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24 June 2021

The Board of Directors
**Pappajack Berhad**
11B, Jalan TK 1/11A
Taman Kinrara, Seksyen 1
47180 Puchong
Selangor Darul Ehsan

Dear Sirs,

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**Reporting Accountants’ opinion on the Combined Financial Statements contained in the Accountants’ Report of Pappajack Berhad (“Pappajack” or the “Company”)**

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## Opinion

We have audited the accompanying combined financial statements of the Company and its operating entities as defined in Note 2 to the combined financial statements (collectively known as the “Group”), which comprise of the combined statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended and Notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 5 to 83.

In our opinion, the accompanying combined financial statements contained in the Accountants’ Report give a true and fair view of the combined financial positions of the Group as at 31 December 2018, 31 December 2019, and 31 December 2020, and of their financial performance and their cash flows for the financial years then ended in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

## 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 *Reporting Accountants’ Responsibilities for the Audit of the Combined Financial Statements* section of our report.

**PAPPAJACK BERHAD**
(Incorporated in Malaysia)

**Independence and Other Ethical Responsibilities**

We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of the Directors for the Combined Financial Statements**

The directors of the Group are responsible for the preparation of the combined financial statements contained in the Accountants' Report, so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

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

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

**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a Reporting Accountants' 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 combined 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 combined financial statements of the Group, 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 internal control.

**PAPPAJACK BERHAD**
(Incorporated in Malaysia)

**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)**

- 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group 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 Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements 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.

**Other Matters**

This report is made solely to the board of directors of the Group and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of the Group in connection with the listing and quotation for the entire enlarged issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon any other purpose. We do not assume responsibility to any other person for the content of this report.

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

Paul Tan Hong
No. 03459/11/2021 J
Chartered Accountant

Kuala Lumpur

Date: 24 June 2021

**STATEMENT BY DIRECTORS**

We, **LIM BOON HUA** and **LAW BOOK CHING**, being directors of PAPPAJACK BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020 and of their financial performance and cash flows for the financial years then ended.

Signed in accordance with a resolution of the directors:

…………………………………………...
**LIM BOON HUA**
Director

…………………………………………...
**LAW BOOK CHING**
Director

Kuala Lumpur

Date: 24 June 2021

## COMBINED STATEMENTS OF FINANCIAL POSITION

| | Note | As at 31 December 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | **5** | 4,429 | 7,257 | 9,156 |
| Investment property | **6** | 1,387 | 1,367 | 1,347 |
| Deferred tax assets | **7** | 8 | 25 | - |
| **Total non-current assets** | | **5,824** | **8,649** | **10,503** |
| **Current assets** | | | | |
| Inventories | **8** | 1,924 | 1,252 | 873 |
| Current tax assets | | 1 | 23 | 24 |
| Trade and other receivables | **9** | 46,904 | 53,744 | 101,420 |
| Cash and bank balances | **10** | 5,910 | 11,643 | 15,658 |
| **Total current assets** | | **54,739** | **66,662** | **117,975** |
| **TOTAL ASSETS** | | **60,563** | **75,311** | **128,478** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the Group** | | | | |
| Invested equity | **11** | 53,400 | 61,200 | 106,940 |
| Reorganisation deficit | **12** | - | - | (10,437) |
| Retained earnings | | 1,526 | 3,488 | 11,511 |
| | | 54,926 | 64,688 | 108,014 |
| **Non-controlling interests** | | - | - | 776 |
| **TOTAL EQUITY** | | **54,926** | **64,688** | **108,790** |
| **Non-current liabilities** | | | | |
| Loans and borrowings | **13** | 3,621 | 8,801 | 4,732 |
| Deferred tax liabilities | **7** | 1 | 11 | 48 |
| Other payables | **14** | - | - | 12,000 |
| **Total non-current liabilities** | | **3,622** | **8,812** | **16,780** |
| **Current liabilities** | | | | |
| Loans and borrowings | **13** | 512 | 795 | 1,001 |
| Current tax liabilities | | 746 | 521 | 1,151 |
| Other payables | **14** | 170 | 495 | 756 |
| Contract liabilties | **15** | 587 | - | - |
| **Total current liabilities** | | **2,015** | **1,811** | **2,908** |
| **TOTAL LIABILITIES** | | **5,637** | **10,623** | **19,688** |
| **TOTAL EQUITY AND LIABILITIES** | | **60,563** | **75,311** | **128,478** |

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

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | FYE 31 December 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
|---|---|---|---|---|
| Revenue | **16** | 10,010 | 19,207 | 30,769 |
| Cost of sales | | (6,052) | (13,263) | (16,951) |
| **Gross profit** | | 3,958 | 5,944 | 13,818 |
| Other income | **17** | 46 | 62 | 366 |
| Administrative expenses | | (1,492) | (2,316) | (2,328) |
| **Operating profit** | | 2,512 | 3,690 | 11,856 |
| Finance costs | **18** | (196) | (373) | (744) |
| **Profit before tax** | **19** | 2,316 | 3,317 | 11,112 |
| Income tax expense | **21** | (745) | (1,355) | (2,907) |
| **Profit for the financial year/ Total comprehensive income for the financial year** | | **1,571** | **1,962** | **8,205** |
| **Profit/(Loss) attributable to:** | | | | |
| Owners of the Group | | **1,571** | **1,962** | **8,209** |
| Non-controling interests | | - | - | (4) |
| | | **1,571** | **1,962** | **8,205** |

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

## COMBINED STATEMENTS OF CHANGES IN EQUITY

| | Note | ← Attributable to owners of the Group → Invested equity RM '000 | Reorganisation deficit RM '000 | (Accumulated losses)/ Retained earnings RM '000 | Total equity RM '000 | Non-controlling interest RM '000 | Total equity RM '000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2018** | | **25,400** | **-** | **(10)** | **25,390** | **-** | **25,390** |
| - Effect of MFRS 16 | | | | (35) | (35) | - | **(35)** |
| Total comprehensive income for the financial year | | - | - | 1,571 | 1,571 | - | **1,571** |
| **Transaction with owners** | | | | | | | |
| Issues of shares | | 28,000 | - | - | 28,000 | - | **28,000** |
| **At 31 December 2018** | | 53,400 | - | 1,526 | 54,926 | - | 54,926 |
| Total comprehensive income for the financial year | | - | - | 1,962 | 1,962 | - | **1,962** |
| **Transaction with owners** | | | | | | | |
| Issues of shares | | 7,800 | - | - | 7,800 | - | **7,800** |
| **At 31 December 2019** | | **61,200** | **-** | **3,488** | **64,688** | **-** | **64,688** |
| Total comprehensive income for the financial year | | - | - | 8,209 | 8,209 | (4) | **8,205** |
| **Transaction with owners** | | | | | | | |
| Issue of share | | 102,940 | | | 102,940 | 780 | **103,720** |
| Reorganisation deficit | **12** | (57,200) | (10,437) | - | (67,637) | - | **(67,637)** |
| Dividends paid on shares | **22** | - | - | (186) | (186) | - | **(186)** |
| Total transaction with owners | | 45,740 | (10,437) | (186) | 35,117 | 780 | 35,897 |
| **At 31 December 2020** | | **106,940** | **(10,437)** | **11,511** | **108,014** | **776** | **108,790** |

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

**COMBINED STATEMENTS OF CASH FLOWS**

| | Note | 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
|---|---|---|---|---|
| | | ← FYE 31 December | | → |
| **Cash flows from operating activities** | | | | |
| Profit before tax: | | 2,316 | 3,317 | 11,112 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | | 542 | 1,070 | 1,514 |
| Gain on disposal of property, plant and equipment | | - | * | * |
| Trade receivable written off | | 87 | 117 | 147 |
| Depreciation of investment property | | 20 | 20 | 20 |
| Finance costs | | 196 | 373 | 744 |
| Finance income | | - | - | (9) |
| **Operating profit before changes in working capital** | | **3,161** | **4,897** | **13,528** |
| Changes in working capital: | | | | |
| Inventories | | (1,526) | 671 | 379 |
| Trade and other receivables | | (8,711) | (24,582) | (49,121) |
| Other payables | | (80) | 325 | 185 |
| Contract liability | | 587 | (587) | - |
| Net cash generated from operations | | (6,569) | (19,276) | (35,029) |
| Income tax paid | | (236) | (1,610) | (2,223) |
| Income tax refund | | - | 1 | 6 |
| Finance income | | - | - | 9 |
| Net cash used in operating activities | | **(6,805)** | **(20,885)** | **(37,237)** |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | **(a)** | (587) | (1,921) | (2,289) |
| Proceeds from disposal of property, plant and equipment | | - | 4 | 1 |
| Net cash used in investing activities | | **(587)** | **(1,917)** | **(2,288)** |

## COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

| | Note | 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
|---|---|---|---|---|
| | | FYE 31 December | | |
| **Cash flows from financing activities** | **(b)** | | | |
| Proceeds from issuance of ordinary shares | | 28,000 | 7,800 | 36,083 |
| Proceeds from issuance of redeemable preference shares | | - | 4,125 | 4,190 |
| Redemption of redeemable preference shares | | - | - | (8,315) |
| Interest paid | | (196) | (373) | (744) |
| Repayment of term loans | | (36) | (39) | (8) |
| Net changes of lease liabilities | | (269) | (604) | (855) |
| Net change in advance from/(to) shareholders | | (17,713) | 17,626 | 14,155 |
| Net change in amount owing to minority interest | | - | - | (780) |
| Dividend paid | | - | - | (186) |
| Net cash from financing activities | | **9,786** | **28,535** | **43,540** |
| Net increase in cash and cash equivalents | | 2,394 | 5,733 | 4,015 |
| **Cash and cash equivalents at the beginning of the financial year** | | 3,516 | 5,910 | 11,643 |
| **Cash and cash equivalents at the end of the financial year** | **10** | **5,910** | **11,643** | **15,658** |

* Amount is less than RM 1,000.

(a) Purchase of property, plant and equipment

| | Note | 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
|---|---|---|---|---|
| | | FYE 31 December | | |
| Purchase of property, plant and equipment | **5** | 3,282 | 3,902 | 3,685 |
| Finance by a way of lease liability arrangement | | (2,695) | (1,981) | (1,396) |
| Cash payments on purchase of property, plant and equipment | | 587 | 1,921 | 2,289 |

## COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

| | 1 January 2018 | Cash flows | Non-cash Right-of-use assets | Non-cash Rent Concession | 31 December 2018 |
|---|---|---|---|---|---|
| | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| Term loans | 884 | (36) | - | - | 848 |
| Lease liabilities | 859 | (269) | 2,695 | - | 3,285 |
| Advances to shareholders | (1,992) | (17,713) | - | - | (19,705) |
| | (249) | (18,018) | 2,695 | - | (15,572) |

| | 1 January 2019 | Cash flows | Non-cash Right-of-use assets | Non-cash Rent Concession | 31 December 2019 |
|---|---|---|---|---|---|
| | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| Term loans | 848 | (39) | - | - | 809 |
| Redeemable preferences shares | - | 4,125 | - | - | 4,125 |
| Lease liabilities | 3,285 | (604) | 1,981 | - | 4,662 |
| Advances to shareholders | (19,705) | 17,626 | - | - | (2,079) |
| | (15,572) | 21,108 | 1,981 | - | 7,517 |

| | 1 January 2020 | Cash flows | Non-cash Right-of-use assets | Non-cash Rent Concession | 31 December 2020 |
|---|---|---|---|---|---|
| | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| Term loans | 809 | (8) | - | - | 801 |
| Redeemable preferences shares | 4,125 | (4,125) | - | - | - |
| Lease liabilities | 4,662 | (820) | 1,125 | (35) | 4,932 |
| Advances to shareholders | (2,079) | 2,079 | - | - | - |
| Advances from shareholders | - | 12,076 | - | - | 12,076 |
| Amount owing from minority interest | - | (780) | - | - | (780) |
| | 7,517 | 8,422 | 1,125 | (35) | 17,029 |

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

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated on 22 December 2020 under Companies Act 2016, as a private limited liability company, and is domiciled in Malaysia. The Company was converted to a public company limited by shares and assumed its present name on 24 June 2021. The registered office of the Company is located at Level 2, Tower 1, Avenue 5, 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.

The principal activity of the Company is investment holding. The details of the combined entities are as follows:

| Combined entities | Principal place of business/ country of incorporation | Principal activities |
|---|---|---|
| Pajak Gadai Tetap Sejiwa Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai Pappajack Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai Bertuah Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai PPJack Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai PPJ Sehati Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai PPJ Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai Pappajack Sehati Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai Consistent Reach Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai TSE Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai BT Cleaning Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai TMI Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Dhoy Ghaut (Kapar) Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Dhoby Ghaut Holdings Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Dhoy Ghaut (M) Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Mashita Holdings Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Consistent Reach Holdings Sdn. Bhd. | Malaysia | Licensed pawnshop |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**1. GENERAL INFORMATION (CONTINUED)**

| Combined entities | Principal place of business/ country of incorporation | Principal activities |
|---|---|---|
| Pappajack Holdings Berhad | Malaysia | Licensed pawnshop |
| Dhoby Ghaut (Sel) Sdn. Bhd. | Malaysia | Licensed pawnshop |
| DGH Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai PPJ Sejiwa Sdn. Bhd. | Malaysia | Licensed pawnshop |
| PPJ Sejaya Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai PPJ Rezeki Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai PPJ Sinar Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai PPJ Makmur Sdn. Bhd. | Malaysia | Licensed pawnshop |
| PPJ Abadi Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai PPJ Sukses Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai PPJ Landas Emas Sdn. Bhd. | Malaysia | Licensed pawnshop |
| PPJ Mandiri Sdn. Bhd. | Malaysia | Licensed pawnshop |
| Pajak Gadai PPJ Berkat Sdn. Bhd. | Malaysia | Licensed pawnshop |
| PPJ Maju Sdn. Bhd. | Malaysia | Licensed pawnshop |

There have been no significant changes in the nature of these principal activities during the financial years under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 June 2021.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 2. BASIS OF PREPARATION

The combined financial statements of the Company (as defined herein) for the financial years ended ("FYE") 31 December 2018, 31 December 2019 and 31 December 2020 have been prepared pursuant to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad which consist of the financial statements of the following entities under common control for each of the financial years.

| | FYE 31 December | | |
|---|---|---|---|
| **Entities Under Common Control** | **2018** | **2019** | **2020** |
| Pappajack Sdn Bhd | ^ | ^ | & |
| Pajak Gadai Tetap Sejiwa Sdn. Bhd. | # | # | & |
| Pajak Gadai Pappajack Sdn. Bhd. | # | # | & |
| Pajak Gadai Bertuah Sdn. Bhd. | # | # | & |
| Pajak Gadai PPJack Sdn. Bhd. | # | # | & |
| Pajak Gadai PPJ Sehati Sdn. Bhd. | # | # | & |
| Pajak Gadai PPJ Sdn. Bhd. | # | # | & |
| Pajak Gadai Pappajack Sehati Sdn. Bhd. | # | # | & |
| Pajak Gadai Consistent Reach Sdn. Bhd. | # | # | & |
| Pajak Gadai TSE Sdn. Bhd. | # | # | & |
| Pajak Gadai BT Cleaning Sdn. Bhd. | # | # | & |
| Pajak Gadai TMI Sdn. Bhd. | # | # | & |
| Dhoy Ghaut (Kapar) Sdn. Bhd. | # | # | & |
| Dhoby Ghaut Holdings Sdn. Bhd. | # | # | & |
| Dhoy Ghaut (M) Sdn. Bhd. | # | # | & |
| Mashita Holdings Sdn. Bhd. | # | # | & |
| Consistent Reach Holdings Sdn. Bhd. | # | # | & |
| Pappajack Holdings Berhad | * | # | & |
| Dhoby Ghaut (Sel) Sdn. Bhd. | * | # | & |
| DGH Sdn. Bhd. | * | # | & |
| Pajak Gadai PPJ Sejiwa Sdn. Bhd. | * | # | & |
| PPJ Sejaya Sdn. Bhd. | * | # | & |
| PPJ Rezeki Sdn. Bhd. | * | # | & |
| PPJ Sinar Sdn. Bhd. | * | # | & |
| PPJ Makmur Sdn. Bhd. | * | # | & |
| PPJ Abadi Sdn. Bhd. | * | # | & |
| PPJ Sukses Sdn. Bhd. | * | # | & |
| PPJ Landas Emas Sdn. Bhd. | * | # | & |
| PPJ Mandiri Sdn. Bhd. | * | # | & |
| PPJ Berkat Sdn. Bhd. | * | # | & |
| PPJ Maju Sdn. Bhd. | * | # | & |

* *No financial statements were available as the Company was incorporated in 2019.*
^ *No financial statements were available as the Company was incorporated in 2020.*

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

*# The combined financial statements of the Group for the respective financial years have been prepared based on the financial statements which were audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which were lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

*& The consolidated financial statements of the Group for the financial year/period have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT*

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of the entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the combined financial statements of the Group had the relevant proposed transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years presented in these combined financial statements.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.1 Statement of compliance

The combined financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

### 2.2 Adoption of amendments/improvements to MFRSs and explanation of change in accounting policy

#### (a) Adoption of amendments/improvements to MFRSs

The Group has adopted the following amendments/improvements to MFRSs for the current financial year:

| Amendments/Improvements to MFRSs | |
|---|---|
| MFRS 3 | Business Combinations |
| MFRS 7 | Financial Instruments: Disclosures |
| MFRS 9 | Financial Instruments |
| MFRS 16 | Leases* |
| MFRS 101 | Presentation of Financial Statements |
| MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Error |
| MFRS 139 | Financial Instruments: Recognition and Measurement |

* Early adopted the MFRS 16 issued by Malaysian Accounting Standards Board ("MASB") on 15 April 2016 and the amendment to MFRS 16 *Leases* issued on 5 June 2020or/and 6 April 2021.

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the combined financial statements of the Group did not result in significant changes to the Group's existing accounting policies, except for those as discussed below.

**MFRS 16 Leases**

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 Leases and IC Int 4 Determining whether an Arrangement contains a Lease.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Adoption of amendments/improvements to MFRSs and explanation of change in accounting policy (continued)

#### (a) Adoption of amendments/improvements to MFRSs (continued)

**MFRS 16 Leases (continued)**

The Group have applied MFRS 16 using the full retrospective approach, as if the leases had already been effective at the commencement date of existing lease contracts.

***Definition of a lease***

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group except for those as discussed below.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Adoption of amendments/improvements to MFRSs and explanation of change in accounting policy (continued)

#### (i) Adoption of amendments/improvements to MFRSs (continued)

**MFRS 16 Leases (continued)**

**(i) Classification and measurement**

As a lessee, the Group previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group:

- recognised the right-of-use assets and lease liabilities in the statements of financial position;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

**(ii) Short-term lease and low value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and IT equipment that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(iii) Other adjustments**

In addition to the adjustments described above, other items such as deferred taxes and non-controlling interests were adjusted to retained earnings as necessary upon application of MFRS 16 as at 1 January 2018.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2.2 Adoption of amendments/improvements to MFRSs and explanation of change in accounting policy (continued)**

**(i) Adoption of amendments/improvements to MFRSs (continued)**

**MFRS 16 Leases (continued)**

The effects of adoption of MFRS 16 as at 1 January 2018 are as follows:

| | Adjustments | Increase RM '000 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Property, plant and equipment | (i) | 822 |
| Deferred tax assets | (iii) | 3 |
| **Total non-current assets** | | **825** |
| **Total assets** | | **825** |
| **EQUITY** | | |
| Retained earnings | | (35) |
| **TOTAL EQUITY** | | **(35)** |
| **Non-current liabilities** | | |
| Loans and borrowings | (i) | 648 |
| **Total non-current liabilities** | | **648** |
| **Current liabilities** | | |
| Loans and borrowings | (i) | 212 |
| **Total current liabilities** | | **212** |
| **Total equity and liabilities** | | **825** |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

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

| | | Effective for financial periods beginning on or after |
|---|---|---|
| <u>New MFRS</u> | | |
| MFRS 17 | Insurance Contracts | 1 January 2023 |
| <u>Amendments/Improvements to MFRSs</u> | | |
| MFRS 1 | First-time Adoption of MFRSs | 1 January 2022^/ 1 January 2023# |
| MFRS 3 | Business Combinations | 1 January 2022/ 1 January 2023# |
| MFRS 4 | Insurance Contracts | 1 January 2021/ 1 January 2023 |
| MFRS 5 | Non-current Assets Held for Sale and Discontinued Operation | 1 January 2023# |
| MFRS 7 | Financial Instruments: Disclosures | 1 January 2021/ 1 January 2023# |
| MFRS 9 | Financial Instruments | 1 January 2021/ 1 January 2022^/ 1 January 2023# |
| MFRS 10 | Consolidated Financial Statements | Deferred |
| MFRS 15 | Revenue from Contracts with Customers | 1 January 2023# |
| MFRS 16 | Leases | 1 January 2021/ 1 January 2022^ |
| MFRS 17 | Insurance Contracts | 1 January 2023 |
| MFRS 101 | Presentation of Financial Statements | 1 January 2023/ 1 January 2023# |
| MFRS 107 | Statements of Cash Flows | 1 January 2023# |
| MFRS 108 | Accounting policies, Changes in Accounting Estimates and Errors | 1 January 2023 |
| MFRS 116 | Property, Plant and Equipment | 1 January 2022/ 1 January 2023# |
| MFRS 119 | Employee Benefits | 1 January 2023# |
| MFRS 128 | Investments in Associates and Joint Ventures | Deferred/ 1 January 2023# |
| MFRS 132 | Financial Instruments: Presentation | 1 January 2023# |
| MFRS 136 | Impairment of Assets | 1 January 2023# |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2.3 New MFRS and amendments/improvements to MFRSs have been issued, but yet to be effective (continued)**

The Group has not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective: (continued)

| | | Effective for financial periods beginning on or after |
|---|---|---|
| Amendments/Improvements to MFRSs (continued) | | |
| MFRS 137 | Provisions, Contingent Liabilities and contingent Assets | 1 January 2022/ 1 January 2023# |
| MFRS 138 | Intangible Assets | 1 January 2023# |
| MFRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2021 |
| MFRS 140 | Investment Property | 1 January 2023# |
| MFRS 141 | Agriculture | 1 January 2022^ |

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

**2.3.1** The Group plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below.

***Annual Improvements to MFRSs 2018-2020***

Annual Improvements to MFRSs 2018-2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

**2.3.1** The Group plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

***Amendments to MFRS 3 Business Combinations***

The amendments update MFRS 3 by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

***Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures***

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

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

The *Interest Rate Benchmark Reform – Phase 2* amends some specific requirements in MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, with respect to issues that affect the financial reporting during the reform of an interest rate benchmark.

The amendments provide a practical expedient whereby an entity would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

**2.3.1** The Group plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

***Amendments to MFRS 101 Presentation of Financial Statements***

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

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

***Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors***

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

**2.3.1** The Group plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

***Amendments to MFRS 116 Property, Plant and Equipment***

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while an entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

***Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets***

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

**2.4 Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency, and has been rounded to the nearest thousand, unless stated otherwise.

**2.5 Basis of measurement**

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

**2.6 Use of estimates and judgement**

The preparation of combined 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 disclosures of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group'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 higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's combined financial statements are disclosed in Note 4.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the combined financial statements of the Group.

### 3.1 Basis of combination

The combined financial statements comprise the financial statements of Pajak Gadai Tetap Sejiwa Sdn. Bhd., Pajak Gadai Pappajack Sdn. Bhd., Pajak Gadai Bertuah Sdn. Bhd., Pajak Gadai PPJack Sdn. Bhd., Pajak Gadai PPJ Sehati Sdn. Bhd., Pajak Gadai PPJ Sdn. Bhd., Pajak Gadai Pappajack Sehati Sdn. Bhd., Pajak Gadai Consistent Reach Sdn. Bhd., Pajak Gadai TSE Sdn. Bhd., Pajak Gadai BT Cleaning Sdn. Bhd., Pajak Gadai TMI Sdn. Bhd., Dhoby Ghaut (Kapar) Sdn. Bhd., Dhoby Ghaut Holdings Sdn. Bhd., Dhoby Ghaut (M) Sdn. Bhd., Mashita Holdings Sdn. Bhd., Consistent Reach Holdings Sdn. Bhd., Pappajack Holdings Berhad, Dhoby Ghaut (Sel) Sdn. Bhd., DGH Sdn. Bhd., PPJ Sejiwa Sdn. Bhd., PPJ Sejaya Sdn. Bhd., PPJ Rezeki Sdn. Bhd., PPJ Sinar Sdn. Bhd., PPJ Makmur Sdn. Bhd., PPJ Abadi Sdn. Bhd., PPJ Sukses Sdn. Bhd., PPJ Landas Emas Sdn. Bhd., PPJ Mandiri Sdn. Bhd., PPJ Berkat Sdn. Bhd., PPJ Maju Sdn. Bhd and Pappajack Sdn Bhd.. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting date as the Company consistent accounting policies are applied to like transactions and events in similar circumstances.

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the combined financial statements of the Group is a continuation of the Group and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings, and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

**NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of combination (continued)

#### (a) Business combination

The Group applies the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Combining entities acquired which have met the criteria for pooling of interest are accounted for using merger accounting policies. Under the merger method of accounting, the results of combining entities are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On combination, the difference between the costs of acquisition over the nominal value of share capital of the combining entities is taken to reorganisation reserve/(deficit).

#### (b) Transactions eliminated on combination

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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments**

Financial instruments are recognised in the combined statement of financial position when, and only when, the Group becomes a party to the contract provisions of the financial instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

**(a) Subsequent measurement**

The Group categorises the financial instruments as follows:

**(i) Financial assets**

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Financial instruments (continued)**

**(a) Subsequent measurement (continued)**

**(i) Financial assets (continued)**

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Financial instruments (continued)**

**(a) Subsequent measurement (continued)**

**(i) Financial assets (continued)**

Debt instruments (continued)

- **Fair value through profit or loss (FVPL)**
  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVPL are carried in the combined statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Financial instruments (continued)**

**(a) Subsequent measurement (continued)**

**(ii) Financial liabilities**

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities at amortised cost

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

**(b) Financial guarantee contracts**

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

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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Financial instruments (continued)**

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

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group commits itself to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

**(d) Derecognition**

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire; or
(ii) the Group has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Financial instruments (continued)**

**(d) Derecognition (continued)**

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(e) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is presented in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Property, plant and equipment**

**(a) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

**(b) Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Property, plant and equipment (continued)**

**(c) Depreciation**

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

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

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

**(d) Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Leases**

**(a) Definition of a lease**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

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

**(b) Lessee accounting**

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets and lease liabilities as separate lines in the statement of financial position.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Leases (continued)**

**(a) Lessee accounting (continued)**

Right-of-use asset (continued)

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Leases (continued)**

**(a) Lessee accounting (continued)**

Lease liability (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "administrative expenses" in the statement of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Leases (continued)**

**(b) Lessor accounting**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group is an intermediate lessors, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.5(a), then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Investment properties**

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs.

The Group uses the cost model to measure its investment properties after initial recognition. Accordingly, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use.

**3.7 Inventories**

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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.8 Contract assets/(liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a).

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or have billed the customers.

### 3.9 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances.

### 3.10 Impairment of assets

#### (a) Impairment of financial assets

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Impairment of assets (continued)**

**(a) Impairment of financial assets (continued)**

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

The Group considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Impairment of assets (continued)**

**(a) Impairment of financial assets (continued)**

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due.

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

The carrying amounts of non-financial assets (except for inventories and deferred tax assets measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Impairment of assets (continued)**

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.11 Equity instruments**

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**3.12 Employee benefits**

**(a) Short-term employee benefits**

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

**(b) Defined contribution plans**

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

**3.13 Revenue and other income**

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

Revenue recognition of the Group is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group reasonably expect that the effects on the combined financial statements would not differ materiality from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

The Group measures revenue from sale of good at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and services tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group expects to better predict the amount of consideration to which it is entitled.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 Revenue and other income**

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Company estimates it by using the adjusted market assessment approach .

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Company has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components

The Group has applied the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

**(a) Pawnbroking – Interest charges**

Interest charges from pawnbroking is recognised on a time-proportion basis using the effective interest method.

**(b) Sale of unredeemed or bid pledges**

Revenue from the sale of unredeemed or bid pledges is recognised at a point in time when the performance obligation is satisfied upon the transfer of the goods to the buyer, which generally coincides with delivery and acceptance of the pledge sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(c) Pawnbroking - Administrative fees**

Revenue from the pawnbroking-administrative fees is recognised at a point in time when the performance obligation is satisfied upon the transfer of the services to the customer.

**(d) Rental income**

Rental income is recognised on an accrual basis.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the statements of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of "other income", on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

The benefit derived from a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates

### 3.15 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

### 3.16 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

#### (a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.16 Income tax (continued)**

**(b) Deferred tax**

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Operating segments

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

### 3.18 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 3.19 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:
(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the combined statements of financial position.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial years include the following:

### 4.1 Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.4(c), the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment are disclosed in Note 5.

### 4.2 Measurement of income taxes

Significant judgement is required in determining the Group's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the tax payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Group is disclosed in Note 21.

### 4.3 Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group'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 Group uses the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type and rating, collateral or trade credit insurance.

The provision matrix is initially based on the Group's 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 financial assets are disclosed in Note 23(b).

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**4.4 Impairment of non-financial assets**

The Group assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The Group uses fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of the Group.

The carrying amounts of the non-financial assets are disclosed in Note 5 and 6.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Note | Furniture and fittings RM '000 | Office equipment RM '000 | Computer hardware and software RM '000 | Renovation RM '000 | Electrical appliances RM '000 | Signboard RM '000 | Right-of-use assets RM '000 | Total RM '000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1 January 2018 | | 37 | 480 | 63 | 894 | 20 | 45 | - | 1,539 |
| Adjustment on initial application of MFRS 16 | | - | - | - | - | - | - | 1,086 | 1,086 |
| Additions | | 5 | 132 | 20 | 399 | - | 31 | 2,695 | 3,282 |
| At 31 December 2018 | | 42 | 612 | 83 | 1,293 | 20 | 76 | 3,781 | 5,907 |
| **Accumulated depreciation** | | | | | | | | | |
| At 1 January 2018 | | 21 | 274 | 28 | 315 | 20 | 14 | - | 672 |
| Adjustment on initial application of MFRS 16 | | - | - | - | - | - | - | 264 | 264 |
| Depreciation charge for the financial year | **19** | 3 | 84 | 12 | 95 | - | 6 | 342 | 542 |
| At 31 December 2018 | | 24 | 358 | 40 | 410 | 20 | 20 | 606 | 1,478 |
| **Carrying amount** | | | | | | | | | |
| At 1 January 2018 | | **16** | **206** | **35** | **579** | **-** | **31** | **-** | **867** |
| At 31 December 2018 | | **18** | **254** | **43** | **883** | **-** | **56** | **3,175** | **4,429** |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| | Note | Furniture and fittings RM '000 | Office equipment RM '000 | Computer hardware and software RM '000 | Renovation RM '000 | Electrical appliances RM '000 | Signboard RM '000 | Right-of-use assets RM '000 | Total RM '000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1 January 2019 | | 42 | 612 | 83 | 1,293 | 20 | 76 | 3,781 | 5,907 |
| Additions | | 33 | 640 | 77 | 1,072 | - | 99 | 1,981 | 3,902 |
| Disposals | | - | - | - | - | - | (4) | - | (4) |
| At 31 December 2019 | | 75 | 1,252 | 160 | 2,365 | 20 | 171 | 5,762 | 9,805 |
| **Accumulated depreciation** | | | | | | | | | |
| At 1 January 2019 | | 24 | 358 | 40 | 410 | 20 | 20 | 606 | 1,478 |
| Depreciation charge for the financial year | **19** | 4 | 148 | 21 | 183 | - | 11 | 703 | 1,070 |
| Disposals | | - | - | - | - | - | * | - | - |
| At 31 December 2019 | | 28 | 506 | 61 | 593 | 20 | 31 | 1,309 | 2,548 |
| **Carrying amount** | | | | | | | | | |
| At 1 January 2019 | | **18** | **254** | **43** | **883** | **-** | **56** | **3,175** | **4,429** |
| At 31 December 2019 | | **47** | **746** | **99** | **1,772** | **-** | **140** | **4,453** | **7,257** |

* Amount is less than RM 1,000.

**PAPPAJACK BERHAD**
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| | Note | Furniture and fittings RM '000 | Office equipment RM '000 | Computer hardware and software RM '000 | Renovation RM '000 | Electrical appliances RM '000 | Signboard RM '000 | Right-of-use assets RM '000 | Motor Vehicle RM '000 | Total RM '000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| At 1 January 2020 | | 75 | 1,252 | 160 | 2,365 | 20 | 171 | 5,762 | - | 9,805 |
| Additions | | 42 | 494 | 110 | 1,393 | - | 116 | 1,396 | 134 | 3,685 |
| Written off | | - | (1) | - | - | - | - | (500) | - | (501) |
| At 31 December 2020 | | 117 | 1,745 | 270 | 3,758 | 20 | 287 | 6,658 | 134 | 12,989 |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 January 2020 | | 28 | 506 | 61 | 593 | 20 | 31 | 1,309 | - | 2,548 |
| Depreciation charge for the financial year | **19** | 8 | 243 | 37 | 279 | - | 22 | 912 | 13 | 1,514 |
| Written off | | - | * | - | - | - | - | (229) | - | (229) |
| At 31 December 2020 | | 36 | 749 | 98 | 872 | 20 | 53 | 1,992 | 13 | 3,833 |
| **Carrying amount** | | | | | | | | | | |
| At 1 January 2020 | | **47** | **746** | **99** | **1,772** | **-** | **140** | **4,453** | **-** | **7,257** |
| At 31 December 2020 | | **81** | **996** | **172** | **2,886** | **-** | **234** | **4,666** | **121** | **9,156** |

* Amount is less than RM 1,000.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (A) Right-of-use assets

The Group leases shoplots.

Information about leases for which the Group is a lessee is presented below:

The Group leases shoplots for pawn broking activities. The leases for shoplots generally have lease terms between 2 to 9 years.

| | Shoplots RM '000 |
|---|---|
| **Carrying amount** | |
| At 1 January 2018 | 822 |
| Additions | 2,695 |
| Depreciation | (342) |
| At 31 December 2018 | 3,175 |
| Additions | 1,981 |
| Depreciation | (703) |
| At 31 December 2019 | 4,453 |
| Additions | 1,396 |
| Depreciation | (912) |
| Written off | (271) |
| At 31 December 2020 | 4,666 |

## NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

### 6. INVESTMENT PROPERTY

| | Freehold land RM '000 | Freehold building RM '000 | Total RM '000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2018 | 488 | 977 | 1,465 |
| **Accumulated depreciation** | | | |
| At 1 January 2018 | - | 58 | 58 |
| Depreciation charge for the financial year | - | 20 | 20 |
| At 31 December 2018 | - | 78 | 78 |
| **Carrying amount** | 488 | 899 | 1,387 |

| | Freehold land RM '000 | Freehold building RM '000 | Total RM '000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2019 | 488 | 977 | 1,465 |
| **Accumulated depreciation** | | | |
| At 1 January 2019 | - | 78 | 78 |
| Depreciation charge for the financial year | - | 20 | 20 |
| At 31 December 2019 | - | 98 | 98 |
| **Carrying amount** | 488 | 879 | 1,367 |

| | Freehold land RM '000 | Freehold building RM '000 | Total RM '000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2020 | 488 | 977 | 1,465 |
| **Accumulated depreciation** | | | |
| At 1 January 2020 | - | 98 | 98 |
| Depreciation charge for the financial year | - | 20 | 20 |
| At 31 December 2020 | - | 118 | 118 |
| **Carrying amount** | 488 | 859 | 1,347 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 6. INVESTMENT PROPERTY

Investment property with a carrying amount of RM1,347,800 (2019: RM1,367,333 and 2018: RM1,386,867) has been pledged as security to secure credit facilities of the Group as disclosed in Note 13.

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

| | FYE 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | **RM '000** | **RM '000** | **RM '000** |
| Rental income | 46 | 65 | 49 |
| Direct operating expenses: | | | |
| - income generating investment property | 2 | 2 | 2 |

**Fair value information**

The directors estimated the fair value of investment property of approximately RM3,588,000 (31.12.2019: RM3,588,000 and 31.12.2018: RM3,588,000) is categorised at Level 3 of the fair value hierarchy.

There are no Level 1 and Level 2 investment properties or transfers between levels during the financial years ended 31 December 2018 and 31 December 2019 and 31 December 2020

**Level 3 fair value**

The following table shows the valuation techniques used in the determination of fair values within level 3, as well as the significant unobservable inputs used in the valuation models.

| **Description** | **Valuation technique** | **Significant unobservable inputs** | **Relationship of unobservable inputs to fair value** |
|---|---|---|---|
| Land and buildings | Sales comparison approach | Price per square foot | The higher the price per square foot, the higher the fair value |

**Valuation processes applied by the Group**

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

**Highest and best use**

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

## NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 7. DEFERRED TAX ASSETS/(LIABILITIES)

| | At 1 January 2018<br>RM '000 | Recognised in retained earnings<br>RM '000 | Recognised in profit or loss (Note 21)<br>RM '000 | At 31 December 2018<br>RM '000 |
|---|---|---|---|---|
| **Deferred tax assets:** | | | | |
| Property, plant and equipment | 6 | 1 | 1 | 8 |
| Unabsorbed capital allowance | 6 | - | (6) | - |
| Unabsorbed business losses | 10 | - | (10) | - |
| | 22 | 1 | (15) | 8 |
| **Deferred tax liabilities:** | | | | |
| Property, plant and equipment | (4) | 2 | 1 | (1) |
| | (4) | 2 | 1 | (1) |
| | 18 | 3 | (14) | 7 |

| | At 1 January 2019<br>RM '000 | Recognised in retained earnings<br>RM '000 | Recognised in profit or loss (Note 21)<br>RM '000 | At 31 December 2019<br>RM '000 |
|---|---|---|---|---|
| **Deferred tax assets:** | | | | |
| Property, plant and equipment | 8 | - | 17 | 25 |
| | 8 | - | 17 | 25 |
| **Deferred tax liabilities:** | | | | |
| Property, plant and equipment | (1) | - | (10) | (11) |
| | (1) | - | (10) | (11) |
| | 7 | - | 7 | 14 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**7. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)**

| | At 1 January 2020 | Recognised in retained earnings | Recognised in profit or loss (Note 21) | At 31 December 2020 |
|---|---|---|---|---|
| | RM '000 | RM '000 | RM '000 | RM '000 |
| **Deferred tax assets:** | | | | |
| Property, plant and equipment | 25 | - | (25) | - |
| | 25 | - | (25) | - |
| **Deferred tax liabilities:** | | | | |
| Property, plant and equipment | (11) | - | (37) | (48) |
| | (11) | - | (37) | (48) |
| | (11) | - | (62) | (48) |

## NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

## 7. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

| | FYE 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | **RM '000** | **RM '000** | **RM '000** |
| **Presented after appropriate offsetting as follows:** | | | |
| Deferred tax assets | 8 | 25 | - |
| Deferred tax liabilities | (1) | (11) | 48 |
| | 7 | 14 | 48 |

<u>Unrecognised deferred tax assets</u>

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

| | FYE 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | **RM '000** | **RM '000** | **RM '000** |
| Unused tax losses | 105 | 321 | 233 |
| Unabsorbed capital allwance | 39 | 164 | 191 |
| Temporary differences arising from property, plant and equipment | 101 | 202 | 268 |
| | 245 | 687 | 692 |

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

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

## 8. INVENTORIES

| | As at 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | **RM '000** | **RM '000** | **RM '000** |
| **At cost:** | | | |
| Auctioned pledges | 1,924 | 1,252 | 873 |

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM12,421,655 (2019: RM10,399,857 and 2018: RM4,516,311).

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 9. TRADE AND OTHER RECEIVABLES

| | Note | As at 31 December 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
|---|---|---|---|---|
| **Trade** | | | | |
| Trade receivables | | | | |
| - Pawn loans | **(a)** | 26,616 | 50,195 | 98,779 |
| | | 26,616 | 50,195 | 98,779 |
| **Non-trade** | | | | |
| Other receivables | | 47 | 68 | 1,086 |
| Advances to shareholders | **(b)** | 19,705 | 2,079 | - |
| Deposits | | 169 | 343 | 356 |
| Prepayments | | 367 | 1,059 | 1,199 |
| | | 20,288 | 3,549 | 2,641 |
| Total trade and other receivables | | 46,904 | 53,744 | 101,420 |

### (a) Trade receivables

Pawn loans are secured by pledges. The quantum of loans granted to customers is based on a portion of the value of the pledge. In the event that a customer does not renew or redeem a pledge within agreed redemption period from the grant date of the loan, the pledge will be disposed by a sale by auction or forfeited, in accordance with the provisions of the Pawnbrokers Act 1972.

The pawn loans bear monthly interest ranging from 1.50% to 2.00% (2019: 1.50% to 2.00% and 2018: 1.50% to 2.00%).

### (b) Advances to shareholders

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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**10. CASH AND BANK BALANCES**

| | As at 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | **RM '000** | **RM '000** | **RM '000** |
| Cash and bank balances | 5,910 | 11,643 | 15,658 |

**11. INVESTED EQUITY**

| | As at 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | **Number of shares ('000)** | | |
| At 1 January | 25,400 | 53,400 | 61,200 |
| Issuance of ordinary shares | 28,000 | 7,800 | 99,231 |
| Adjustment pursuant to pre-IPO reorganisation | - | - | (57,200) |
| At 31 December | 53,400 | 61,200 | 103,231 |

| | As at 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | **RM '000** | **RM '000** | **RM '000** |
| At 1 January | 25,400 | 53,400 | 61,200 |
| Issuance of ordinary shares | 28,000 | 7,800 | 102,940 |
| Adjustment pursuant to pre-IPO reorganisation | - | - | (57,200) |
| At 31 December | 53,400 | 61,200 | 106,940 |

For the purpose of this report, the total number of shares as at 31 December 2018, 31 December 2019 and 31 December 2020 represent the aggregate number of issued shares of all entities within the Group.

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

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.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

### 12. REORGANISATION DEFICIT

| | As at 31 December 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
|---|---|---|---|
| At 1 January | - | - | - |
| Effect of acquisition of subsidaries | - | - | (10,437) |
| At 31 December | - | - | (10,437) |

As detailed in Note 26, the Pappajack Holdings Berhad completed its pre-IPO reorganisation on 24 December 2020. Consequently, reorganisation deficit represents the difference between the purchase consideration to acquire Pajak Gadai Tetap Sejiwa Sdn. Bhd., Pajak Gadai Pappajack Sdn. Bhd., Pajak Gadai Bertuah Sdn. Bhd., Pajak Gadai PPJack Sdn. Bhd., Pajak Gadai PPJ Sehati Sdn. Bhd., Pajak Gadai PPJ Sdn. Bhd., Pajak Gadai Pappajack Sehati Sdn. Bhd., Pajak Gadai Consistent Reach Sdn. Bhd., Pajak Gadai TSE Sdn. Bhd., Pajak Gadai BT Cleaning Sdn. Bhd., Dhoby Ghaut (Kapar) Sdn. Bhd, Consistent Reach Holdings Sdn. Bhd., Mashita Holdings Sdn. Bhd., Dhoby Ghaut (M) Sdn. Bhd. and Dhoby Ghaut Holdings Sdn. Bhd. and the share capital of said Group as at 31 December 2020.

### 13. LOANS AND BORROWINGS

| | Note | As at 31 December 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
|---|---|---|---|---|
| **Non-current:** | | | | |
| Term loan | **(a)** | 809 | 761 | 776 |
| Lease liabilities | **(b)** | 2,812 | 3,915 | 3,956 |
| Redeemable preference shares | **(c)** | - | 4,125 | - |
| | | 3,621 | 8,801 | 4,732 |
| **Current:** | | | | |
| Term loan | **(a)** | 39 | 48 | 25 |
| Lease liabilities | **(b)** | 473 | 747 | 976 |
| | | 512 | 795 | 1,001 |
| **Total loans and borrowings:** | | | | |
| Term loan | **(a)** | 848 | 809 | 801 |
| Lease liabilities | **(b)** | 3,285 | 4,662 | 4,932 |
| Redeemable preference shares | **(c)** | - | 4,125 | - |
| | | 4,133 | 9,596 | 5,733 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**13. LOANS AND BORROWINGS (CONTINUED)**

**(a) Term loan**

Term loan of the Group bear interest base lending rate ("BLR") minus 2.2% per annum and is repayable by monthly instalments of RM6,572 until fully settled commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the freehold land and buildings of a combining entity as disclosed in Note 6;
(ii) Joint and several guarantee by several directors of the Group; and
(iii) Corporate guarantee by related company.

**(b) Lease liabilities**

As disclosed in Note 5, the Group leases shoplot for its office space and operations. The leases are mainly for an initial lease of three (1) to five (5) years. The Group has the options to renew these leases.

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

| | As at 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | **RM '000** | **RM '000** | **RM '000** |
| Minimum lease payment: | | | |
| - Not later than one year | 678 | 1,034 | 1,257 |
| - Later than one year and not later than five years | 2,227 | 3,569 | 3,845 |
| - More than five years | 1,229 | 1,066 | 689 |
| | 4,134 | 5,669 | 5,791 |
| Less: Future finance charges | (849) | (1,007) | (859) |
| Present value of minimum lease payments | 3,285 | 4,662 | 4,932 |
| | | | |
| Present value of minimum lease payment payable: | | | |
| - Not later than one year | 473 | 747 | 976 |
| - Later than one year and not later than five years | 1,710 | 2,926 | 3,385 |
| - More than five years | 1,102 | 989 | 571 |
| | 3,285 | 4,662 | 4,932 |
| Less: Amount due within twelve months | (473) | (747) | (976) |
| Amount due after twelve months | 2,812 | 3,915 | 3,956 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 13. LOANS AND BORROWINGS (CONTINUED)

### (c) Redeemable preference shares

During the financial year ended 31 December 2019, 4,125,000 redeemable preference shares were issued by the Company at an issue price of RM1 per share. The salient features of the redeemable preference shares are as follows:

i) To be redeemed at the end of the tenure of three years upon allotment and such redemption shall be out of methods provided by the Companies Act 2016;
ii) The redeemable preference shares shall rank equally therewith;
iii) The redeemable preference shares shall be non-convertible; and
iv) The redeemable preference shares shall be entitled to a fixed dividend of 7% per annum to be paid on a semi-annual basis and such dividend shall be cumulative subject to fulfilment of solvency test.

During the financial year ended 31 December 2020, 4,190,000 redeemable preference shares were issued by the Company at an issue price of RM1 per share. The salient features of the redeemable preference shares are as follows:

i) To be redeemed at the end of the tenure of three years upon allotment and such redemption shall be out of methods as provided by the Companies Act 2016;
ii) The redeemable preference shares shall rank equally therewith;
iii) The redeemable preference shares shall be non-convertible; and
iv) The redeemable preference shares shall be entitled to a fixed dividend of 6% or 7% per annum to be paid on a semi-annual basis and such dividend shall be cumulative subject to fulfilment of solvency test.

On 23 December 2020, the company issued 8,315,000 units of ordinary shares at a price of RM1 per unit to redeem RM8,315,000 redeemable preference shares.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 14. OTHER PAYABLES

| | Note | As at 31 December 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
|---|---|---|---|---|
| **Non-current:** | | | | |
| **Non-trade** | | | | |
| Advances from shareholders | (a) | - | - | 12,000 |
| | | - | - | 12,000 |
| **Current:** | | | | |
| **Non-trade** | | | | |
| Other payables | | 76 | 234 | 233 |
| Advances from shareholders | (a) | - | - | 76 |
| Accruals | | 83 | 250 | 436 |
| Deposits payable | | 11 | 11 | 11 |
| | | 170 | 495 | 756 |
| Other payables | | 170 | 495 | 12,756 |

**(a) Advances from shareholders**

Advances from shareholders are unsecured, bears interest at 4% per annum, and is expected to be settled progressively over 4 equal instalments on 30 September 2022, 31 December 2022, 31 March 2023 and 30 June 2023.

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

## 15. CONTRACT LIABILITIES

| | As at 31 December 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
|---|---|---|---|
| **At 1 January** | - | 587 | - |
| Revenue recognised during the year | - | (587) | - |
| Contract liabilities related to timing differences between recognition of revenue and issuance of invoice | 587 | - | - |
| **At 31 December** | 587 | - | - |

## NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

### 16. REVENUE

| | FYE 31 December | | |
|---|---|---|---|
| | 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
| **At a point in time:** | | | |
| Sale of unredeemed or bid pledges | 5,429 | 11,915 | 16,885 |
| Pawnbroking - Administrative fees | 32 | 62 | 91 |
| **Over time:** | | | |
| Pawnbroking - Interest charges | 4,549 | 7,230 | 13,793 |
| | 10,010 | 19,207 | 30,769 |

**(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 28.

### 17. OTHER INCOME

| | FYE 31 December | | |
|---|---|---|---|
| | 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
| Government grants | - | - | 250 |
| Rental income | 46 | 61 | 64 |
| Rental concession | - | - | 35 |
| Interest income | - | - | 9 |
| Miscellaneous income | - | 1 | 8 |
| | 46 | 62 | 366 |

### 18. FINANCE COSTS

| | FYE 31 December | | |
|---|---|---|---|
| | 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
| Interest expense on: | | | |
| - Term loan | 41 | 38 | 29 |
| - Lease liabilities | 126 | 271 | 275 |
| - Advances from shareholders | 29 | 64 | 76 |
| - Redeemable preference shares | - | - | 364 |
| | 196 | 373 | 744 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED**

## 19. PROFIT BEFORE TAX

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

| | | FYE 31 December | | |
|---|---|---|---|---|
| | | 2018 | 2019 | 2020 |
| | Note | RM '000 | RM '000 | RM '000 |
| Auditors' remuneration | | | | |
| - Current year | | 36 | 72 | 141 |
| Depreciation of property, plant and equipment | 5 | 542 | 1,070 | 1,514 |
| Depreciation of investment property | | 20 | 20 | 20 |
| Trade receivable written off | | 87 | 117 | 147 |
| Rental expenses | | 94 | 96 | 121 |
| Employee benefits expense | 20 | 1,121 | 1,379 | 2,479 |

## 20. EMPLOYEE BENEFITS EXPENSE

| | FYE 31 December | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | RM '000 | RM '000 | RM '000 |
| Salaries, wages, allowances and bonuses | 1,026 | 1,193 | 2,204 |
| Defined contribution plans | 90 | 172 | 246 |
| Other staff related benefits | 5 | 14 | 29 |
| | 1,121 | 1,379 | 2,479 |
| Included in employee benefits expense are: | | | |
| Directors' remuneration | | | |
| - Salaries, allowances and bonuses | 398 | 16 | 1 |
| - Defined contribution plans | 8 | 7 | 1 |
| - Other staff related benefits | - | - | - |
| | 406 | 23 | 2 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 21. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 are as follows:

| | FYE 31 December | | |
|---|---|---|---|
| | **2018 RM '000** | **2019 RM '000** | **2020 RM '000** |
| **Combined statements of comprehensive income** | | | |
| **Current income tax:** | | | |
| - Current income tax charge | 732 | 1,338 | 2,845 |
| - Adjustment in respect of prior years | (1) | 24 | * |
| | 731 | 1,362 | 2,845 |
| **Deferred tax (Note 7):** | | | |
| - Origination/(reversal) of temporary diferrence | 14 | (7) | 62 |
| - Adjustment in respect of prior financial years | - | - | * |
| | 14 | (7) | 62 |
| Income tax expense recognised in profit or loss | 745 | 1,355 | 2,907 |

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

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

| | FYE 31 December | | |
|---|---|---|---|
| | **2018 RM '000** | **2019 RM '000** | **2020 RM '000** |
| Profit before tax | 2,316 | 3,317 | 11,112 |
| Tax at Malaysian statutory income tax rate of 24% | 556 | 796 | 2,667 |
| Adjustments: | | | |
| SME tax savings | (30) | (35) | - |
| Income not subject to tax | - | - | (27) |
| Non-deductible expenses | 217 | 464 | 265 |
| Utilisation of unrecognised deferred tax asset | (28) | (36) | (133) |
| Deferred tax not recognised on temporary differences | 31 | 142 | 135 |
| Adjustment in respect of current income tax of prior years | (1) | 24 | * |
| Adjustment in respect of deferred tax of prior years | - | - | * |
| Income tax expense | 745 | 1,355 | 2,907 |

* Amount is less than RM 1,000.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 22. DIVIDEND

| | As at 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | **RM '000** | **RM '000** | **RM '000** |
| **Recognised during the financial year:** | | | |
| Dividends on ordinary shares: | | | |
| - Single-tier interim dividend for the financial year ended 31 December 2020: RM0.03 per ordinary share of a combining entity, paid on 2 July 2020 | - | - | 120 |
| - Single-tier interim dividend for the financial year ended 31 December 2020: RM0.02 per ordinary share of a combining entity, paid on 11 June 2020 and 29 July 2020 | - | - | 66 |
| | - | - | 186 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 23. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

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

| | Carrying amount RM '000 | Amortised cost RM '000 |
|---|---|---|
| **At 31 December 2018** | | |
| **Financial assets** | | |
| Trade and other receivables, less prepayments | 46,537 | 46,537 |
| Cash and short-term deposits | 5,910 | 5,910 |
| | 52,447 | 52,447 |
| **Financial liabilities** | | |
| Loans and borrowings | (4,133) | (4,133) |
| Other payables | (170) | (170) |
| | (4,303) | (4,303) |
| **At 31 December 2019** | | |
| **Financial assets** | | |
| Trade and other receivables, less prepayments | 52,685 | 52,685 |
| Cash and short-term deposits | 11,643 | 11,643 |
| | 64,328 | 64,328 |
| **Financial liabilities** | | |
| Loans and borrowings | (9,596) | (9,596) |
| Other payables | (495) | (495) |
| | (10,091) | (10,091) |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Categories of financial instruments (continued)**

| | Carrying amount RM '000 | Amortised cost RM '000 |
|---|---|---|
| **At 31 December 2020** | | |
| **Financial assets** | | |
| Trade and other receivables, less prepayments | 100,221 | 100,221 |
| Cash and short-term deposits | 15,658 | 15,658 |
| | 115,879 | 115,879 |
| **Financial liabilities** | | |
| Loans and borrowings | (5,733) | (5,733) |
| Other payables | (12,756) | (12,756) |
| | (18,489) | (18,489) |

**(b) Financial risk management**

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The Group'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.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group'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 has 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 and other receivables is represented by their carrying amounts in the combined statements of financial position

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(i) Credit risk (continued)**

**Trade receivables (continued)**

Credit risk concentration profile

The Group has no significant concentration of credit risk from its 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 expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

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

| | Trade receivables | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current RM '000 | 1 to 30 days past due RM '000 | 31 to 60 days past due RM '000 | 61 to 90 days past due RM '000 | 91 to 120 days past due RM '000 | > 120 days past due RM '000 | Total RM '000 |
| **At 31 December 2018** | | | | | | | |
| Expected credit loss rate | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Gross carrying amount at default | 23,204 | 1,418 | 1,149 | 698 | 134 | 13 | 26,616 |
| Impairment losses | - | - | - | - | - | - | - |
| **At 31 December 2019** | | | | | | | |
| Expected credit loss rate | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Gross carrying amount at default | 45,293 | 2,182 | 1,365 | 950 | 364 | 41 | 50,195 |
| Impairment losses | - | - | - | - | - | - | - |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(i) Credit risk (continued)**

**Trade receivables (continued)**

Credit risk concentration profile (continued)

| | Trade receivables | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current<br>RM '000 | 1 to 30 days past due<br>RM '000 | 31 to 60 days past due<br>RM '000 | 61 to 90 days past due<br>RM '000 | 91 to 120 days past due<br>RM '000 | > 120 days past due<br>RM '000 | Total<br>RM '000 |
| **At 31 December 2020** | | | | | | | |
| Expected credit loss rate | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Gross carrying amount at default | 89,507 | 6,003 | 2,747 | - | 173 | 349 | 98,779 |
| Impairment losses | - | - | - | - | - | - | - |

**Other receivables and other financial assets**

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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(i) Credit risk (continued)**

**Other receivables and other financial assets (continued)**

The Group considers 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 compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Some intercompany loans between related entities are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.10(a) for the Group's other accounting policies for impairment of financial assets.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(ii) Liquidity risk (continued)**

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group's treasury department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

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

| | | ← Contractual cash flows → | | | |
|---|---|---|---|---|---|
| | Carrying amount RM '000 | On demand or within one year RM '000 | Between one and five years RM '000 | More than five years RM '000 | Total RM '000 |
| **At 31 December 2018** | | | | | |
| Other payables | 170 | 170 | - | - | 170 |
| Term loan | 848 | 79 | 315 | 1,004 | 1,398 |
| Lease liabilities | 3,285 | 678 | 2,227 | 1,229 | 4,134 |
| | 1,018 | 249 | 315 | 1,004 | 1,568 |
| **At 31 December 2019** | | | | | |
| Other payables | 495 | 495 | - | - | 495 |
| Term loan | 809 | 79 | 315 | 925 | 1,319 |
| Lease liabilities | 4,662 | 1,034 | 3,569 | 1,066 | 5,669 |
| Redeemable preference shares | 4,125 | - | 4,125 | - | 4,125 |
| | 10,091 | 1,608 | 8,009 | 1,991 | 11,608 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(ii) Liquidity risk (continued)**

Maturity analysis (continued)

| | | ← Contractual cash flows → | | | |
|---|---|---|---|---|---|
| | Carrying amount RM '000 | On demand or within one year RM '000 | Between one and five years RM '000 | More than five years RM '000 | Total RM '000 |
| **At 31 December 2020** | | | | | |
| Other payables | 12,756 | 756 | 12,000 | - | 12,756 |
| Term loan | 801 | 79 | 315 | 949 | 1,343 |
| Lease liabilities | 4,932 | 1,257 | 3,845 | 690 | 5,792 |
| | 18,489 | 2,092 | 16,160 | 1,639 | 19,891 |

**(iii) Interest rate risk**

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

| | Carrying amount RM '000 | Change in basis point | Effect on profit for the financial year RM '000 |
|---|---|---|---|
| **31 December 2018** | | | |
| Term loan | (848) | + 50 | (3) |
| | | - 50 | 3 |
| **31 December 2019** | | | |
| Term loan | (809) | + 50 | (3) |
| | | - 50 | 3 |
| **31 December 2020** | | | |
| Term loan | (801) | + 50 | (3) |
| | | - 50 | 3 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Fair value measurement**

The carrying amount of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate 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 years.

| | | Fair value of financial instruments not carried at fair value | | | |
|---|---|---|---|---|---|
| | Carrying amount RM '000 | ← Fair Value → Level 1 RM '000 | Level 2 RM '000 | Level 3 RM '000 | Total RM '000 |
| **At 31 December 2018** | | | | | |
| **Financial liabilities** | | | | | |
| Term loan | 809 | - | - | 721 | 721 |
| **At 31 December 2019** | | | | | |
| **Financial liabilities** | | | | | |
| Term loan | 761 | - | - | 708 | 708 |
| Redeemable preferences shares | 4,125 | | | 3,392 | 3,392 |
| **At 31 December 2020** | | | | | |
| **Financial liabilities** | | | | | |
| Term loan | 776 | - | - | 795 | 795 |
| Advance from shareholders | 12,000 | - | - | 10,503 | 10,503 |

**Level 3 fair value**

Fair value of financial instruments not carried at fair value

The fair value of liability component of term loan and lease liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 24. RELATED PARTIES

### (a) Identification of related parties

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

Related parties of the Group include:

(i) Entities in which directors have substantial financial interests;
(ii) A person(s) connected to a director; and
(iii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly and indirectly.

### (b) Significant related party transactions

| | FYE 31 December | | |
|---|---|---|---|
| | 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
| **Sales to** | | | |
| Director | - | 30 | 839 |
| **Interest expense on advances** | | | |
| Entities in which director has substantial interest | 29 | 64 | - |
| **Redeemable preference shares interest** | | | |
| Director | - | - | 62 |

### (c) Compensation of key management personnel

| | FYE 31 December | | |
|---|---|---|---|
| | 2018 RM '000 | 2019 RM '000 | 2020 RM '000 |
| Salaries, allowances and bonuses | 438 | 56 | 116 |
| Defined contribution plans | 8 | 7 | 16 |
| Other staff related benefits | - | - | 1 |
| | 446 | 63 | 133 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 25. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies and processes during the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as net debts divided by equity attributable to the owners of the Group. The gearing ratio as at 31 December 2018, 31 December 2019 and 31 December 2020 are as follows:

| | | As at 31 December | | |
|---|---|---|---|---|
| | Note | 2018<br>RM '000 | 2019<br>RM '000 | 2020<br>RM '000 |
| Loans and borrowings (excluding lease liabilities) | 13 | 848 | 4,934 | 801 |
| Total equity | | 54,926 | 64,688 | 108,790 |
| Gearing ratio (times) | | 0.02 | 0.08 | 0.01 |

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

**26. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS**

**(a) COVID-19 outbreak**

On 11 March 2020, the World Health Organisation declared the Coronavirus Disease ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the movement control order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown, and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

The Group has performed an assessment of the overall impact of the situation on the Group's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial year ended 31 December 2020.

The Group is unable to reasonably estimate the full extent of the financial impact that these events have on its financial position, results of operations or cash flows for the financial year ended 31 December 2021 due to the uncertainty of the future outcome of the current events. It is however certain that the worldwide measures against the spread of the coronavirus will have direct and indirect effects on its operations. The Group will continuously monitor the impact of Covid-19 on its operations and financial performance and will be taking appropriate and timely measures to minimise the impact of the outbreak on the Company's operations.

**(b) Acquisition of subsidiaries by Pappajack Holdings Berhad ("Pappajack Holdings")**

On 7 January 2020, 8 January 2020 and 29 June 2020, Pappajack Holdings entered into an agreement to acquire the entire equity interest of of Dhoby Ghaut (Kapar) Sdn. Bhd., Consistent Reach Holdings Sdn. Bhd., Mashita Holdings Sdn. Bhd., Dhoby Ghaut (M) Sdn. Bhd., and Dhoby Ghaut Holdings Sdn. Bhd. for a total consideration of approximately RM20,000,000. which will be wholly satisfied by the issuance of 19,215,988 shares in Pappajack Holdings at RM1.0408 per share.

On 24 December 2020, Pappajack Holdings entered into a conditional share sale agreement to acquire the entire equity interest of Pajak Gadai Tetap Sejiwa Sdn. Bhd., Pajak Gadai Pappajack Sdn. Bhd., Pajak Gadai Bertuah Sdn. Bhd., Pajak Gadai PPJack Sdn. Bhd., Pajak Gadai PPJ Sehati Sdn. Bhd., Pajak Gadai PPJ Sdn. Bhd., Pajak Gadai Pappajack Sehati Sdn. Bhd., Pajak Gadai Consistent Reach Sdn. Bhd., Pajak Gadai TSE Sdn. Bhd. and Pajak Gadai BT Cleaning Sdn. Bhd. for a total purchase consideration of RM47,637,375 which will be wholly satisfied by the issuance of 45,769,961 shares in Pappajack Holdings at RM1.0408 per share.

The purchase consideration of RM47,637,375 was arrived at on a willing buyer-willing seller basis based on the net assets of the respective subsidiaries as at 30 September 2020. The acquisition was completed on 24 December 2020.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 27. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

### (a) Acquisition of Pappajack Holdings

On 9 June 2021, the Company entered into a conditional share sale agreement to acquire the entire equity interest of Pappajack Holdings for a total purchase consideration of RM108,020,896 which will be wholly satisfied by the issuance of 500,999,999 shares in the Company at approximately RM0.22 per share.

The purchase consideration of RM108,020,896 was arrived at on a willing buyer-willing seller basis based on the net assets of Pappajack Holdings as at 31 December 2020.

## 28. SEGMENT INFORMATION

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

The two reportable operating segments are as follows:

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

<u>Segment profit</u>

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

<u>Segment assets</u>

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

<u>Segment liabilities</u>

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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**28. SEGMENT INFORMATION (CONTINUED)**

| | Pawnbroking interest charges RM '000 | Sales of unredeemed or bid pledges RM '000 | Adjustments and eliminations RM '000 | Total RM '000 |
|---|---|---|---|---|
| **31 December 2018** | | | | |
| **Revenue:** | | | | |
| Revenue from external customers | 4,581 | 5,429 | - | 10,010 |
| **Segment profit** | 3,158 | 800 | - | 3,958 |
| Other income | | | | 46 |
| Administrative expenses | | | | (1,492) |
| Finance costs | | | | (196) |
| Income tax expense | | | | (745) |
| Profit for the financial year | | | | 1,571 |
| **Results:** | | | | |
| *Included in the measure of segments profit/(loss) are:* | | | | |
| Employee benefits expense | | | | 1,121 |
| Depreciation | | | | 542 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

## 28. SEGMENT INFORMATION (CONTINUED)

| | Pawnbroking interest charges RM '000 | Sales of unredeemed or bid pledges RM '000 | Adjustments and eliminations RM '000 | Total RM '000 |
|---|---|---|---|---|
| **31 December 2019** | | | | |
| **Revenue:** | | | | |
| Revenue from external customers | 7,292 | 11,915 | - | 19,207 |
| **Segment profit** | 4,556 | 1,388 | - | 5,944 |
| Other income | | | | 62 |
| Administrative expenses | | | | (2,316) |
| Finance costs | | | | (373) |
| Income tax expense | | | | (1,355) |
| Profit for the financial year | | | | 1,962 |
| **Results:** | | | | |
| *Included in the measure of segments profit/(loss) are:* | | | | |
| Employee benefits expense | | | | 1,379 |
| Depreciation | | | | 1,070 |

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**28. SEGMENT INFORMATION (CONTINUED)**

| | Pawnbroking interest charges RM '000 | Sales of unredeemed or bid pledges RM '000 | Adjustments and eliminations RM '000 | Total RM '000 |
|---|---|---|---|---|
| **31 December 2020** | | | | |
| **Revenue:** | | | | |
| Revenue from external customers | 13,884 | 16,885 | - | 30,769 |
| **Segment profit** | 9,479 | 4,339 | - | 13,818 |
| Other income | | | | 366 |
| Administrative expenses | | | | (2,328) |
| Finance costs | | | | (744) |
| Income tax expense | | | | (2,907) |
| Profit for the financial year | | | | 8,205 |
| **Results:** | | | | |
| *Included in the measure of segments profit/(loss) are:* | | | | |
| Employee benefits expense | | | | 2,479 |
| Depreciation | | | | 1,514 |

Information about major customers

For the Sales of unredeemed or bid pledges segment, revenue from two (2) in 2018 and four (4) in 2019 and 2020. The customers represented approximately RM13,115,000 (2019: RM8,175,000; 2018: 4,914,000) of the Group's total revenue.