

2. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our shares.

2.1 OVERVIEW

We were incorporated in Malaysia under the Companies Act 2016 on 22 December 2020 as a private limited company under the name of Pappajack Sdn Bhd. Subsequently on 24 June 2021, our Company was converted into a public limited company and assumed our present name of Pappajack Berhad.

An illustration of our Group structure is set out in Section 5.2 of this Prospectus.

The principal activities of all of our subsidiaries are licenced pawnshops. Further details of our subsidiaries are set out in Section 5.4 of this Prospectus.

2.2 SUMMARY OF OUR BUSINESS

We are involved in pawnbroking industry in Malaysia. Further details on our business are set out in Section 6 of this Prospectus.

2.2.1 Business Activities

Our present business activity is pawnbroking. Further details on our business activities are set out in Section 6.2.1 of this Prospectus.

2.2.2 Revenue Segmentation

Our revenue segmentation by business segments for the FYE 2018 to FYE 2020 is summarised in the following diagram:

Revenue by Business Segment	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Pawnbroking [#]	4,581	45.76	7,292	37.97	13,884	45.12
Sale of unredeemed or bid pledges	5,429	54.24	11,915	62.03	16,885	54.88
Total revenue	10,010	100.00	19,207	100.00	30,769	100.00

Note:

[#] Pawnbroking comprises predominantly interest charges and one-off administrative fees.

Further details on our revenue segmentation by business activities are set out in Section 6.2.4 of this Prospectus.

2.2.3 Markets

Our market presence is in Malaysia. Further details on our network of pawnbroking outlets are set out in Section 6.2.3 of this Prospectus.

2.2.4 Customers

Our customers are the general public above the age of 18 who seek micro-loans. Our target customers are population who may be financially unserved or underserved by conventional financial institutions.

Further details on our customers are set out in Section 6.11 of this Prospectus.

2. PROSPECTUS SUMMARY (Cont'd)

2.2.5 Operational Outlets

As at the LPD, we have 25 pawnbroking outlets at the respective locations set out in the table below. Further details on our pawnbroking outlets are set out in Section 6.2.3 of this Prospectus.

State	Location	Company Name
Selangor	Kapar Klang	DG Kapar
	Sungai Way	DG Holdings
	Semenyih	DG Sel
	Puchong Prima	PG Bertuah
	Kota Damansara	PG Consistent Reach
	Bayu Tinggi, Klang	PG Pappajack
	Klang station	PG PPJ Sehati
	Sungai Buloh	PPJ Consistent Reach
	Klang Sentral	PPJ Sinar
	Puchong Kinrara	PG PPJack
	Puchong Utama	PG TMI
	Shah Alam	PG TSE
	Pulau Pinang	Butterworth
Ayer Itam		PG BT Cleaning
Bayan Lepas		PG Pappajack Sehati
Bukit Mertajam		PPJ Makmur
Georgetown		PPJ Sejaya
Kuala Lumpur	Pandan Jaya	PG Mashita
	Pantai Dalam	PG PPJ
	Kuchai lama	PG Tetap Sejiwa
Johor	Tampoi	DGH
	Skudai	PPJ Abadi
Perak	Chemor	PPJ Rezeki
	Ipoh Town	PG PPJ Sejiwa
Negeri Sembilan	Seremban	Pappajack Holdings

2.3 IMPACT OF COVID-19

2.3.1 COVID-19

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020.

To contain the spread of COVID-19 within Malaysia, the Government implemented movement restrictions commencing from 18 March 2020 through MCO, CMCO and RMCO. The RMCO provides further relaxation of economic, social and travel restrictions but not international travels. The Government may implement some form of movement control in the future if the spread of COVID-19 continues, increases or recurs after restrictive measures are relaxed.

Under the MCO, our outlets were not allowed to carry on business and when the CMCO was imposed in place of the MCO, our pawnbroking outlets reopened subject to implanting measures to prevent and minimise the spread of COVID-19.

Due to continuous spike in COVID-19, the Government has implemented a second phase of CMCO, MCO or RMCO at different periods in states and federal territories that recorded alarming levels of COVID-19 infection rates beginning October 2020. As the COVID-19 cases continues to increase, a third phase MCO was further imposed starting from 6 May 2021 at different periods in affected states and federal territories. The second and third phase of MCO has no impact to our business operations as our pawnbroking outlets are allowed to operate, subject to the compliance of a set of strict standard operating procedures.

2. PROSPECTUS SUMMARY *(Cont'd)*

2.4 SUMMARY OF RISK FACTORS

Our business is subject to a number of risk factors, many of which are outside our control. Before investing in our Shares, you should carefully consider, along with the other matters set out in this Prospectus, the risk factors (which may not be exhaustive) set out in Section 4 of this Prospectus.

The following are some of the key risks faced by us in our business operations:

(i) Our Business is Exposed to Unlawful and Suspicious Pawn Transactions and Transactions of Stolen gold or luxury watches

We are subject to the risk arising from the use of our pawnbroking services for money laundering or terrorists financing purposes. As there is no assurance that the measures taken for prevention of unlawful dealings can fully eliminate transactions of stolen gold or luxury watches in our pawnbroking outlets, we may be subject to financial losses and our financial position and results of operations may be adversely affected if such transaction occurs.

(ii) We Are Subject to Regulatory Requirements for pawnbroking business

We are subject to the Pawnbrokers Act 1972 and the regulations made thereunder. Our failure to comply with the Pawnbrokers Act 1972 may disrupt our operations and could have a material adverse effect on our business operation and financial performance.

(iii) We Require Cash Capital to Grow Our Business Operations

We require cash capital for the provision of pawn loans to our customers. To finance our cash capital requirements, we have been relying on internally generated funds as well as capital injections from shareholders, and shareholders' advances. Moving forward, we will also raise funds from the capital market and/or bank borrowings to finance our cash capital requirements.

(iv) Our Pledge Value is Susceptible to Gold Price Volatility

Our financial performance is significantly affected by the changes in gold price.

(v) We Are Dependent on our Managing Director and Key Management for Continued Success and Future Growth of Our Business

We are dependent on our Managing Director/ Chief Executive Officer, Mr. Lim Boon Hua, and Key Management in our business. Our success to date has been largely attributable to their efforts in implementing our Group's business strategies. The loss of the services of our key personnel without suitable and/or timely replacements, may have an adverse impact on our business and financial performance.

(vi) Our Business Operations May Be Affected As A Result of Sudden Crisis Such As the COVID-19 Pandemic

On 11 March 2020, COVID-19, was declared a worldwide pandemic by the World Health Organization.

To reduce the spread of COVID-19 within Malaysia, the Government has implemented measures to restrict the movement of people, economic and other activities, including MCO, CMCO and RMCO.

Further details on the risk factors are set out in Section 4 of this Prospectus.

2. PROSPECTUS SUMMARY (Cont'd)**2.5 COMPETITIVE STRENGTHS**

Our competitive strengths are as follows:

- (i) We are positioned to serve the population who may be financially unserved or underserved, to offer short-term micro-loans.
- (ii) The pawn loans we offer are all collateralised by pledges.
- (iii) We have capabilities in providing quick access to pledge-backed short-term micro-loans.
- (iv) Our outlet personnel have the necessary technical skills and knowledge to efficiently serve our customers.
- (v) We have an experienced key management team.
- (vi) We have a network of pawnbroking outlets which are strategically located at convenient locations, in close proximity to residential housing areas or commercial areas and with easy access to public transportation such as buses, LRT and MRT.

Further details on our competitive strengths are set out in Section 6.4 of this Prospectus.

2.6 FUTURE PLANS AND BUSINESS STRATEGIES

Our future plans are to expand our network of pawnbroking outlets to increase our market presence in Malaysia.

Further details on our future plans and business strategies are set out in Section 6.5 of this Prospectus.

2.7 DIRECTORS AND KEY MANAGEMENT OF OUR GROUP

Our Directors and Key Management are as follows:

Name	Designation
<u>Directors</u>	
Chong Chee Fire	Independent Non-Executive Chairman
Lim Boon Hua	Managing Director/ Chief Executive Officer
Law Book Ching	Executive Director
Dato' Magaret Ting Thien Hung	Independent Non-Executive Director
Koo Woon Kan	Independent Non-Executive Director
<u>Key Management</u>	
Lim Chee Hsiung	Chief Operating Officer
Wong Koon Wai	Chief Financial Officer

Please refer to Sections 8.2 and 8.3 of this Prospectus for further details of our Directors and Key Management.

2. PROSPECTUS SUMMARY (Cont'd)

2.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS OF OUR GROUP

The following table sets out the shareholdings of our Promoters and substantial shareholders before and after our IPO:

Name	Country of Incorporation/ Nationality	^(a) No. of Shares Held Before the IPO				^(b) No. of Shares Held After the IPO			
		Direct	%	Indirect	%	Direct	%	Indirect	%
<u>Promoters and Substantial Shareholders</u>									
TSE Sejahtera	Malaysia	319,638,348	63.80	-	-	319,638,348	47.85	-	-
Lim Boon Hua	Malaysian	-	-	335,103,675	^(c) 66.89	-	-	335,103,675	^(c) 50.17
Law Book Ching	Malaysian	-	-	319,638,348	^(d) 63.80	-	-	319,638,348	^(d) 47.85
Lim Siew Fang	Malaysian	-	-	319,638,348	^(d) 63.80	-	-	319,638,348	^(d) 47.85

Notes:

- (a) Based on the issued share capital of 501,000,000 Shares before the Public Issue.
(b) Based on the enlarged issued share capital of 668,000,000 Shares after the Public Issue.
(c) Deemed interested by virtue of the interests of his spouse in our Company and his interest in TSE Sejahtera pursuant to Section 8 of the Act.
(d) Deemed interested by virtue of his/her interest in TSE Sejahtera pursuant to Section 8 of the Act.

Please refer to Section 8.1 of this Prospectus for further details of our Promoters and substantial shareholders.

2.9 FINANCIAL HIGHLIGHTS

Historical Statements of Profit or Loss and Other Comprehensive Income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for the FYE 2018 to FYE 2020.

	Audited		
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000
Revenue	10,010	19,207	30,769
Cost of sales	(6,052)	(13,263)	(16,951)
GP	3,958	5,944	13,818
Other income	46	62	366
Administrative expenses	(1,492)	(2,316)	(2,328)
Operating profit	2,512	3,690	11,856
Finance costs	(196)	(373)	(744)
PBT	2,316	3,317	11,112
Taxation	(745)	(1,355)	(2,907)
PAT/ 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-controlling interest	-	-	(4)
	1,571	1,962	8,205
EBITDA ⁽¹⁾	3,074	4,780	13,381

2. PROSPECTUS SUMMARY (Cont'd)

	Audited		
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000
GP margin (%) ⁽²⁾	39.54	30.95	44.91
PBT margin (%) ⁽³⁾	23.14	17.27	36.11
PAT margin (%) ⁽³⁾	15.69	10.22	26.67
Basic EPS (sen) ⁽⁴⁾	0.31	0.39	1.64
Diluted EPS (sen) ⁽⁵⁾	0.24	0.29	1.23

Notes:

(1) The interest income, finance costs and depreciation for the FYE 2018 to FYE 2020 are as follows:-

	Audited		
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000
Interest income	-	-	(9)
Finance costs	196	373	744
Depreciation	562	1,090	1,534

(2) Calculated based on GP over revenue.

(3) Calculated based on PBT/ PAT over revenue.

(4) Calculated based on PAT attributable to the owners for the financial year over our number of Shares in issue of 501,000,000 Shares before our IPO.

(5) Calculated based on PAT attributable to the owners for the financial year over our enlarged number of Shares in issue of 668,000,000 Shares after our IPO.

Please refer to Section 12 of this Prospectus for further details.

2.10 PARTICULARS OF OUR IPO

Our IPO is subject to the terms and conditions of this Prospectus and the principal details of our IPO Shares are as follows:

Number of new Shares to be issued under the Public Issue:	167,000,000
Enlarged number of Shares upon Listing:	668,000,000
IPO Price:	RM[●]
Market capitalisation upon Listing (based on the IPO Price and enlarged number of Shares upon Listing)	[●]

Please refer to Section 3 of this Prospectus for further details of our IPO.

Our Promoters' entire shareholdings after IPO will be held under moratorium for 6 months from the date of admission. Thereafter, our Promoters' shareholdings amounting to 45% of our enlarged issued share capital will remain under moratorium for another 6 months. Our Promoters may sell, transfer or assign up to a maximum of one-third per year (on a straight line basis) of their Shares held under moratorium upon expiry of the second 6-month period.

Further details on the moratorium on the sale of our Shares are set out in Section 9.2 of this Prospectus.

2. PROSPECTUS SUMMARY (Cont'd)**2.11 UTILISATION OF PROCEEDS**

We expect to use the gross proceeds from the Public Issue of RM[●] in the following manner:

	Description of Utilisation	Estimated Timeframe for Utilisation Upon Listing	Amount (RM'000)	Percentage (%)
(i)	Expansion of pawnbroking outlets	Within 12 months	[●]	[●]
(ii)	Cash capital for our existing 20 pawnbroking outlets	Within 12 months	[●]	[●]
(iii)	Estimated listing expenses	Immediate	[●]	[●]
	Total Public Issue Proceeds		[●]	100.00

Further details on the utilisation of proceeds are set out in Section 3.7 of this Prospectus.

2.12 DIVIDEND POLICY

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

Further details on our dividend policy are disclosed in Section 12.16 of this Prospectus.

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