tandem with the increase in the number of outlets from 30 outlets in FYE2022 to 37 outlets in FYE2023. However, the average paper purchased and consumed per outlet has increased from 88kgs per outlet to 91kgs per outlet while the paper cost per RM sale generated has decreased from RM0.00004 in FYE2022 to RM0.00003 in FYE2023, indicating a more efficient use of paper.

Sustainability Statement

(Cont'd)

4. PERFORMANCE DATA TABLE

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

Indicator	Unit	FYE2021	FYE2022	FYE2023	Target
Cybersecurity and Data Protection					
Number of substantiated complaints concerning breaches of customer privacy or losses of customer	Number	Zero	Zero	Zero	Zero
Ethics and Integrity					
Employees who have received training on anti-bribery and corruption by employee category					
Employees received training	Number	71	22	33	
Total Number of Employees	Number	94	118	136	
Percentage of Trained Employees	Percentage	76%	19%	24%	
Confirmed incidents of corruption and action taken	Number	Zero	Zero	Zero	Zero
Rate of Local Sources					
Proportion of spending on local suppliers	Percentage	100%	100%	100%	
Diversity, Equity & Inclusion					
Percentage of employees by gender and age group by employee category					
Gender diversity - Male	Percentage	16%	13%	10%	
Gender diversity - Female	Percentage	84%	87%	90%	
Age diversity - Under 30	Percentage	N/A	48%	47%	
Age diversity - Between 30-50	Percentage	N/A	43%	45%	
Age diversity - Above 50	Percentage	N/A	9%	8%	
Human Rights					
Number of substantiated complaints concerning human rights violations	Number	Zero	Zero	Zero	Zero substantiated complaints
Community Investment					
Total amount invested in the community where the target beneficiaries are external to the listed issuer	RM	Zero	13,000	76,050	
Electricity Consumption					
Total energy consumption	KWH	284,517	317,531	378,192	

N/A = Not Available

CLOSING

Sustainability is a path of continuous learning and growth for all. Pappajack always prioritised the integration of the principle of sustainability into the Group's culture in order to achieve a better performance of the economy, environment and social aspects where the Group operates in.

Corporate Governance Overview Statement

The Board of Directors (“the Board”) of Pappajack Berhad (“Pappajack” or “the Company”) recognises the importance of practising good corporate governance and is committed to ensuring good corporate governance practices are implemented and maintained throughout the Company and its subsidiaries (“the Group”) to build sustainable business growth, safeguard the interest of shareholders, enhance shareholders’ value and protect stakeholders’ interest.

The Board is pleased to present this Corporate Governance Overview Statement (“CG Statement”) to provide shareholders and investors with an overview of the Company’s corporate governance practices during the financial year ended 31 December 2023 (“FYE 2023”) with reference to the following three (3) key principles set out in the Malaysian Code on Corporate Governance (“MCCG”):

Principle A: Board Leadership and Effectiveness

Principle B: Effective Audit and Risk Management; and

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

This CG Statement is presented in compliance with Rule 15.25 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and shall be read together with the Corporate Governance Report (“CG Report”) which provides a detailed explanation of the Company’s application of the practices as set out in the MCCG during the financial year under review. The CG Report is available on the Company’s website at www.pappajack.com.my, as well as via an announcement on the website of Bursa Securities.

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 the 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 the senior management team within the Company.

The Board has 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.

Separation of positions of the Chairman and Managing Director/Chief Executive Officer

The Board recognises the importance of having a clear division of power and responsibilities between the roles of the Chairman of the Board and Managing Director/Chief Executive Officer to ensure that there is equilibrium of power and authority in managing and directing the Group. The roles of the Chairman of the Board and the Managing Director/Chief Executive Officer are distinct and separate to engender accountability and facilitate a clear division of responsibilities to ensure there is a balance of power and authority in the Group. This segregation of roles also facilitates a healthy open exchange of views between the Board and Management in their deliberation of businesses, strategies and key activities of the Group.

Corporate Governance Overview Statement

(Cont'd)

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

I. BOARD RESPONSIBILITIES *cont'd*

Separation of positions of the Chairman and Managing Director/Chief Executive Officer *cont'd*

The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board, acts as a facilitator at the meetings and ensures that Board proceedings are in compliance with good conduct and best practices. The Board delegates to the Managing Director/Chief Executive Officer and the management, to oversee the day-to-day management of the Group's business operations and implementation of policies and strategies adopted by the Board to achieve the Group's objective of creating long-term value for its shareholders.

Access to Information and Advice

All Directors have unrestricted access to all information pertaining to the Group's business and affairs and have 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, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the Directors to discharge their duties with adequate knowledge on the matters being deliberated.

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 shall be circulated to the Directors at least seven (7) days prior to the Board meeting via e-mail to facilitate the Directors to peruse the board papers and to review the issues to be deliberated at the Board meetings. The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes.

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 the Companies Commission of Malaysia.

She is responsible for ensuring that the Company's Constitution, procedures, policies and regulations are complied with, as well as 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.

Code of Conduct, Whistle Blowing Policy, Anti Bribery and Corruption Policy, and Anti-Money Laundering Policy

The Board had adopted the Code of Conduct to promote the corporate culture which engenders ethical conduct that permeates throughout the Group.

The Board had formalised a Whistle Blowing Policy as the Board is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner. The whistleblowing policy provides an avenue for all Directors and employees of the Group to disclose any improper conduct and to provide protection for those who report such allegations.

Corporate Governance Overview Statement

(Cont'd)

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

I. BOARD RESPONSIBILITIES *cont'd*

Code of Conduct, Whistle Blowing Policy, Anti Bribery and Corruption Policy, and Anti-Money Laundering Policy *cont'd*

The Company adopts a “zero tolerance” policy against all forms of bribery and corruption and is committed to conducting business professionally and upholding high standards of ethics and integrity. In this regard, the Company has adopted the Anti-Bribery and Anti-Corruption Policy to ensure compliance with and adherence to all applicable laws including, amongst others, the Malaysian Anti-Corruption Act 2009 and any of its amendments that may be made by the relevant authority from time to time. The Anti-Bribery and Corruption Policy will be reviewed and updated as and when necessary to ensure its relevance and effectiveness.

The Board had formalised an Anti-Money Laundering Policy which is to prevent the use of Pappajack’s products and services for money laundering (which includes handling of criminal proceeds) or terrorists financing (referred to collectively as “money laundering”) purposes. The Anti-Money Laundering Policy sets out Pappajack general guidance in consonance with the policy of the Bank Negara Malaysia (“BNM”) to combat money laundering and terrorist financing activities, as embodied in the Anti-Money Laundering and Anti-Terrorism Financing Act 2001.

The Code of Conduct, Whistle Blowing Policy, Anti Bribery and Corruption Policy, and Anti-Money Laundering Policy are available on the Company’s website.

Sustainability Governance

The Board is cognisant of the importance of business sustainability. The Board has the overall responsibility of overseeing the Group’s sustainability matters, its direction and performance. The impact on economic, environmental and social aspects is always taken into consideration by the Board when developing and implementing any strategies, business plans, major plans of action and risk management of the Group. The Sustainability Statement of the Group which provides an overview of the sustainability performance for the financial year ended 31 December 2023, is set out on pages 19 to 31 of the Annual Report 2023.

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. 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.

The Company currently has two (2) women Directors on the Board, which represent 33% of the total number of board members.

The Board composition is also in line with (i) Practice 5.2 of the MCGG of having at least half of the Board members comprising Independent Non-Executive Director; and (ii) Practice 5.9 of the MCGG of having at least 30% women Directors in the Board.

The size and composition of the Board are reviewed periodically by the Nomination Committee to ensure that the size of the Board is appropriate and conducive for effective discussion and decision-making, with a strong element of independence. No individual or small group of individuals dominates the Board’s decision-making process. 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 Nomination Committee, with the concurrence of the Board, is of the view that the current Board size is optimal based on the Group’s operation and that it reflects a fair mix of financial, technical and business experiences that are important to the stewardship of the Group.

Corporate Governance Overview Statement

(Cont'd)

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

II. BOARD COMPOSITION *cont'd*

Tenure of Independent Non-Executive Directors

The Independent Non-Executive Directors are independent of management and are able to provide greater check and balance during boardroom deliberations and decision making.

The Board is cognisant that the tenure of an Independent Non-Executive Director shall not exceed a cumulative of nine (9) years as recommended under Practice 5.3 of the MCCG,

The Company has not adopted a policy that limits the tenure of its Independent Non-Executive Directors to nine (9) years. However, if the Board intends to retain an Independent Non-Executive Director who has served for a cumulative term of more than nine (9) years, the Board must justify its decision and seek annual shareholders' approval through a two-tire voting process at a general meeting.

Currently, none of the four (4) existing Independent Non-Executive Directors of the Company has exceeded the tenure of a cumulative term of nine (9) years.

Based on the assessment carried out during the financial year under review, the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their abilities to act in the best interest of the Company.

Nomination Committee

The Board has established a Nomination Committee ("NC") to provide advice and assistance to the Board in matters relating to the appointment of new Directors, board composition, training program and performance evaluation on the effectiveness of the Board, Board Committees and individual directors. Full details of the NC's duties and responsibilities are stated in its Term of Reference which is available on the Company's website.

The NC comprises exclusively of Independent Non-Executive Directors and is chaired by Dato' Magaret Ting Thien Hung, the Independent Non-Executive Director. The composition of the NC and the meeting attendance of each member during the FYE 2023 are set out below:

Name	Designation	Meeting Attendance
Dato' Magaret Ting Thien Hung (Independent Non-Executive Director)	Chairman	1/1
Koo Woon Kan (Independent Non-Executive Director)	Member	1/1
Cheong Woon Yaw (Independent Non-Executive Director)	Member	1/1

The activities undertaken by the NC in discharging its duties during the FYE 2023 are as follows:

- Reviewed and assessed the performance and effectiveness of the Board as a whole, Board Committees and the performance of each Director.
- Reviewed the current Board structure, size and composition with the aim to achieving a balance of views on the Board.
- Assessed the independence of Independent Directors based on criteria set out in the Listing Requirements.
- Reviewed the character, experience, integrity, competence and time commitment of the Directors, Chief Executive Officer and the Chief Financial Officer.
- Reviewed and recommended the re-election of Directors at the Annual General Meeting
- Reviewed the terms of office and performance of the AC and each of its members

Corporate Governance Overview Statement

(Cont'd)

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

II. BOARD COMPOSITION *cont'd*

Appointment of Directors

The NC has been entrusted with the responsibility to identify, evaluate, select and recommend to the Board any suitable candidate with the required credentials to be appointed as a Director of the Company, either to fill a casual vacancy or as an addition to meet the changing needs of the Group.

In selecting a suitable candidate, the NC takes into consideration the candidate's character, experience, integrity, competence and time commitment, as well as the candidate's directorship in other companies, having regard to the size of the Board, and the required mix of skill and diversity for an effective Board. For the appointment of an Independent Non-Executive Director, the NC shall also assess whether the candidate meets the requirements for independence based on the criteria prescribed in the AMLR of Bursa Securities.

In evaluating the suitability of candidates for the Board, the NC taken into consideration the following aspects, in line with the Directors' Fit and Proper Policy of the Company, as follows-

(a) Character and integrity

- (i) Probity
- (ii) Personal integrity
- (iii) Financial integrity
- (iv) Reputation

(b) Experience and competence

- (i) Qualifications, training and skills
- (ii) Relevant experience and expertise
- (iii) Relevant past performance or track record

(c) Time and commitment

- (i) Ability to discharge role having regard to other commitments
- (ii) Participation and contribution in the board or track record

The appointed individual will stand for re-election at the next AGM in accordance with the Constitution of the Company. The suitable candidates to be considered for the appointment as Directors are facilitated through recommendations from the Directors, Management and shareholders of the Company. The NC may seek professional advice from independent search firms as and when the NC considers it necessary to identify and short-list suitable candidates.

The process for the appointment of a new Board member is summarised as follows:

- (a) Identification of a candidate upon the recommendation by the existing Board members, key senior management team, shareholders and/or if required, external sources;
- (b) Conduct background reference check;
- (c) The NC to consider, inter-alia, the competency, experience, commitment, contribution and integrity of the candidates, and in the case of candidates proposed for appointment as Independent Directors, the candidate's independence, in evaluating the suitability of the candidates;
- (d) Recommendation of candidates to be made by the NC to the Board, as well as recommendation for appointment as a member of the various Board Committees, where necessary;
- (e) Decision to be made by the Board on the proposed new appointment, including appointment to the various Board Committees;
- (f) Announcement to Bursa Securities; and
- (g) Conduct an onboarding briefing to the new Board member as soon as practicable after the date of the appointment.

In FYE 2023, there was no new appointment of a Director of the Company. However, the Board through NC will continue to review and assess the composition of the Board in the Company.

Corporate Governance Overview Statement

(Cont'd)

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

II. BOARD COMPOSITION *cont'd*

Re-election of Directors

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.

Based on the annual assessment, the NC is satisfied with the performance of the Directors who are standing for re-election and has recommended to the Board for their proposed re-election in accordance with the Constitution of the Company. The Board supported the NC's recommendation to re-elect the eligible Directors standing for re-election at the forthcoming 3rd AGM of the Company.

Board Assessment and Annual Evaluation

The Board through the NC conducted an annual evaluation to review the performance of each individual Director and the effectiveness of the Board and its Board Committees as well as the independence of Independent Non-Executive Directors. The annual evaluation was conducted through customised questionnaires guided by the Corporate Governance Guide of Bursa Securities.

Pursuant to Rule 15.20 of the AMLR of Bursa Securities, the NC of a listed issuer must review the term of office and performance of an AC and each of its members annually to determine whether such AC and members have carried out their duties in accordance with their terms of reference. The NC had reviewed and assessed the performance of each of the members of the AC and was satisfied with the performance and effectiveness of the AC and each of its members.

The results of the annual evaluation and comments by the Directors were tabled and discussed at the NC meeting and thereafter reported at the Board meeting by the Chairman of the NC. All evaluations carried out by the NC are properly documented.

The NC, upon conclusion of the evaluation exercise performed for the year 2023, 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.

Corporate Governance Overview Statement

(Cont'd)

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

II. BOARD COMPOSITION *cont'd*

Time commitment

The Directors are aware of the time commitment expected from each of them to attend to matters of the Group generally, including attendance at Board, Board Committee and other types of meetings. The annual Board meeting calendar is planned and agreed upon with the Directors prior to the commencement of each new financial year.

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 is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. The Board met on five (5) occasions during the financial year ended 31 December 2023 and the details of attendance at Board Meetings is set out below:-

Name of Directors	Attendance	Percentage of attendance (%)
Chong Chee Fire (Independent Non-Executive Chairman)	5/5	100%
Lim Boon Hua (Managing Director/Chief Executive Officer)	5/5	100%
Law Book Ching (Executive Director)	5/5	100%
Dato' Magaret Ting Thien Hung (Independent Non-Executive Director)	5/5	100%
Koo Woon Kan (Independent Non-Executive Director)	5/5	100%
Cheong Woon Yaw (Independent Non-Executive Director)	5/5	100%

Directors' Training

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.

Corporate Governance Overview Statement

(Cont'd)

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

II. BOARD COMPOSITION *cont'd*

Directors' Training *cont'd*

Training programmes and seminars attended by the Directors of the Company during the financial year ended 31 December 2023 are as follows:-

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Chong Chee Fire	<ul style="list-style-type: none"> Mandatory Accreditation Programme Part II: Leading for Impact (ICDM) 2024 Budget Seminar Pre and Post IPO Rules
Lim Boon Hua	<ul style="list-style-type: none"> Tax & Budget webinar (Baker Tilly Malaysia)
Law Book Ching	<ul style="list-style-type: none"> Conflict of Interest ("COI") and What Can Go Wrong – Unpacking its Implications to Listed Issuers and their Directors (MAICSA)
Dato' Magaret Ting Thien Hung	<ul style="list-style-type: none"> Bursa Malaysia Immersive Session: The Board "Agender" NACRA 2023 Virtual Launch Advocacy Session for Directors and CEOs of Main Market Listed Issuers Management of Cyber Risk (Ernst & Young) BDO Tax Seminar Budget 2024 (BDO Tax Services Sdn Bhd) Mandatory Accreditation Programme Part II: Leading for Impact (ICDM)
Koo Woon Kan	<ul style="list-style-type: none"> MBRS for Accountants Practical Guide To Beneficial Ownership Reporting of Legal Persons Mandatory Accreditation Programme Part II: Leading for Impact (ICDM)
Cheong Woon Yaw	<ul style="list-style-type: none"> Mandatory Accreditation Programme Part II: Leading for Impact (ICDM) Beyond the Ledger - Elevating Accountants as Strategic Decision-Makers Leadership Without a Title Preparation and Implementation of 'e-Invoice' in Malaysia Putting People, Profit and Planet on Par Shifting Business Priorities for a Better The Young Accountants' Toolkit Navigating the Future with ChatGPT and Data Unleashing data's power-mastering KPI dashboards with Power BI

III. DIRECTORS' REMUNERATION

The Remuneration Committee ("RC") comprises three (3) Non-Executive Directors, all of whom are Independent 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 Directors do not participate in the discussion and decision making of their own remuneration to avoid conflict of interest.

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.

Corporate Governance Overview Statement

(Cont'd)

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

III. DIRECTORS' REMUNERATION *cont'd*

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 2023 was conducted by the Remuneration Committee on 19 April 2024.

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 2023 are as follows:-

Category	Salaries RM	Fees RM	Meeting Allowances RM	Bonuses RM	Other emoluments RM	Share- based payment RM	Total RM
Executive Directors							
Mr. Lim Boon Hua	210,000	165,000	-	70,000	37,558.60	-	482,558.60
Mr. Law Book Ching	97,503	39,996	-	30,000	17,768.60	-	185,267.60
Non-Executive Directors							
Chong Chee Fire	-	48,000	3,500	-	-	23,988	75,488
Dato' Magaret Ting Thien Hung	-	36,000	3,000	-	-	19,990	58,990
Koo Woon Kan	-	36,000	3,500	-	-	19,990	59,490
Cheong Woon Yaw	-	36,000	3,000	-	-	19,990	58,990

The details of the remuneration of the top Senior Management (including salary, bonus, benefit in kind, other emoluments and share-based payment) in each successive bands of RM50,000.00 during the financial year ended 31 December 2023 are as follows:-

Range of Remuneration (RM)	Designation of Top Senior Management
200,001 – 250,000	Chief Financial Officer
400,001 – 450,000	Chief Operating Officer

The RC met once during the financial year ended 31 December 2023. 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.

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

I. Audit Committee *cont'd*

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, thus ensuring that the objectivity of the Board's review of the AC's findings and recommendations remains intact.

None of the members of the AC were a former key audit partner of the present auditors of the Group. The TOR of the AC includes a clause that requires a former key partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.

The AC has access to the Executive Directors, Senior Management, External Auditors and Internal Auditors.

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. All the AC members are financially literate and have a sufficient understanding of the Group's business. The members of the AC undertook continuous professional development to keep abreast of relevant developments in accounting, accounting standards, practices and rules. Based on the performance evaluation of the AC for the financial year ended 31 December 2023, the Board is satisfied that the Chairman and the members of AC have discharged 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 in the ongoing process of 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 for ensuring 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 in overseeing and reviewing 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 are 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.

Corporate Governance Overview Statement

(Cont'd)

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 Practice 13.1 of the MCCG, the notice convening the Second AGM of the Company was issued to shareholders at least 28 days before the date of the Second AGM, which gives shareholders sufficient time read to consider the proposed resolutions to be discussed at the AGM and to make the necessary attendance and voting arrangements.

The Minutes of the Second AGM was also made available on the Company’s website.

STATEMENT OF DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE AUDITED 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.

In preparing the financial statements for the year ended 31 December 2023, the Directors have

- considered the applicable approved Malaysian Accounting Standards
- adopted and consistently applied appropriate accounting policies
- made judgements and estimates that are prudent and reasonable
- prepare financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies At 2016.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

COMPLIANCE STATEMENT

The Group 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.

The Board is of the view that the Group has complied with and shall remain committed to ensure the continuous adoption of the principles and best practices as set out in the MCCG and all other applicable laws, where applicable.

This Corporate Governance Overview Statement was approved by the Board on 19 April 2024.

Audit Committee Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Pursuant to Rule 15.15(1) of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad, the Board of Directors (“the Board”) of Pappajack Berhad (“Pappajack” or “the Company”) is pleased to present the following Audit Committee Report for the financial year ended 31 December 2023 (“FYE 2023”), which provides the insights into the manner in which the Audit Committee (“AC” or “the Committee”) has discharged its duties and responsibilities during the FYE 2023.

The primary objective of the AC is to assist the Board in the effective discharge of its fiduciary responsibilities for financial reporting, corporate governance, risk management, and internal control system. The AC is guided by its Terms of Reference (“TOR”), covering the scope of duties and responsibilities, authority, and other relevant matters, which is available on the Company’s website.

COMPOSITION & MEETINGS

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. The composition of the AC and the meeting attendance of each member for FYE 2023 are provided below:

Name	Designation	Meeting Attendance
Ms. Koo Woon Kan (Independent Non-Executive Director)	Chairman	5/5
Dato’ Magaret Ting Thien Hung (Independent Non-Executive Director)	Member	5/5
Mr. Cheong Woon Yaw (Independent Non-Executive Director)	Member	5/5

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

The AC conducted five (5) meetings during FYE 2023. Key Senior Management were invited to all AC meetings to facilitate discussions by providing information and updates on the Group’s operations, activities, and financial performance. They also clarified any audit issues and relevant matters pertaining to the Group’s operations. Representatives of External Auditors and outsourced Internal Auditors were also invited to the AC meetings to present their reports and deliberate on matters within their purview. The representatives of the External Auditors attended three (3) AC meetings, while the representatives of the outsourced Internal Auditors attended four (4) AC meetings respectively during FYE 2023.

At each Board meeting, the AC Chairman reported to and updated the Board on matters and concerns discussed during the AC meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the AC meetings were tabled for confirmation at the following AC meeting and subsequently tabled to the Board for notation.

Audit Committee Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(Cont'd)

SUMMARY OF ACTIVITIES

The AC carried out its duties in accordance with its TOR. The summary of works and activities undertaken by the AC during FYE 2023 comprised the following:

1. Financial Reporting

- (a) Reviewed the audited financial statements of the Company prior to submission to the Board for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act 2016 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board.
- (b) Reviewed the unaudited financial results before recommending them for the Board's approval. Focusing particularly on:-
 - Any changes in accounting policies;
 - Significant adjustment arising from audit; and
 - Compliance with accounting standards and other legal requirements

2. External Audit

- (a) Reviewed and approved the external audit plan presented by the External Auditors, which outlines the audit scope, audit process, and areas of emphasis.
- (b) Reviewed the external audit review memorandum and audit planning memorandum and the response from the management.
- (c) Reviewed the audit and non-audit fees and recommended to the Board for approval.
- (d) Carried out an annual assessment on the performance, suitability, capabilities, and independence of the External Auditors before recommending to the Board for approval on the re-appointment of External Auditors.
- (e) Conducted one (1) private meeting with the External Auditors without the presence of Executive Directors and Management to provide the External Auditors with an avenue to express any concerns they may have.

3. Internal Audit

- (a) Reviewed the internal audit plan presented by the Internal Auditors.
- (b) Reviewed the reports from the internal auditors and assessed the internal auditors' findings, the management's responses, and the necessary recommendations.
- (c) Reviewed and discussed the effective implementation of the action plans taken by the management in response to audit findings and weaknesses identified during the audit review.
- (d) Monitored the follow-up Audit Report on the internal audit findings and the implementation status based on the internal auditors' recommendations.
- (e) Reviewed and assessed the competency of the internal audit function.

4. Risk Management and Internal Control

- (a) 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.
- (b) Reviewed the adequacy and effectiveness of governance, risk management, and compliance processes.

Audit Committee Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023
(Cont'd)

SUMMARY OF ACTIVITIES *cont'd*

5. Related Party Transactions /Conflict of Interest Situations

- (a) Reviewed and took note of all related party transactions reported for the FYE 2023 to ensure that the transactions were at arm's length basis and on normal commercial terms.
- (b) Reviewed any potential conflict of interest situations that may arise within the Company and the Group including any transaction, procedure, or course of conduct that raises questions of Management integrity.

6. Other Matters

- (a) Reviewed the proposed dividend payout taking into consideration the cash flow requirements before recommending for the Board's approval.
- (b) Reviewed and recommended the Audit Committee Report and Statement on Risk Management and Internal Control for the Board's approval before inclusion in the Annual Report.

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 an independent assessment of 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 Accountants, 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 AC of Pappajack and administratively reports to the Chief Financial Officer of the Group. Internal audit activities undertaken by the outsourced internal audit function are 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 a 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.

The total costs incurred by the Company for the outsourced internal audit function of the Group for FYE 2023 amounted to RM90,000 (FYE 2022: RM90,000).

Statement on Risk Management and Internal Control

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

INTRODUCTION

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 2023 which is prepared in accordance with 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”).

This statement outlines the main features of risk management and internal control of Pappajack and its subsidiary 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 understands its ultimate responsibility and is dedicated to upholding a robust risk management and internal control framework across the Group. The Board, in demonstrating such commitment, integrates risk management into the Group’s core function and processes, defines risk appetite and risk tolerance as well as actively reviews and assesses the effectiveness of the Group’s risk management and internal control systems in ensuring that risks are managed within acceptable levels. This ensures the protection of shareholders’ investments and safeguards the Group’s assets.

Notwithstanding the above, the Board is aware that the systems of risk management and internal control can only provide reasonable and not absolute assurance against material misstatement, loss or contingencies in view of its inherent limitations as it is designed to manage risk to reasonable level rather than to eliminate the risks that impedes the achievement of the Group’s business objectives.

RISK MANAGEMENT FRAMEWORK

The Board possesses a comprehensive understanding of the Group’s key business risks. In acknowledging the risk-return dynamic, the Board employs a strategic approach that balances these factors to optimise decision-making, ultimately driving the successful achievement of the Group’s business objectives. The Group’s risk management framework remains an integral part of the Group’s structure, business processes, culture and philosophy to risk taking, especially in the assessment, mitigation and monitoring of inherent and emerging risks. The management of risks is aimed at optimising the appropriate balance between capitalising growth opportunities for gains and diligent mitigation of potential losses to the Group.

Enterprise Risk Management (“ERM”) framework was adopted to guide the risk management practices of the Group. Within the framework, structured processes were established for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls implemented.

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

Statement on Risk Management and Internal Control

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(Cont'd)

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 maximise 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, risk governance and oversight are undertaken by the Board, Risk Management Committee ("RMC") and Executive Management. The Board is responsible for setting 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, while Executive Management is responsible to enforce the implementation of risk management practices throughout the Group.

Statement on Risk Management and Internal Control

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(Cont'd)

RISK MANAGEMENT FRAMEWORK *cont'd*

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 FYE 2023, 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. The Group remains committed to risk management excellence and continuously refines its application of risk management practices.

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 and gold price volatility.

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 Perumahan dan Kerajaan Tempatan ("KPKT"), 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 relies on its cash capital to fund all operating costs and expenses as well as for the provision of pawn loans to customers (including the issuance of new pawn loans for growth). 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 2023

(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 regional 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 recognises the importance of robust internal control system in managing key risks that may impede the Group from achieving its business objectives. Given its integral nature within the Group's operation, the Board priorities regular review on the system of internal control in order to maintain its effectiveness. The Board has delegated such responsibility to the Audit Committee ("AC") and mandates the AC to oversee the internal control system that promotes strong corporate governance, operational agility, and continuous adherence to applicable laws and regulations.

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 organisation 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. Branch managers 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.
4. Business Ethics Policy has been set out to ensure that all personnel adhere to the Group's commitment when dealing with third parties and maintain high standards of integrity and ethics.
5. Performance reports such as financial, non-financial and corporate reports are regularly provided to the Board and Senior Management for their discussions and deliberations.
6. Regular meetings are held by the respective management team to discuss, deliberate and resolve matters relating to business development, operations, corporate, compliance and other administrative matters arising.
7. Direct involvement of Executive Directors in the running of key business entity as well as key business and operational areas of the Group.
8. Employee handbook outlines the Group's employment policies, benefits, code of ethics, entitlements, guidelines as well as responsibilities of employees.

Statement on Risk Management and Internal Control

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(Cont'd)

INTERNAL CONTROL SYSTEM *cont'd*

Control Environment *cont'd*

9. Code of Conduct has been established to ensure all employees adopt practices in line with good corporate governance and observe high standards of integrity and ethics in daily business activities.
10. Succession planning for key management positions of the Group has been in place to ensure that business operations and performance will not be adversely affected by the departure of any key personnel.
11. 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.
12. 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.
13. 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.
14. Policies and procedures on disaster recovery and data recovery have been in place to facilitate business continuity and to ensure safety of employees.

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 Chief Executive Officer and Chief Financial Officer, 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 2023

(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 as well as 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:

- Treasury Management
- Financial Statement Close Process
- 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 FYE 2023 was at approximately RM90,000.00

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. With the information and assurances provided, the Board is satisfied that the risk management framework and internal control system of the Group continue to operate effectively in all material aspects. The Board shall endeavour to continually undertake reviews of the Group's system of risk management and internal control to continue to safeguard stakeholders' interest and to preserve the Group's assets.

ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made in accordance with Part A of Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad:-

1. STATUS OF UTILISATION OF PROCEEDS

Utilisation of proceeds from Initial Public Offering

In conjunction with the Company's listing on the ACE Market of Bursa Malaysia Securities Berhad on 1 April 2022, the gross proceeds from the initial public offering amounting to RM50.10 million had fully been utilised as at 31 December 2023.

Utilisation of proceeds from Private Placement

On 27 June 2023, Pappajack Berhad ("the Company") completed the private placement following the listing and quotation of a total 100,200,000 placement shares at RM0.55 per placement share on the ACE Market of Bursa Malaysia Securities Berhad. The total gross proceeds raised from the private placement amounted to RM55.11 million.

The status of utilisation of proceeds is as follows:

Description of Utilisation	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance Unutilised (RM'000)	Estimated Timeframe for Utilisation Upon Listing
(i) Cash capital for deployment of pawn loans	54,511	23,342	31,169	Within 12 months
(ii) Listing expenses	599	599	-	Immediate
	55,110	23,941	31,169	

2. AUDIT AND NON-AUDIT FEES

For the financial year ended 31 December 2023, the amount of audit and non-audit fees paid or payable to the External Auditors by the Company and its subsidiaries ("Group") respectively are as follows:

	Group RM	Company RM
Audit fees	464,000	33,000
Non-audit fees	6,000	6,000

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

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the Directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the financial year ended 31 December 2023 or entered into since the end of the previous financial year.

4. MATERIAL CONTRACTS RELATING TO LOANS

There were no material contracts relating to loans entered into by the Company and its subsidiaries involving the interests of the Directors, chief executive who is not a director or major shareholder during the financial year.

ADDITIONAL COMPLIANCE INFORMATION

(Cont'd)

5. RECURRENT RELATED PARTY TRANSACTIONS

During the financial year ended 31 December 2023, there were no material Recurrent Related Party Transactions of a revenue or trading nature which require shareholders' mandate.

6. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company had, during its Extraordinary General Meeting held on 14 June 2023, obtained shareholders' approval in relation to the implementation of ESOS of up to 10% of the total number of issued shares of the Company (excluding treasury shares, if any) point in time over the duration of the ESOS for the eligible Directors and employees of the Company and its subsidiaries (excluding dormant subsidiaries).

The ESOS shall be in force for a period of 5 years from the implementation date of 1 August 2023, and this is the only ESOS in existence during the financial year ended 31 December 2023.

Information in relation to ESOS is illustrated in the tables below:

For the period from 1 August 2023 to 31 December 2023

Description	Grand Total	Number of Options
		Directors and Chief Executive
Granted	7,680,000	2,750,000
Exercised	-	-
Forfeited	-	-
Outstanding	7,680,000	2,750,000

The percentages of options applicable to Directors and Senior Management under the ESOS during the financial year and since its commencement up to 31 December 2023 are set out below:

Directors and Senior Management	Percentage	
	During the financial year	Since commencement up to 31 December 2023
(i) Aggregate maximum allocation	35.81%	35.81%
(ii) Actual options granted	35.81%	35.81%

The details of the options offered to and exercised by the non-executive directors of the Company pursuant to the ESOS in respect of the financial year are as follows:

Name of Director	Number of options granted	Number of options exercised
Chong Chee Fire	300,000	-
Koo Woon Kan	250,000	-
Dato' Magaret Ting Thien Hung	250,000	-
Cheong Woon Yaw	250,000	-
Total	1,050,000	-

7. VARIATION IN RESULTS

There was no material variance between the financial results and the profit forecast or unaudited results previously made for the financial year ended 31 December 2023.

ADDITIONAL COMPLIANCE INFORMATION

(Cont'd)

8. PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year ended 31 December 2023.

9. PROFIT FORECAST VARIANCE

There was no profit forecast issued during the financial year ended 31 December 2023.

10. REVALUATION POLICY ON LANDED PROPERTIES

The Company does not have a revaluation policy in respect of its landed properties.



FINANCIAL STATEMENTS

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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 2023.

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 for the financial year, net of tax	20,007,312	5,231,261
Attributable to:		
Owners of the Company	19,986,883	5,231,261
Non-controlling interests	20,429	-
	20,007,312	5,231,261

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single tier interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2023, paid on 20 December 2023	3,841,000

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.

Directors' Report

(Cont'd)

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 AND INDEMNITY

The auditors' remuneration of the Group and the Company during the financial year were RM464,000 and RM33,000 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 issued 100,200,000 new ordinary shares at a price of RM0.55 per ordinary share through private placement on 26 June 2023 for working capital purposes.

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 the unissued shares of the Company during the financial year other than the issue of options pursuant to the Employee's Share Option Scheme ("ESOS").

On 11 September 2023, the Company's shareholders approved the establishment of an ESOS for the eligible directors and employees of the Group and the Company with a total number of 7,680,000 options offered at an exercise price of RM1 per ESOS Option.

The share options granted may be exercised any time from the date of vesting to the date of expiry and settlement is by issuance of fully paid ordinary shares.

The options offered for the subscription of unissued ordinary shares and the respective exercise prices are as follows:

Grant date	Expiry date	Exercise price	Number of option over ordinary shares			
			At 1 January 2023	Granted	Exercised	At 31 December 2023
11 September 2023	31 July 2028	RM1.00	-	7,680,000	-	7,680,000

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

Directors' Report

(Cont'd)

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 and share options granted under Employee's Share Option Scheme ("ESOS") in the Company and its related corporations during the financial year were as follows:

Interests in the Company

	At 1 January 2023	Number of ordinary shares		At 31 December 2023
		Bought	Transferred	
Direct interests:				
Lim Boon Hua	-	34,411,277	-	34,411,277
Law Book Ching	-	2,230,000	-	2,230,000
Indirect interests:				
Lim Boon Hua	335,103,674 ⁽¹⁾	6,888,200	-	341,991,874 ⁽¹⁾
Law Book Ching	319,638,347 ⁽²⁾	-	-	319,638,347 ⁽²⁾

Interests in the holding company

	At 1 January 2023	Number of ordinary shares		At 31 December 2023
		Bought	Transferred	
Direct interests:				
Lim Boon Hua	5,525	-	-	5,525
Law Book Ching	1,440	-	-	1,440

Share options in the Company

	At 1 January 2023	Number of share options		At 31 December 2023
		Granted	Exercised	
Chong Chee Fire	-	300,000	-	300,000
Koo Woon Kan	-	250,000	-	250,000
Dato' Magaret Ting Thien Hung	-	250,000	-	250,000
Cheong Woon Yaw	-	250,000	-	250,000

(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' Report

(Cont'd)

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.

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

	Group and Company RM
Directors of the Company	
Executive directors	
- Fees	204,996
- Salaries, allowances and bonuses	407,503
- Defined contribution plans	53,010
- Other related expenses	2,317
	667,826
Non-executive directors	
- Fees	156,000
- Other related expenses	13,000
- Share-based payment	83,959
	252,959
	920,785

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.

Directors' Report

(Cont'd)

SUBSIDIARIES

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

Name of company	Principal place of business/ country of incorporation	Ownership interest		Principal activities
		2023 %	2022 %	
<i>Direct subsidiary</i>				
Pappajack Holdings Berhad	Malaysia	100	100	Licensed pawnshop
<i>Subsidiaries of Pappajack Holdings Berhad</i>				
Pajak Gadai Tetap Sejiwa Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai Pappajack Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai Bertuah Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai PPJack Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai PPJ Sehati Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai PPJ Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai Pappajack Sehati Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai Consistent Reach Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai TSE Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai BT Cleaning Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai TMI Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Dhoby Ghaut (Kapar) Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Dhoby Ghaut Holdings Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Dhoby Ghaut (M) Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Mashita Holdings Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Consistent Reach Holdings Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Dhoby Ghaut (Sel) Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
DGH Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai PPJ Sejiwa Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Sejaya Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Rezeki Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Sinar Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Makmur Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Abadi Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Sukses Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Landas Emas Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Mandiri Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Berkas Sdn. Bhd.	Malaysia	100	80.50	Licensed pawnshop
PPJ Maju Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack D Damai Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Kampar Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Sentosa Sdn. Bhd.	Malaysia	100	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		Principal activities
		2023 %	2022 %	
<i>Subsidiaries of Pappajack Holdings Berhad cont'd</i>				
Pappajack Sri Muda Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack TG Malim Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
TSE Yong Peng Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Abadi Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Bagan Serai Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Georgetown Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Rezeki Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJack Rezeki Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
TSE Segamat Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Berkat Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Bkt Sentosa Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Parit Buntar Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Sg Siput Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Simpang Ampat Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Mantin Sdn. Bhd. (formerly known as Pappajack Simpang Empat Sdn. Bhd.)	Malaysia	100	100	Licensed pawnshop
PPJack Abadi Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJack Berkat Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop

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

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.

Directors' Report

(Cont'd)

SIGNIFICANT EVENTS DURING 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 ("ESOS") 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.

On 27 June 2023, the private placement has been completed following the listing and quotation 100,200,000 placement shares on the ACE Market of Bursa Securities.

On 11 September 2023, the Company granted share options with a total number of 7,680,000 to eligible directors and employees of the Group to acquire shares in the Company under the Employees Share Options Scheme ("ESOS") approved by the shareholders of the Company.

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 2024

Statements of Financial Position

As at 31 December 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	12,857,829	11,500,187	145,963	179,755
Investment property	6	1,289,200	1,308,733	-	-
Investment in a subsidiary	7	-	-	163,160,633	108,020,896
Deferred tax assets	8	129,083	898,459	-	-
Total non-current assets		14,276,112	13,707,379	163,306,596	108,200,651
Current assets					
Inventories	9	5,757,301	4,183,961	-	-
Current tax assets		668,581	746,077	-	-
Trade and other receivables	10	215,793,559	177,727,040	27,079,871	48,808,976
Cash and short-term deposits	11	49,781,122	23,961,910	21,681,351	88,376
Total current assets		272,000,563	206,618,988	48,761,222	48,897,352
TOTAL ASSETS		286,276,675	220,326,367	212,067,818	157,098,003
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	211,698,547	156,588,547	211,698,547	156,588,547
Reorganisation deficit	13	(11,518,039)	(11,518,039)	-	-
Other reserve	14	559,083	-	559,083	-
Retained earnings/(Accumulated losses)		44,544,858	28,385,769	(683,244)	(2,073,505)
		245,284,449	173,456,277	211,574,386	154,515,042
Non-controlling interest		-	788,975	-	-
TOTAL EQUITY		245,284,449	174,245,252	211,574,386	154,515,042
Non-current liabilities					
Loans and borrowings	15	6,542,070	6,500,914	103,635	133,224
Deferred tax liabilities	8	13,444	20,222	-	-
Total non-current liabilities		6,555,514	6,521,136	103,635	133,224
Current liabilities					
Loans and borrowings	15	31,982,609	28,311,063	29,589	28,012
Current tax liabilities		1,720,384	952,983	215,314	-
Other payables	16	733,719	10,295,933	144,894	2,421,725
Total current liabilities		34,436,712	39,559,979	389,797	2,449,737
TOTAL LIABILITIES		40,992,226	46,081,115	493,432	2,582,961
TOTAL EQUITY AND LIABILITIES		286,276,675	220,326,367	212,067,818	157,098,003

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

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Revenue	17	109,418,831	69,962,964	-	-
Cost of sales		(71,992,190)	(47,662,339)	-	-
Gross profit		37,426,641	22,300,625	-	-
Other income	18	1,362,224	268,475	10,671,750	1,408,014
Administrative expenses		(8,173,737)	(7,131,043)	(5,163,681)	(3,382,715)
Operating profit/(loss)		30,615,128	15,438,057	5,508,069	(1,974,701)
Finance costs	19	(2,258,905)	(863,692)	(61,494)	(31,337)
Profit/(Loss) before tax	20	28,356,223	14,574,365	5,446,575	(2,006,038)
Income tax (expense)/credit	22	(8,348,911)	(4,457,472)	(215,314)	44,799
Profit/(Loss) for the financial year, representing total comprehensive income/(loss) for the financial year		20,007,312	10,116,893	5,231,261	(1,961,239)
Profit/(Loss) attributable to:					
Owners of the Company		19,986,883	10,088,341	5,231,261	(1,961,239)
Non-controlling interest		20,429	28,552	-	-
		20,007,312	10,116,893	5,231,261	(1,961,239)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		19,986,883	10,088,341	5,231,261	(1,961,239)
Non-controlling interest		20,429	28,552	-	-
		20,007,312	10,116,893	5,231,261	(1,961,239)
Earnings per share attributable to ordinary equity holders of the Company (sen)					
- Basic and diluted	23	2.78	1.71		

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

Statements of Changes in Equity

For the Financial Year Ended 31 December 2023

Attributable to owners of the Company						
	Share capital	Reorganisation deficit	Other reserve	Retained earnings	Sub-total	Non-controlling interest
Note	RM	RM	RM	RM	RM	RM
Group						
At 31 December 2022	156,588,547	(11,518,039)	-	28,385,769	173,456,277	788,975
Total comprehensive income for the financial year						174,245,252
Profit for the financial year, representing total comprehensive income	-	-	-	19,986,883	19,986,883	20,429
Transactions with owners						20,007,312
Issue of ordinary shares	55,110,000	-	-	-	55,110,000	-
Share option issued	-	-	559,083	-	559,083	-
Changes in ownership interests in a subsidiary	-	-	-	13,206	13,206	(809,404)
Dividend paid on shares	-	-	-	(3,841,000)	(3,841,000)	-
Total transactions with owners	55,110,000	-	559,083	(3,827,794)	51,841,289	(809,404)
At 31 December 2023	211,698,547	(11,518,039)	559,083	44,544,858	245,284,449	-
						245,284,449

Statements of Changes in Equity

For the Financial Year Ended 31 December 2023
(Cont'd)

		Attributable to owners of the Company					
		Share capital	Invested equity	Reorganisation deficit	Retained earnings	Sub-total	Non-controlling interest
		RM	RM	RM	RM	RM	RM
		Note					Total equity
							RM
Group							
At 31 December 2021		-	106,940,234	(10,437,376)	18,297,428	114,800,286	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	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	174,245,252

Statements of Changes in Equity

For the Financial Year Ended 31 December 2023

(Cont'd)

← Attributable to owners of the Company →					
	Note	Share capital RM	Other reserve RM	Accumulated losses RM	Total equity RM
Company					
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
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income		-	-	5,231,261	5,231,261
Transactions with owners					
Issue of ordinary shares	12	55,110,000	-	-	55,110,000
Share option issued	14	-	559,083	-	559,083
Dividend paid on shares	24	-	-	(3,841,000)	(3,841,000)
Total transactions with owners		55,110,000	559,083	(3,841,000)	51,828,083
At 31 December 2023		211,698,547	559,083	(683,244)	211,574,386

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

Statements of Cash Flows

For the Financial Year Ended 31 December 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Profit/(Loss) before tax		28,356,223	14,574,365	5,446,575	(2,006,038)
Adjustments for:					
Deposits written off		9,000	-	-	-
Depreciation of property, plant and equipment	5	2,866,366	2,360,973	33,792	28,733
Depreciation of investment property	6	19,533	19,535	-	-
Dividend income		-	-	(6,000,000)	-
Gain on lease modification		(2,529)	(1,560)	-	-
Inventories written off		5,734	-	-	-
Interest expenses	19	2,258,905	863,692	61,494	31,337
Interest income		(679,704)	(104,515)	(1,547,887)	(1,408,014)
Share-based payment		559,083	-	419,346	-
Trade receivables written off		81,550	40,550	-	-
Write back of payables		(563,971)	-	-	-
Operating profit/(loss) before changes in working capital					
		32,910,190	17,753,040	(1,586,680)	(3,353,982)
Changes in working capital:					
Inventories		(1,579,074)	695,620	-	-
Trade and other receivables		(38,157,069)	(76,080,169)	(96,007)	(19,000)
Other payables		(32,041)	(107,763)	(33,793)	(64,507)
Net cash used in operations					
		(6,857,994)	(57,739,272)	(1,716,480)	(3,437,489)
Interest received		590,959	104,515	551,167	5,099
Income tax paid		(6,741,416)	(4,734,561)	-	-
Net cash used in operating activities					
		(13,008,451)	(62,369,318)	(1,165,313)	(3,432,390)

Statements of Cash Flows

For the Financial Year Ended 31 December 2023

(Cont'd)

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
Cash flows from investing activities					
Acquisition of additional interest in a subsidiary	7(a)	(796,198)	-	-	-
Acquisition of a subsidiary, net of cash acquired		-	-	(55,000,000)	-
Repayment from/(Advances to) subsidiaries		-	-	27,825,112	(48,615,249)
Purchase of property, plant and equipment	11(b)	(2,097,892)	(656,292)	-	(24,388)
Sale proceeds from disposal of property, plant and equipment		-	750	-	-
Interest received		88,745	-	996,720	1,402,915
Net cash used in investing activities		(2,805,345)	(655,542)	(26,178,168)	(47,236,722)
Cash flows from financing activities					
	11(c)				
Proceeds from issuance of ordinary shares		55,110,000	48,567,650	55,110,000	48,567,650
Payment of lease liabilities		(1,717,907)	(1,324,756)	(28,012)	(22,864)
Repayment of term loan		(52,131)	(51,675)	-	-
Repayment to shareholders		(8,910,001)	(2,719,869)	-	-
(Repayment to)/Advances from a director		(56,201)	63,792	-	-
(Repayment to)/Advances from subsidiaries		-	-	(2,243,038)	2,243,038
Drawdown of revolving credits		3,359,153	26,640,847	-	-
Repayment from minority interest		-	100,000	-	-
Dividend paid		(3,841,000)	-	(3,841,000)	-
Interest paid		(2,258,905)	(863,692)	(61,494)	(31,337)
Net cash from financing activities		41,633,008	70,412,297	48,936,456	50,756,487
Net increase in cash and cash equivalents		25,819,212	7,387,437	21,592,975	87,375
Cash and cash equivalents at the beginning of the financial year		23,961,910	16,574,473	88,376	1,001
Cash and cash equivalents at the end of the financial year	11	49,781,122	23,961,910	21,681,351	88,376

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. 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 2024.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of new MFRS and amendments to MFRSs

The Group and the Company have adopted the following applicable new MFRS and amendments to MFRSs for the current financial year:

New MFRS

MFRS 17	Insurance Contracts
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Amendments to MFRSs

MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 112	Income Taxes

The adoption of the above new MFRS and amendments 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, except as discussed below:

Amendments to MFRS 101 Presentation of Financial Statements

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements.

Accordingly, the Group and the Company disclosed their material accounting policy information in these financial statements. However, the amendments did not result in changes to the accounting policies of the Group and the Company.

Notes to the Financial Statements

(Cont'd)

2. BASIS OF PREPARATION *cont'd*

2.3 Amendments to MFRSs that have been issued, but yet to be effective

- (a) The Group and the Company have not adopted the following amendments to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>Amendments to MFRSs</u>		
MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2024
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

- (b) The Group and the Company plan to adopt the above applicable amendments to MFRSs when they become effective. A brief discussion on the above significant amendments to MFRSs that may be applicable to the Group and the Company are summarised below.

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The 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.

Notes to the Financial Statements

(Cont'd)

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Unless otherwise stated, the following material accounting policy information 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

(a) Subsidiaries and business combination

The Group applies the acquisition method to account for business combinations from the acquisition date when the acquired set of activities meets the definition of a business and control is transferred to the Group.

(b) Non-controlling interests

At the acquisition date, components of non-controlling interests of the Group are measured at their acquisition-date fair values.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries are measured at cost less any accumulated impairment losses.

3.3 Financial instruments

Financial assets – subsequent measurement and gains and losses

Debt instruments at amortised cost

The Group and the Company subsequently measure these assets at amortised cost under the effective interest method. The gross carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - subsequent measurement and gains and losses

Financial liabilities at amortised cost

The Group and the Company subsequently measure other financial liabilities at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes to the Financial Statements

(Cont'd)

3. MATERIAL ACCOUNTING POLICY INFORMATION *cont'd*

3.4 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

All property, plant and equipment (other than right-of-use assets as disclosed in Note 3.5) 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

3.5 Leases

(a) Lessee accounting

The Group and the Company present right-of-use assets that do not meet the definition of investment property as property, plant and equipment in Note 5 and lease liabilities as loans and borrowings in Note 15.

Short-term leases

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases (defined as leases with a lease term of 12 months or less). Accordingly, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease.

Right-of-use assets

The right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use assets are 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.

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate.

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.

(b) Lessor accounting

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of other income.

Notes to the Financial Statements

(Cont'd)

3. MATERIAL ACCOUNTING POLICY INFORMATION *cont'd*

3.6 Investment property

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

3.7 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.

3.8 Revenue and other income

(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.

3.9 Deferred tax

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Notes to the Financial Statements

(Cont'd)

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 uses a provisional matrix to calculate expected credit losses for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The information about the impairment losses on the Group's and the Company's financial assets are disclosed in Note 25(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 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.

Notes to the Financial Statements

(Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Furniture and fittings	Office equipment	Computer hardware and software	Renovation	Electrical Appliances	Signboard	Motor Vehicle	Right-of-use assets	Total
		RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost										
At 1 January 2023		289,605	2,039,439	444,116	4,526,503	19,689	422,922	134,192	10,009,000	17,885,466
Additions		23,715	576,674	-	1,379,428	-	118,075	-	2,011,333	4,109,225
Written off		-	(18,000)	-	-	-	-	-	-	(18,000)
Lease modification		-	-	-	-	-	-	-	45,229	45,229
At 31 December 2023		313,320	2,598,113	444,116	5,905,931	19,689	540,997	134,192	12,065,562	22,021,920
Accumulated depreciation										
At 1 January 2023		70,499	1,347,256	244,565	1,679,613	19,689	125,540	67,096	2,831,021	6,385,279
Depreciation charge for the financial year	20	29,116	361,025	74,620	506,478	-	46,663	26,838	1,821,626	2,866,366
Written off		-	(18,000)	-	-	-	-	-	-	(18,000)
Lease modification		-	-	-	-	-	-	-	(69,554)	(69,554)
At 31 December 2023		99,615	1,690,281	319,185	2,186,091	19,689	172,203	93,934	4,583,093	9,164,091
Carrying amount										
At 31 December 2023		213,705	907,832	124,931	3,719,840	-	368,794	40,258	7,482,469	12,857,829

Notes to the Financial Statements

(Cont'd)

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

Group	Note	Furniture and fittings	Office equipment	Computer hardware and software	Renovation	Electrical Appliances	Signboard	Motor Vehicle	Right-of-use assets	Total
		RM	RM	RM	RM	RM	RM	RM	RM	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	20	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

Notes to the Financial Statements

(Cont'd)

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 2022		-	-	-	-
Additions		6,700	17,688	184,100	208,488
At 31 December 2022/At 31 December 2023		6,700	17,688	184,100	208,488
Accumulated depreciation					
At 1 January 2022		-	-	-	-
Depreciation charge for the financial year	20	558	1,327	26,848	28,733
At 31 December 2022		558	1,327	26,848	28,733
Depreciation charge for the financial year	20	1,340	1,769	30,683	33,792
At 31 December 2023		1,898	3,096	57,531	62,525
Carrying amount					
At 31 December 2022		6,142	16,361	157,252	179,755
At 31 December 2023		4,802	14,592	126,569	145,963

(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:

	Shoplots RM	Group Hostel RM	Total RM
Carrying amount			
At 1 January 2022	5,127,679	16,661	5,144,340
Addition	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
Additions	2,011,333	-	2,011,333
Depreciation	(1,815,788)	(5,838)	(1,821,626)
Lease modification	133,011	(18,228)	114,783
At 31 December 2023	7,482,469	-	7,482,469

Notes to the Financial Statements

(Cont'd)

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

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

Information about leases for which the Group and the Company are lessees is presented below: *cont'd*

	Company Shoplot RM
Carrying amount	
At 1 January 2022	-
Addition	184,100
Depreciation	(26,848)
At 31 December 2022	157,252
Depreciation	(30,683)
At 31 December 2023	126,569

The Group and the Company have included extension options in determining the right-of-use assets. 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 2023/At 31 December 2023		488,333	976,667	1,465,000
Accumulated depreciation				
At 1 January 2023		-	156,267	156,267
Depreciation charge for the financial year	20	-	19,533	19,533
At 31 December 2023		-	175,800	175,800
Carrying amount				
At 31 December 2023		488,333	800,867	1,289,200

Notes to the Financial Statements

(Cont'd)

6. INVESTMENT PROPERTY *cont'd*

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	20	-	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

Investment property of a subsidiary with a carrying amount of RM1,289,200 (2022: RM1,308,733) has been pledged as security to secure term loan granted to the Group as disclosed in Note 15(a).

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

	Group	
	2023	2022
	RM	RM
Rental income	51,414	50,160
Direct operating expenses:		
- income generating investment property	33,607	30,302

Fair value information

The directors estimated the fair value of investment property of approximately RM1,500,000 (2022: RM3,589,000) 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

Notes to the Financial Statements

(Cont'd)

6. INVESTMENT PROPERTY *cont'd*

Valuation processes applied by the Group

The Company's finance department performs valuation analysis of land and building required for financial reporting purposes, including Level 3 fair values. This team reports directly to the director.

The fair value of investment property is determined by external independent property valuer. There has been no change to the valuation technique during the financial year.

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	
	2023	2022
	RM	RM
Quoted shares, at cost	163,020,896	108,020,896
Equity contribution in respect of ESOS	139,737	-
At end of the financial year	163,160,633	108,020,896

Details of the subsidiaries are as follows:

	Principal place of business/ country of incorporation	Ownership interest		
Name of company		2023 %	2022 %	Principal activities
<i>Direct subsidiary</i>				
Pappajack Holdings Berhad	Malaysia	100	100	Licensed pawnshop
<i>Subsidiaries of Pappajack Holdings Berhad</i>				
Pajak Gadai Tetap Sejiwa Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai Pappajack Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai Bertuah Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai PPJack Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai PPJ Sehati Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai PPJ Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai Pappajack Sehati Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai Consistent Reach Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai TSE Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai BT Cleaning Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai TMI Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Dhoby Ghaut (Kapar) Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Dhoby Ghaut Holdings Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Dhoby Ghaut (M) Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Mashita Holdings Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop

Notes to the Financial Statements

(Cont'd)

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		Principal activities
		2023 %	2022 %	
<u>Subsidiaries of Pappajack Holdings Berhad</u> <i>cont'd</i>				
Consistent Reach Holdings Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Dhoby Ghaut (Sel) Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
DGH Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pajak Gadai PPJ Sejiwa Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Sejaya Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Rezeki Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Sinar Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Makmur Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Abadi Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Sukses Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Landas Emas Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Mandiri Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJ Berkas Sdn. Bhd.	Malaysia	100	80.50	Licensed pawnshop
PPJ Maju Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack D Damai Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Kampar Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Sentosa Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Sri Muda Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack TG Malim Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
TSE Yong Peng Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Abadi Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Bagan Serai Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Georgetown Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Rezeki Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJack Rezeki Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
TSE Segamat Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Berkas Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Bkt Sentosa Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Parit Buntar Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Sg Siput Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Simpang Ampat Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
Pappajack Mantin Sdn. Bhd. (formerly known as Pappajack Simpang Empat Sdn. Bhd.)	Malaysia	100	100	Licensed pawnshop
PPJack Abadi Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop
PPJack Berkas Sdn. Bhd.	Malaysia	100	100	Licensed pawnshop

Notes to the Financial Statements

(Cont'd)

7. INVESTMENT IN A SUBSIDIARY *cont'd*

(a) Acquisition of additional interest in a subsidiary

On 1 July 2023, the Company's wholly-owned subsidiary, Pappajack Holdings Berhad had acquired additional 780,000 ordinary shares in PPJ Berkhat Sdn. Bhd., representing 19.5% equity interest in PPJ Berkhat Sdn. Bhd. for a cash consideration of RM796,198. Consequently, PPJ Berkhat Sdn. Bhd. became a wholly-owned subsidiary as a result of the additional shares purchased.

Effect of the increase in the Company's ownership interest is as follows:

	2023 RM
Fair value of consideration transferred	796,198
Increase in share of net assets	(809,404)
Increase in the equity attributable to the owners of the Company	(13,206)

(b) Subscription for additional interest in subsidiaries

- (i) On 16 October 2023, Pappajack Holdings Berhad issued additional 55,000,000 ordinary shares of RM1 each, of which 55,000,000 ordinary shares were subscribed by the Company for a consideration of RM55,000,000. Accordingly, the Company's effective ownership in Pappajack Holdings Berhad remains the same subsequent to the subscription.
- (ii) On 22 November 2023, Pajak Gadai Tetap Sejiwa Sdn. Bhd. issued additional 3,000,000 ordinary shares of RM1 each, of which 3,000,000 ordinary shares were subscribed by the Company's wholly-owned subsidiary, Pappajack Holdings Berhad for a consideration of RM3,000,000. Accordingly, Pappajack Holdings Berhad and the Company's effective ownership in Pajak Gadai Tetap Sejiwa Sdn. Bhd. remains the same subsequent to the subscription.

(c) Non-controlling interest in a subsidiary

The financial information of the Group's and the Company's subsidiary 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	
		2023 %	2022 %
PPJ Berkhat Sdn. Bhd.	Malaysia	100	80.50

Carrying amount of material non-controlling interest:

	2023 RM	2022 RM
PPJ Berkhat Sdn. Bhd.	-	788,975

Notes to the Financial Statements

(Cont'd)

7. INVESTMENT IN A SUBSIDIARY *cont'd*

(c) Non-controlling interest in a subsidiary *cont'd*

Profit allocated to material non-controlling interest:

	2023 RM	2022 RM
PPJ Berkat Sdn. Bhd.	20,429	28,552

(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 subsidiary that has material non-controlling interest are as follows:

	PPJ Berkat Sdn. Bhd. 2022 RM
Summarised statement of financial position	
Current assets	5,231,454
Non-current assets	303,180
Current liabilities	(1,416,145)
Non-current liabilities	(75,123)
Net assets	4,043,366
Summarised statement of comprehensive income	
Revenue	82,284
Profit for the financial year	163,373
Total comprehensive income	163,373
Summarised cash flow information	
Cash flow used in operating activities	(1,576,124)
Cash flow from investing activities	184,190
Cash flow from financing activities	1,217,898
Net decrease in cash and cash equivalents	(174,036)

Notes to the Financial Statements

(Cont'd)

8. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2023	2022
	RM	RM
Deferred tax assets		
At 1 January	898,459	-
Recognised in profit or loss (Note 22)	(769,376)	898,459
At 31 December	129,083	898,459
Deferred tax liabilities		
At 1 January	(20,222)	(52,561)
Recognised in profit or loss (Note 22)	6,778	32,339
At 31 December	(13,444)	(20,222)

	Group	
	2023	2022
	RM	RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	129,083	898,459
Deferred tax liabilities	(13,444)	(20,222)
	115,639	878,237

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

	Group	
	2023	2022
	RM	RM
Deferred tax assets		
Unused tax losses	93,718	876,526
Unabsorbed capital allowance	35,365	21,933
	129,083	898,459
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and its tax bases	(13,444)	(20,222)

Notes to the Financial Statements

(Cont'd)

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

Unrecognised deferred tax assets

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

	Group	
	2023	2022
	RM	RM
Unused tax losses	64,946	-
Unabsorbed capital allowance	25,061	-
Temporary differences arising from property, plant and equipment	376,223	175,347
	466,230	175,347

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
	2023
	RM
2029	68,604
2031	321,887
2033	64,946

9. INVENTORIES

	Group	
	2023	2022
	RM	RM
At cost:		
Auctioned pledges	5,757,301	4,183,961

- (a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM63,181,926 (2022: RM40,233,853).
- (b) The Group recognised an expense in respect of inventories written off during the financial year was RM5,734 (2022: Nil).

Notes to the Financial Statements

(Cont'd)

10. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
Trade					
Trade receivables					
- Pawn loans	(a)	213,462,070	176,038,032	-	-
Non-trade					
Other receivables		150,779	10,445	102,007	6,000
Amounts owing by subsidiaries	(b)	-	-	26,964,864	48,789,976
Deposits	(c)	1,058,985	799,959	13,000	13,000
Prepayments		1,121,725	878,604	-	-
		2,331,489	1,689,008	27,079,871	48,808,976
Total trade and other receivables		215,793,559	177,727,040	27,079,871	48,808,976

(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% (2022: 0.8% to 2%) and normal credit terms offered by the Group is 6 months.

The information about the credit exposures is disclosed in Note 25(b)(i).

(b) Amounts owing by subsidiaries

Amounts owing by subsidiaries are non-trade in nature, unsecured, non-interest bearing, and repayable on demand, except for an amount of RM23,841,001 (2022: RM48,789,986), which arise mainly from short-term advances and subject to interest at 2.3% (2022: 4.5%) per annum.

(c) Deposits

Included in deposits of the Group is a non-refundable deposit of RM412,520 (2022: RM276,911) for the renovation of shoplots.

11. CASH AND SHORT-TERM DEPOSITS

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances		25,781,122	23,961,910	1,681,351	88,376
Short-term deposits placed with licensed bank	(a)	24,000,000	-	20,000,000	-
		49,781,122	23,961,910	21,681,351	88,376

Notes to the Financial Statements

(Cont'd)

11. CASH AND SHORT-TERM DEPOSITS *cont'd*

- (a) Deposits placed with licensed banks of the Group and of the Company bear effective interest rates ranging from 2.60% to 3.90% (2022: Nil) per annum with a maturity of three months or less.
- (b) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment.

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Purchase of property, plant and equipment	5	4,109,225	3,470,194	-	208,488
Financed by way of lease arrangements		(2,011,333)	(2,813,902)	-	(184,100)
Cash payments on purchase of property, plant and equipment		2,097,892	656,292	-	24,388

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

	1.1.2023 RM	Cash flows RM	Non-cash			31.12.2023 RM
			Addition RM	Lease modification RM	Others RM	
Group						
Amounts owing to shareholders	9,473,972	(8,910,001)	-	-	(563,971)	-
Amount owing to a director	63,792	(56,201)	-	-	-	7,591
Lease liabilities	7,473,959	(1,717,907)	2,011,333	112,254	-	7,879,639
Revolving credit	26,640,847	3,359,153	-	-	-	30,000,000
Term loan	697,171	(52,131)	-	-	-	645,040
	44,349,741	(7,377,087)	2,011,333	112,254	(563,971)	38,532,270

	1.1.2022 RM	Cash flows RM	Non-cash			31.12.2022 RM
			Addition RM	Lease modification 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

Notes to the Financial Statements

(Cont'd)

11. CASH AND SHORT-TERM DEPOSITS *cont'd*

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

	1.1.2023 RM	Cash flows RM	31.12.2023 RM
Company			
Amounts owing to subsidiaries	2,243,038	(2,243,038)	-
Lease liabilities	161,236	(28,012)	133,224
	2,404,274	(2,271,050)	133,224

	1.1.2022 RM	Cash flows RM	Non-cash Addition RM	31.12.2022 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

(d) Total cash outflows for leases:

During the financial year, the Group and the Company had total cash outflows for leases of RM2,165,110 (2022: RM1,708,257) and RM36,000 (2022: RM31,500) respectively.

12. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amounts	
	2023 Unit	2022 Unit	2023 RM	2022 RM
Issued and fully paid up (no par value):				
At 1 January	668,000,000	1	156,588,547	1
Acquisition of a subsidiary	-	500,999,999	-	108,020,896
Issued during the financial year	100,200,000	167,000,000	55,110,000	50,100,000
Transaction costs of share issue	-	-	-	(1,532,350)
At 31 December	768,200,000	668,000,000	211,698,547	156,588,547

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 issued 100,200,000 new ordinary shares at a price of RM0.55 per ordinary share through private placement on 26 June 2023 for working capital purposes.

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

Notes to the Financial Statements

(Cont'd)

13. REORGANISATION DEFICIT

	Group	
	2023	2022
	RM	RM
At 1 January	(11,518,039)	(10,437,376)
Effect of acquisition of proposed subsidiaries	-	(1,080,663)
At 31 December	(11,518,039)	(11,518,039)

14. OTHER RESERVE

	Group and Company	
	2023	2022
	RM	RM
Share option reserve	559,083	-

The share option reserve comprises the cumulative value of services received for the issue of share options. The reserve is recorded over the vesting period commencing from the grant date and is reduced by the expiry or exercise of the share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

Vesting period of the share option offered:

- (i) First 30%: 1 January 2024 to 31 July 2028
- (ii) Subsequent 30%: 1 January 2025 to 31 July 2028
- (iii) Remaining 40%: 1 January 2026 to 31 July 2028

On 11 September 2023, the Group granted share options with a total number of 7,680,000 to eligible directors and employees of the Group to acquire shares in the Company under the Employees Share Options Scheme ("ESOS") approved by the shareholders of the Company. The share options granted may be exercised any time from the date of vesting to the date of expiry and settlement is by issuance of fully paid ordinary shares.

The number, weighted average exercise prices and share price at date of exercise of share options are as follows:

	Group and Company	
	Weighted average exercise price	Number of options
		Unit
At beginning of the financial year	-	-
Granted	RM1.00	7,680,000
Exercised during the financial year	-	-
At end of the financial year	RM1.00	7,680,000
Exercisable at end of the year	RM1.00	7,680,000

Notes to the Financial Statements

(Cont'd)

14. OTHER RESERVE *cont'd*

The options outstanding at 31 December 2023 have exercise price of RM1.00 and the weighted average remaining contractual life for the share options outstanding as at 31 December 2023 was 4.58 years.

The fair value of the share options granted were determined using a binomial option pricing model, and the inputs were:

	2023
Fair value of share options and assumptions	
Weighted average fair value of share option at grant date (RM)	0.24
Weighted average share price (RM)	0.81
Option life (years)	4.9
Risk-free rate (%)	3.62
Expected volatility (%)	25.62

The expected volatility reflected the assumption that the historical volatility was an indicative or future trends, which may also not necessarily be the actual outcome.

15. LOANS AND BORROWINGS

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
Non-current:					
Term loan	(a)	588,433	657,609	-	-
Lease liabilities	(b)	5,953,637	5,843,305	103,635	133,224
		6,542,070	6,500,914	103,635	133,224
Current:					
Term loan	(a)	56,607	39,562	-	-
Lease liabilities	(b)	1,926,002	1,630,654	29,589	28,012
Revolving credit	(c)	30,000,000	26,640,847	-	-
		31,982,609	28,311,063	29,589	28,012
		38,524,679	34,811,977	133,224	161,236
Total loan and borrowings:					
Term loan	(a)	645,040	697,171	-	-
Lease liabilities	(b)	7,879,639	7,473,959	133,224	161,236
Revolving credit	(c)	30,000,000	26,640,847	-	-
		38,524,679	34,811,977	133,224	161,236

Notes to the Financial Statements

(Cont'd)

15. LOANS AND BORROWINGS *cont'd*

(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 RM7,050 (2022: RM6,959) 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.

(b) Lease liabilities

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

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Minimum lease payments:				
Not later than one year	2,338,377	2,007,900	36,000	36,000
Later than one year and not later than five years	6,449,001	5,813,038	112,500	144,000
Later than five years	183,700	698,440	-	4,500
	8,971,078	8,519,378	148,500	184,500
Less: Future finance charges	(1,091,439)	(1,045,419)	(15,276)	(23,264)
Present value of minimum lease payments	7,879,639	7,473,959	133,224	161,236
Present value of minimum lease payments:				
Not later than one year	1,926,002	1,630,654	29,589	28,012
Later than one year and not later than five years	5,874,353	5,297,109	103,635	128,731
Later than five years	79,284	546,196	-	4,493
	7,879,639	7,473,959	133,224	161,236
Less: Amount due within twelve months	(1,926,002)	(1,630,654)	(29,589)	(28,012)
Amount due after twelve months	5,953,637	5,843,305	103,635	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.

Notes to the Financial Statements

(Cont'd)

16. OTHER PAYABLES

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Other payables		147,793	98,749	5,734	451
Advances from shareholders	(a)	-	9,473,972	-	-
Amounts owing to subsidiaries	(b)	-	-	-	2,243,038
Amount owing to a director	(c)	7,591	63,792	-	-
Accruals		566,935	648,020	139,160	178,236
Deposits received		11,400	11,400	-	-
Total other payables		733,719	10,295,933	144,894	2,421,725

(a) Advances from shareholders

Advances from shareholders are unsecured, bears interest at 4% (2022: 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

In the previous financial year, 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, which arise mainly from short-term advances and subject to interest at 4.5% 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 25(b)(ii).

17. REVENUE

	Group	
	2023 RM	2022 RM
Over time:		
Pawnbroking - Interest charges	36,202,968	25,570,524
At a point in time:		
Sale of unredeemed or bid pledges	73,040,182	44,264,211
Pawnbroking - Administrative fees	175,681	128,229
	109,418,831	69,962,964

Notes to the Financial Statements

(Cont'd)

17. REVENUE *cont'd*

(a) Disaggregation of revenue

The Group reports the following major segments: pawnbroking and sale of unredeemed or bid pledges in accordance with MFRS 8 *Operating Segments*.

For disclosures on the Group's segment information as required by MFRS 8 *Operating Segments*, refer to Note 29.

18. OTHER INCOME

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Dividend income	-	-	6,000,000	-
Management fee income	-	-	3,123,863	-
Rental income	51,414	50,160	-	-
Gain on lease modification	2,529	1,560	-	-
Interest income	679,704	104,515	1,547,887	1,408,014
Write back of payables	563,971	-	-	-
Insurance rebates	62,722	112,240	-	-
Others	1,884	-	-	-
	1,362,224	268,475	10,671,750	1,408,014

19. FINANCE COSTS

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Interest expense on:				
- Term loan	29,500	26,258	-	-
- Revolving credit	1,703,372	38,373	-	-
- Lease liabilities	436,033	349,061	7,988	8,636
- Advances from key management personnel	90,000	450,000	-	-
- Advances from subsidiaries	-	-	53,506	22,701
	2,258,905	863,692	61,494	31,337

Notes to the Financial Statements

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20. 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:

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Auditors' remuneration					
- statutory audit:					
- Baker Tilly Monteiro Heng PLT					
- Current year		464,000	424,000	33,000	29,000
- Prior year		-	(150,000)	-	(27,000)
Other services					
- Baker Tilly Monteiro Heng PLT		6,000	6,000	6,000	6,000
Deposits written off		9,000	-	-	-
Depreciation of property, plant and equipment	5	2,866,366	2,360,973	33,792	28,733
Depreciation of investment property	6	19,533	19,535	-	-
Trade receivables written off		81,550	40,550	-	-
Inventories written off		5,734	-	-	-
Expense relating to short-term lease		11,170	34,440	-	-
Employee benefits expense	21	7,891,330	6,004,247	3,488,978	1,955,277

21. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Salaries, wages, allowances and bonuses	6,017,856	4,995,884	2,711,031	1,743,963
Defined contribution plans	711,580	611,238	301,668	183,321
Other staff related expenses	602,811	397,125	56,933	27,993
Share-based payment	559,083	-	419,346	-
	7,891,330	6,004,247	3,488,978	1,955,277

Notes to the Financial Statements

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21. EMPLOYEE BENEFITS EXPENSE *cont'd*

Included in employee benefits expense are:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Directors of the Company				
Executive directors				
- Fees	204,996	159,996	204,996	159,996
- Salaries, allowances and bonuses	407,503	180,000	407,503	135,000
- Defined contribution plans	53,010	23,400	53,010	17,550
- Other related expenses	2,317	2,004	2,317	1,542
	667,826	365,400	667,826	314,088
Non-executive directors				
- Fees	156,000	156,000	156,000	156,000
- Other related expenses	13,000	6,000	13,000	6,000
- Share-based payment	83,959	-	83,959	-
	252,959	162,000	252,959	162,000
Director of a subsidiary				
Executive directors				
- Salaries, allowances and bonuses	-	9,000	-	-
- Defined contribution plans	-	1,170	-	-
- Other related expenses	-	173	-	-
	-	10,343	-	-
	920,785	537,743	920,785	476,088

Notes to the Financial Statements

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22. INCOME TAX EXPENSE/(CREDIT)

The major components of income tax expense/(credit) for the financial years ended 31 December 2023 and 31 December 2022 are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Statement of comprehensive income				
Current income tax:				
- Current income tax charge	7,234,051	5,442,582	215,314	-
- Adjustment in respect of prior years	352,262	(54,312)	-	(44,799)
	7,586,313	5,388,270	215,314	(44,799)
Deferred tax (Note 8):				
- Reversal of temporary differences	(22,095)	(812,860)	-	-
- Adjustment in respect of prior years	784,693	(117,938)	-	-
	762,598	(930,798)	-	-
Income tax expense/(credit) recognised in profit or loss	8,348,911	4,457,472	215,314	(44,799)

Domestic income tax is calculated at the Malaysia statutory income tax rate of 24% (2022: 24%) of the estimated assessable profit/(loss) 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/(credit) are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Profit/(Loss) before tax	28,356,223	14,574,365	5,446,575	(2,006,038)
Tax at Malaysian statutory income tax rate of 24%	6,805,494	3,497,848	1,307,178	(481,449)
Adjustments:				
Income not subject to tax	(508,808)	(537)	(1,440,000)	-
Non-deductible expenses	845,458	1,098,266	348,136	481,449
Utilisation of previously unrecognised temporary differences	(1,078)	(647)	-	-
Deferred tax not recognised on temporary differences	70,890	34,792	-	-
Adjustment in respect of current income tax of prior years	352,262	(54,312)	-	(44,799)
Adjustment in respect of deferred tax of prior years	784,693	(117,938)	-	-
Income tax expense/(credit)	8,348,911	4,457,472	215,314	(44,799)

Notes to the Financial Statements

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23. 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	
	2023	2022
	RM	RM
Profit attributable to ordinary equity holders of the Company	19,986,883	10,088,341
Weighted average number of ordinary shares for basic earnings per share	719,884,384	590,676,712
Basic and diluted earnings per share (sen)	2.78	1.71

The diluted earnings per ordinary share of the Group for the financial year ended 31 December 2023 are same as the basic earnings per ordinary share of the Group as the Company has no dilutive potential ordinary shares.

24. DIVIDEND

	Company
	2023
	RM
Recognised during the financial year:	
Dividend on ordinary shares:	
- Single tier interim dividend for the financial year ended 31 December 2023: 0.50 sen per ordinary share	3,841,000

Notes to the Financial Statements

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25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	Carrying amount RM	Amortised cost RM
Group		
At 31 December 2023		
Financial assets		
Trade and other receivables, net of prepayment and non-refundable deposits	214,259,314	214,259,314
Cash and short-term deposits	49,781,122	49,781,122
	264,040,436	264,040,436
Financial liabilities		
Loans and borrowings	(30,645,040)	(30,645,040)
Other payables	(733,719)	(733,719)
	(31,378,759)	(31,378,759)
At 31 December 2022		
Financial assets		
Trade and other receivables, net of prepayment and non-refundable deposits	176,571,525	176,571,525
Cash and short-term deposits	23,961,910	23,961,910
	200,533,435	200,533,435
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)
Company		
At 31 December 2023		
Financial assets		
Trade and other receivables, net of prepayment	27,079,871	27,079,871
Cash and short-term deposits	21,681,351	21,681,351
	48,761,222	48,761,222
Financial liabilities		
Other payables	(144,894)	(144,894)

Notes to the Financial Statements

(Cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

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

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

	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 short-term deposits	88,376	88,376
	48,897,352	48,897,352
Financial liabilities		
Other payables	(2,421,725)	(2,421,725)

(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.

Credit risk concentration profile

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

The Group applies the simplified approach to providing for 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 Group determines the concentration of credit risk by monitoring its trade receivables.

Notes to the Financial Statements

(Cont'd)

25. 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 carrying amount at default RM
Group	
2023	
Current	197,831,538
1 to 30 days past due	9,092,157
31 to 60 days past due	6,127,574
61 to 90 days past due	298,273
91 to 120 days past due	37,807
More than 120 days past due	74,721
	213,462,070
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

Other receivables and other financial assets

For other receivables and other financial assets (including cash and short-term deposits), 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.

Notes to the Financial Statements

(Cont'd)

25. 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 balances between entities within the Group comprise loans or advances which are repayable on demand. The Company regularly monitors the financial performance and position of these entities on an individual basis. When these entities' financial performance and position deteriorates significantly, the Company assumes that there is a significant increase in credit risk, and thereby a lifetime expected credit loss assessment is necessary. As the Company is able to determine the timing of repayment of the loans or advances, the Company will consider the loans or advances to be in default when these entities are unable to pay based on the expected manner of recovery and recovery period. The Company determines the probability of default for these loans or advances using internally available information. The Company considers the loans or advances to be credit-impaired when the entities are unlikely to repay their debts.

As at the end of the reporting date, the Group and the Company consider the other receivables and other financial assets as low credit risk and any loss allowance would be negligible.

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 RM30,645,040 (2022: RM27,388,018) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 25(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.

Notes to the Financial Statements

(Cont'd)

25. 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				Total RM
	Carrying amount RM	On demand or within one year RM	Between one and five years RM	More than five years RM	
Group					
31 December 2023					
Other payables	733,719	733,719	-	-	733,719
Term loan	645,040	84,600	338,400	369,039	792,039
Lease liabilities	7,879,639	2,338,377	6,449,001	183,700	8,971,078
Revolving credit	30,000,000	30,000,000	-	-	30,000,000
	39,258,398	33,156,696	6,787,401	552,739	40,496,836
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
Company					
31 December 2023					
Other payables	144,894	144,894	-	-	144,894
Lease liabilities	133,224	36,000	112,500	-	148,500
Financial guarantee contract	-	30,645,040	-	-	30,645,040
	278,118	30,825,934	112,500	-	30,938,434
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

Notes to the Financial Statements

(Cont'd)

25. 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 2023				
Loans and borrowings	(30,645,040)	+ 50	(116,451)	(116,451)
		- 50	116,451	116,451
31 December 2022				
Loans and borrowings	(27,338,018)	+ 50	(103,884)	(103,884)
		- 50	103,884	103,884

(c) Fair value measurement

The carrying amounts of cash and short-term deposits, 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.

26. COMMITMENTS

The Group has made commitments for the following capital expenditures:

	Group	
	2023 RM	2022 RM
Property, plant and equipment approved and contracted for	246,520	295,141

Notes to the Financial Statements

(Cont'd)

27. 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.

(b) Significant related party transactions

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

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Interest received/receivable from:				
- Holding company	-	95	-	-
- Subsidiaries	-	-	921,213	1,402,915
Interest paid/payable to:				
- Subsidiaries	-	-	53,506	22,701
- Key management personnel	90,000	450,000	-	-
Management fee received/receivable from:				
- Subsidiaries	-	-	3,123,863	-
Dividend received/receivable from:				
- Subsidiary	-	-	6,000,000	-
Rental paid/payable to:				
- Entities in which certain director has substantial interest	368,200	194,250	36,000	31,500
Write back of payables:				
- Key management personnel	563,971	-	-	-

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Notes 10 and 16.

The Company provides secured corporate guarantees to banks in respect of banking facilities granted to the subsidiaries as disclosed in Note 25(b)(i).

Notes to the Financial Statements

(Cont'd)

27. RELATED PARTIES *cont'd*

(c) Compensation of key management personnel

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Salaries, allowances and bonuses	467,000	373,950	467,000	312,000
Defined contribution plans	60,710	48,633	60,710	40,560
Other related expenses	2,317	2,004	2,317	1,542
Share-based payment	121,827	-	121,827	-
	651,854	424,587	651,854	354,102

28. 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 2023 and 31 December 2022.

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 2023 and 31 December 2022 are as follows:

		Group	
		2023	2022
	Note	RM	RM
Term loan	15	645,040	697,171
Revolving credit	15	30,000,000	26,640,847
		30,645,040	27,338,018
Total equity		245,284,449	174,245,252
Net gearing ratio (times)		0.12	0.16

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

Notes to the Financial Statements

(Cont'd)

29. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the directors for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

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

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.

Group	Pawnbroking interest charges RM	Sales of unredeemed or bid pledges RM	Adjustments and eliminations RM	Total RM
31 December 2023				
Revenue:				
Revenue from external customers	36,378,649	73,040,182	-	109,418,831
Segment profit	28,132,350	9,294,291	-	37,426,641
Other income				1,362,224
Administrative expenses				(8,173,737)
Finance costs				(2,258,905)
Income tax expense				(8,348,911)
Profit for the financial year				20,007,312
Results:				
<i>Included in the measure of segments profit are:</i>				
Employee benefits expense				7,891,330
Depreciation				2,866,366

Notes to the Financial Statements

(Cont'd)

29. 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:				
<i>Included in the measure of segments profit are:</i>				
Employee benefits expense				6,004,247
Depreciation				2,360,973

Information about major customers

For the sales of unredeemed or bid pledges segment, revenue was from two (2022: two) major customers. The customers represented approximately RM47,656,483 (2022: RM29,361,660) of the Group's total revenue.

30. SIGNIFICANT EVENT DURING 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 ("ESOS") 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.

On 27 June 2023, the private placement has been completed following the listing and quotation 100,200,000 placement shares on the ACE Market of Bursa Securities.

On 11 September 2023, the Company granted share options with a total number of 7,680,000 to eligible directors and employees of the Group to acquire shares in the Company under the Employees Share Options Scheme ("ESOS") approved by the shareholders of the Company.

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 directors of PAPPAJACK BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 64 to 109 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 2023 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 2024

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 64 to 109 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 2024.

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 2023 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 material accounting policy information, as set out on pages 64 to 109.

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 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with 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 2023. 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 directors on their explanation on recoverability with significantly past due balances; and
- discussing with directors 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*

Group *cont'd*

Inventories (Note 9 to the financial statements)

We focused on 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 2023;
- 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 the Group 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.

Company

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 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.

Independent Auditors' Report

To the Members of Pappajack Berhad (Incorporated in Malaysia)
(Cont'd)

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 2024

Analysis of Shareholdings

As at 3 April 2024

Issued Paid-Up Capital	:	RM211,698,547.00
Total Number of Issued Shares	:	768,200,000
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	17	1.18	200	0.00
100 – 1,000	290	20.08	138,900	0.02
1,001 – 10,000	495	34.28	2,829,100	0.37
10,001– 100,000	378	26.18	14,339,200	1.86
100,001 – 38,409,999 (*)	263	18.21	431,254,253	56.14
38,410,000 and above (**)	1	0.07	319,638,347	41.61
Total	1,444	100.00	768,200,000	100.00

Remark :

* Less than 5% of Issued Shares

** 5% and Above of Issued Shares

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

Name	Shareholdings			
	Direct	%	Indirect	%
Chong Chee Fire	-	-	-	-
Lim Boon Hua	38,876,477	5.06	341,991,874 ^{*1}	44.52
Law Book Ching	2,730,000	0.36	319,638,347 ^{*2}	41.61
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 3 April 2024

(Cont'd)

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct	Shareholdings		
		%	Indirect	%
TSE Sejahtera Sdn Bhd	319,638,347	41.61	-	-
Lim Boon Hua	38,876,477	5.06	341,991,874 ^{*1}	44.52
Law Book Ching	2,730,000	0.36	319,638,347 ^{*2}	41.61
Lim Siew Fang	-	-	319,638,347 ^{*3}	41.61
Lee Kooi Lan	22,353,527	2.91	358,514,824 ^{*4}	46.67

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	41.61
2.	Soo Jon Teng	19,956,888	2.60
3.	Lau Nian Choon	18,100,059	2.36
4.	Lee Kooi Lan	17,165,327	2.23
5.	CGS International Nominees Malaysia (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chew Leng Chow</i>	15,669,000	2.04
6.	Lim Tong Lee	15,602,385	2.03
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Boon Hua</i>	14,349,200	1.87
8.	See Swee Choy	13,218,223	1.72
9.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chiau Haw Choon</i>	10,902,500	1.42
10.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Boon Hua</i>	10,632,377	1.38
11.	AmSec Nominees (Tempatan) Sdn Bhd <i>AmBank (M) Berhad</i>	10,000,000	1.30
12.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Neo Ching Yuen</i>	9,300,000	1.21
13.	Ng Shyh Chyuh	7,956,934	1.04
14.	Ng Cheng Lam	6,929,629	0.90
15.	CGS International Nominees Malaysia (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Shyh Chyuh</i>	6,847,200	0.89
16.	Tan Hui Koon	6,552,837	0.85
17.	Teoh Kok Khong	6,300,686	0.82

Analysis of Shareholdings

As at 3 April 2024
(Cont'd)

LIST OF TOP 30 SHAREHOLDERS *cont'd*

No.	Name	No. of Shares Held	%
18.	Lee Kun Way	6,163,800	0.80
19.	Tan Poo Chun	5,706,544	0.74
20.	CGS International Nominees Malaysia (Tempatan) Sdn Bhd <i>Pledged Securities Account Tan Chai Heng</i>	5,534,100	0.72
21.	CGS International Nominees Malaysia (Tempatan) Sdn Bhd <i>Pledged Securities Account Wong Pui Yin</i>	5,530,500	0.72
22.	Wong Pui Yin	5,325,800	0.69
23.	CGS International Nominees Malaysia (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lee Kooi Lan</i>	5,188,200	0.68
24.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Kong Min</i>	5,069,500	0.66
25.	CGS International Nominees Malaysia (Tempatan) Sdn Bhd <i>Pledged Securities Account for Soon Siew Khium</i>	4,900,000	0.64
26.	Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Boon Hua</i>	4,757,300	0.62
27.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Boon Hua</i>	4,566,000	0.59
28.	AmSec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Boon Hua</i>	4,561,500	0.59
29.	Tang Khoon Song	4,342,000	0.57
30.	Aprecinia Matias Pablo	4,300,000	0.56
TOTAL		575,066,836	74.85

Notice of the Third Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Four Points by Sheraton Puchong, The Heron (Function Room), Level 2, Puchong Financial Corporate Centre (PFCC), Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan on Friday, 14 June 2024 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 2023 together with the Reports of the Directors and Auditors thereon. | Please refer to
Explanatory Note 1 |
| 2. | To approve the payment of Directors' fees to the Non-Executive Directors up to an amount of RM300,000.00 for the period from 15 June 2024 until the next Annual General Meeting of the Company to be held in 2025. | Ordinary Resolution 1 |
| 3. | To approve the payment of benefits payable to the Non-Executive Directors up to an amount of RM50,000.00 for the period from 15 June 2024 until the next Annual General Meeting of the Company to be held in 2025. | Ordinary Resolution 2 |
| 4. | To re-elect the following Directors who retire by rotation in accordance with Clause 97.1 of the Constitution of the Company:- | |
| | (a) Mr. Chong Chee Fire | Ordinary Resolution 3 |
| | (b) Dato' Magaret Ting Thien Hung | Ordinary Resolution 4 |
| 5. | To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

As Special Business

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

- | | | |
|----|---|-----------------------|
| 6. | AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 | Ordinary Resolution 6 |
|----|---|-----------------------|

"THAT subject always to the Companies Act 2016, Constitution of the Company, ACE Market Listing Requirements ("ACE LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant regulatory authorities, where such approval is required, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot shares in the capital of the Company ("New Shares") from time to time and upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of such New Shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares, if any) of the Company at the time of issue **AND THAT** the Directors be and are also empowered to obtain the approval for the listing and quotation for such New Shares to be issued on Bursa Securities **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

Notice of the Third Annual General Meeting

(Cont'd)

AND FURTHER 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 existing shareholders of the Company to be offered New Shares in proportion to their shareholdings ranking equally to the existing issued shares of the Company arising from any issuance and allotment of New Shares pursuant to Sections 75 and 76 of the Companies Act 2016 **AND 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."

7. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

By Order of the Board

WONG YOUN KIM
(MAICSA 7018778)
(SSM PC No. 201908000410)
Company Secretary

Kuala Lumpur
30 April 2024

NOTES:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote on his/her behalf.
2. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.
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 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 and is exempted from compliance with the provisions of Section 25A(1) of the Securities Industry (Central Depositories) Act 1991.
5. The instrument appointing a proxy shall be in writing, executed by the appointor or of his/her attorney duly authorised in writing. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an attorney duly authorised.
6. The duly completed Form of Proxy must be deposited at the Registered Office of the Company at Acclime Corporate Services Sdn Bhd, Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof.
7. The resolutions set out in the Notice of 3rd AGM will be put to vote by poll pursuant to Rule 8.31A(1) of the ACE LR.
8. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 62 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 7 June 2024. Only a depositor whose name appears on the Record of Depositors as at 7 June 2024 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

Notice of the Third Annual General Meeting

(Cont'd)

Explanatory Notes on Ordinary and Special Business

1. Item 1 of the Agenda - 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.

2. Ordinary Resolutions 3 and 4 – Re-election of retiring Directors

The Nomination Committee ("NC") has considered the performance and contribution of each of the retiring Directors and has also assessed the independence of the Independent Non-Executive Directors standing for re-election.

Based on the results of the evaluation of the effectiveness of the Board conducted for the financial year ended 31 December 2023, the NC and the Board collectively agreed that the individual Directors (including the retiring Directors) met the criteria of character, required mix of skills, experience, expertise, integrity, competence and time commitment to effectively discharge their role as directors, as prescribed by Rule 2.20A of the ACE LR of Bursa Securities. All the retiring Directors have completed their respective declaration on the fitness and propriety in accordance with the Fit and Proper Policy of the Company. In addition, all the Independent Non-Executive Directors complied with the independence criteria as prescribed in the ACE LR of Bursa Securities.

The Board approved the NC's recommendation that the Directors who retire in accordance with Clause 97.1 are eligible to stand for re-election. These two (2) retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board meeting. They do not hold shares in the Company and have no conflict of interest with the Company.

The profiles of all retiring Directors namely Mr Chong Chee Fire and Dato' Magaret Ting Thien Hung, who are standing for re-election are set out in the Profile of Directors in the Company's 2023 Annual Report.

3. Ordinary Resolution 6 – Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

The Proposed Ordinary Resolution 6, if passed, is to give the Directors of the Company flexibility to issue and allot shares up to an amount not exceeding ten per centum (10%) of the Company's total number of issued share capital for the time being upon such terms and conditions and for such purposes and to such person or persons as Directors of the Company in their absolute discretion consider to be in the interest of the Company, without having to convene a separate general meeting so as to avoid incurring additional cost and time. The purpose of this general mandate is for 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 acquisition(s).

The general mandate sought for the issue of shares is a renewal of the mandate that was approved by the shareholders at the last Annual General Meeting held on 14 June 2023 which will lapse at the conclusion of this Annual General Meeting to be held on 14 June 2024.

This authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

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.

As at the date of this Notice, there were no new shares issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 14 June 2023.

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 Notice of 3rd Annual General Meeting

[Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad]

1. Details of individuals who are standing for election (excluding Directors who are standing for re-election) as Directors

There are no individuals who are standing for election as Directors at this AGM.

2. Statement relating to general mandate for issue of securities in accordance with Rule 6.04(3) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad

The details of the proposed authority for Directors of the Company to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 is set out under Explanatory Note 3 of this Notice.

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

PROXY FORM

CDS Account No.	
No. of Shares Held	

*I/We _____ *NRIC/Passport/Company No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

Telephone No. _____ Email Address: _____

being a member / members of Pappajack Berhad hereby appoint:

FIRST PROXY

Full Name (in Block):	NRIC/Passport No.:	Proportion of Shareholdings	
		No. of Shares	Percentage (%)
Telephone No.:	Email:		
Full Address:			

If you wish to appoint a second proxy, this section must also be completed.

SECOND PROXY

Full Name (in Block):	NRIC/Passport No.:	Proportion of Shareholdings	
		No. of Shares	Percentage (%)
Telephone No.:	Email:		
Full Address:			

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Third (3rd) Annual General Meeting of **PAPPAJACK BERHAD** ("the Company") to be held at Four Points by Sheraton Puchong, The Heron (Function Room), Level 2, Puchong Financial Corporate Centre (PFCC), Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan on **Friday, 14 June 2024 at 2.00 p.m.**, or any adjournment thereof.

*My/Our proxy(ies) is(are) to vote as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	ORDINARY RESOLUTION 1 To approve the payment of Directors' fees to the Non-Executive Directors up to an amount of RM300,000.00 for the period from 15 June 2024 until the next Annual General Meeting of the Company to be held in 2025.		
2.	ORDINARY RESOLUTION 2 To approve the payment of benefits payable to the Non-Executive Directors up to an amount of RM50,000.00 for the period from 15 June 2024 until the next Annual General Meeting of the Company to be held in 2025.		
3.	ORDINARY RESOLUTION 3 To re-elect Mr. Chong Chee Fire as Director of the Company.		
4.	ORDINARY RESOLUTION 4 To re-elect Dato' Magaret Ting Thien Hung as Director of the Company.		
5.	ORDINARY RESOLUTION 5 To re-appoint Messrs. Baker Tilley Monteiro Heng PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	ORDINARY RESOLUTION 6 Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		

* Strike out whichever is not applicable

[Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.]

Dated this ____ day of _____, 2024

Signature of Member/ Common Seal



Fold this flap for sealing

NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote on his/her behalf.
2. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.
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 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 and is exempted from compliance with the provisions of Section 25A(1) of the Securities Industry (Central Depositories) Act 1991.
5. The instrument appointing a proxy shall be in writing, executed by the appointor or of his/her attorney duly authorised in writing. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an attorney duly authorised.
6. The duly completed Form of Proxy must be deposited at the Registered Office of the Company at Acclime Corporate Services Sdn Bhd, Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof.
7. The resolutions set out in the Notice of 3rd AGM will be put to vote by poll pursuant to Rule 8.31A(1) of the ACE LR.
8. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 62 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 7 June 2024. Only a depositor whose name appears on the Record of Depositors as at 7 June 2024 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

Then fold here

Affix
Stamp

The Company Secretary of Pappajack Berhad

Acclime Corporate Services Sdn. Bhd.
[Registration No.: **199901021060 (495960-D)**]
Level 5, Tower 8, Avenue 5, Horizon 2
Bangsar South City,
59200 Kuala Lumpur,
Wilayah Persekutuan Kuala Lumpur, Malaysia.

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PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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 discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data 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.

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