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## PROSPECTUS

# KUCINGKO

**KUCINGKO BERHAD**  
(FORMERLY KNOWN AS KUCINGO SDN BHD)  
Registration No. 202301011068 (1504989-A)  
(Incorporated in Malaysia under the Companies Act 2016)

**INITIAL PUBLIC OFFERING (“IPO”) IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) COMPRISING:**

- (I) **PUBLIC ISSUE OF 100,000,000 NEW ORDINARY SHARES IN OUR COMPANY (“SHARES”) IN THE FOLLOWING MANNER:**
- (A) **25,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
  - (B) **10,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES AS WELL AS PERSONS WHO HAVE CONTRIBUTED TO OUR SUCCESS; AND**
  - (C) **65,000,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND**
- (II) **OFFER FOR SALE OF 100,000,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS, AT AN IPO PRICE OF RM[•] PER SHARE PAYABLE IN FULL UPON APPLICATION.**

**Principal Adviser, Sponsor, Underwriter and Placement Agent**

## kenanga

**KENANGA INVESTMENT BANK BERHAD**  
Registration No. 197301002193 (15678-H)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

[Bursa Securities has approved the admission of our Company to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities. This Prospectus has been registered with Bursa Securities. The approval of the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities and registration of this Prospectus should not be taken to indicate that Bursa Securities recommends our IPO or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. Bursa Securities has not, in any way, considered the merits of the securities being offered for investment.]

Bursa Securities is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 180.**

**THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.**

**THIS ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.**

**THIS PROSPECTUS IS DATED [•]**

All defined terms used in this Prospectus are defined under “Presentation of Financial and Other Information” commencing on page viii, “Definitions” commencing on page x and “Glossary of Technical Terms” commencing on page xvii and.

### **RESPONSIBILITY STATEMENTS**

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in the Prospectus false or misleading.

Kenanga Investment Bank Berhad, being our Principal Adviser, Sponsor, Underwriter and Placement Agent in relation to our IPO, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

### **STATEMENTS OF DISCLAIMER**

[Our Company has obtained the approval of Bursa Securities for the listing of and quotation for our Shares. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.]

[This Prospectus, together with the Application Form, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.]

### **OTHER STATEMENTS**

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission, or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

This Prospectus is published solely in connection with our IPO. Our Shares are offered solely based on the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Offerors, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Offerors, Principal Adviser, Sponsor, Underwriter and Placement Agent, or any of their respective directors, or any other persons involved in our IPO.

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. This Prospectus does not and will not be made to comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

Our Company, Directors, Promoters, Offerors, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised and take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase of our Shares in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the offering of our Shares in certain other jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability in relation thereto, whether or not any enquiry or investigation is made in connection therewith.

It is your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in this Prospectus and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It shall be your sole responsibility to consult your legal and/or other professional advisers on the laws to which our IPO or you are or might be subjected to. Neither we nor our Directors, Promoters, Offerors, Principal Adviser, Sponsor, Underwriter and Placement Agent in relation to our IPO shall accept any responsibility or liability in the event that any other application made by you shall become illegal, unenforceable, avoidable or void in any such country or jurisdiction.

### **ELECTRONIC PROSPECTUS**

This Prospectus can also be viewed or downloaded from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com). The contents of the Electronic Prospectus and this Prospectus registered with Bursa Securities are the same.

The internet is not a fully secured medium. Your Internet Share Application may be subject to risks of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of the Electronic Prospectus, you should immediately request a paper/printed copy of this Prospectus from us, our Principal Adviser or Issuing House. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with Bursa Securities, shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**") whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we are not responsible for the availability of, or the content or any data, information, files or other materials provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- (iii) any data, information, files or other materials downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, files, information or other materials.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the Electronic Prospectus, i.e. to the extent that the content of the Electronic Prospectus on the web server of the Internet Participating Financial Institutions may be viewed via web browser or other relevant software. The Internet Participating Financial Institutions are not responsible for the integrity of the contents of the Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institutions and subsequently communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium; and
- (iii) the Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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**INDICATIVE TIMETABLE**

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An indicative timetable of our IPO is set out below:

<b>Events</b>	<b>Indicative dates</b>
Issuance of Prospectus/Opening of Application	[●]
Closing of Application	[●]
Balloting of Application	[●]
Allotment/Transfer of our IPO Shares to successful applicants	[●]
Listing	[●]

In the event there is any change to the timetable, we will advertise a notice of change in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia and announce it on Bursa Securities' website accordingly.

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## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

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Words importing the singular include the plural and vice versa. Words importing a gender include any gender. References to persons include a corporation. Any reference to words such as “we”, “us”, “our” and “ourselves” in this Prospectus shall be a reference to our Company, our Group or any member company of our Group as the context requires, unless otherwise stated. All references to “Kucingko” and “our Company” in this Prospectus are to Kucingko Berhad, references to the “Kucingko Group” or “our Group” are to our Company and our Subsidiaries taken as a whole. Unless the context otherwise requires, references to “Management” are to our Directors and key senior management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to “you” are to our prospective investors.

Any reference in this Prospectus, the Application Form, Electronic Share Application or Internet Share Application to any legislation, statute or statutory provision shall be a reference to the statute or legislation of Malaysia and includes any statutory modification, amendment or re-enactment thereof, unless otherwise indicated.

The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousand or 2 decimal place, where applicable and hence may not be exact. Any discrepancies in the tables included in this Prospectus between the amounts listed and the total thereof are due to rounding.

All reference to dates and times are references to dates and times in Malaysia unless otherwise stated. All references to the “LPD” in this Prospectus are to 31 October 2023, which is the latest practicable date prior to the registration of this Prospectus with Bursa Securities.

This Prospectus includes statistical data provided by us and various third parties. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where there is no source stated, it can be assumed that the information originates from us or is extracted from the Independent Market Research Report prepared by Vital Factor (as defined in this Prospectus) which is included in Section 8 of this Prospectus. Vital Factor has been appointed to provide an Independent Market Research Report. In compiling its data for the review, Vital Factor had relied on its research methodology, industry sources, published materials, its own private databases and direct contacts within the industry.

If there are any discrepancies or inconsistencies between the English and Malay versions of this document, the English version shall prevail. The information on our website, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

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## **FORWARD-LOOKING STATEMENTS**

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This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, future plans and prospects, and objectives of our Group for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Group's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) demand for our services and general industry environment;
- (ii) our future financial performance, earnings, cash flow and liquidity;
- (iii) our business strategies and future growth opportunities;
- (iv) our future plans and objectives;
- (v) our ability to pay dividends; and
- (vi) the regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) the general economic, business, social, political and investment environment globally;
- (ii) government policy, legislation and regulation;
- (iii) other factors which may or may not be within our control;
- (iv) relationship with our customers and the orders which we will receive from them;
- (v) shortage of skilled and semi-skilled employees;
- (vi) competitive environment in the industry which we operate; and
- (vii) delays or problems encountered in implementing our business strategies.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 9 of this Prospectus on "Risk Factors" and Section 12.3 of this Prospectus on "Management's Discussion and Analysis of Financial Condition and Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

Should we become aware of any subsequent material change or development affecting matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of our Issue Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6 on Supplementary and Replacement Prospectus) of the Prospectus Guidelines of the SC.

## **DEFINITIONS**

The following definitions shall apply throughout this Prospectus unless the terms are defined otherwise or the context requires otherwise:

### **COMPANIES WITHIN OUR GROUP**

Bowleh	:	Bowleh Sdn Bhd (Registration No. 201701042933 (1257106-H))
Fuloso	:	Fuloso Sdn Bhd (Registration No. 201801045770 (1307802-K))
Inspidea	:	Inspidea Sdn Bhd (Registration No. 200201012802 (580465-T))
Kucingko or Company	:	Kucingko Berhad (formerly known as Kucingo Sdn Bhd) (Registration No. 202301011068 (1504989-A))
Toonigami	:	Toonigami Sdn Bhd (Registration No. 200801004656 (805940-X))
Tourific	:	Tourific Sdn Bhd (Registration No. 199901025996 (500896-D))

### **GENERAL**

ACE Market	:	ACE Market of Bursa Securities
Acquisition	:	Acquisition by Kucingko of the entire equity interest in Inspidea for a purchase consideration of RM9,559,999.93, wholly satisfied by the issuance of 399,999,997 new Shares at an issue price of RM0.0239 per Share, which was completed on [●]
Act	:	Companies Act 2016
ADA	:	Authorised Depository Agent
Admission	:	Admission of our Shares to the Official List of the ACE Market
Application	:	Application for our IPO Shares by way of Application Form, the Electronic Share Application or the Internet Share Application
Application Form(s)	:	Printed application form(s) for the application of our IPO Shares accompanying this Prospectus
ATM	:	Automated teller machine
Board	:	Board of Directors of Kucingko
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
By-Laws	:	By-laws governing the LTIP
Cat Ching	:	Cat Ching Sdn Bhd (Registration No. 202301028369 (1522292-V)), a private limited company incorporated and owned by See Chin Joo (53.05%) and Ooi Kok Hong (46.95%) to hold our Shares
CAGR	:	Compound annual growth rate
CCM	:	Companies Commission of Malaysia

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**DEFINITIONS (CONT'D)**


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CDS	:	Central Depository System
CDS Account(s)	:	An account established by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
Central Depositories Act or SICDA	:	Securities Industry (Central Depositories) Act 1991
CFO / CCC	:	Certificate of fitness for occupation / certificate of completion and compliance
CMSA	:	Capital Markets and Services Act 2007
COVID-19	:	Coronavirus disease 2019
Depositor	:	A holder of a CDS Account
Director(s)	:	Director(s) of our Company
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	:	An electronic copy of this Prospectus that has been registered with Bursa Securities, which is being issued, circulated, distributed, stored or hosted on digital platforms or electronic storage mediums. This includes, but is not limited to, website, mobile application, email, compact disc, thumb drive and cloud-based storage
Electronic Share Application	:	Application for our IPO Shares through a Participating Financial Institution's ATM
Eligible Persons	:	Executive directors and employees who meet the criteria of eligibility for participation in the LTIP in accordance with the By-Laws
EPS	:	Earnings per Share
ESGS	:	Employees' share grant scheme
ESOS	:	Employees' share option scheme
ESOS Options	:	Options granted or to be granted under the ESOS to subscribe for new Shares pursuant to the contract constituted by the acceptance of an offer made in accordance with the terms and conditions of the offer and the By-Laws
Financial Periods Under Review	:	FYE 2020, FYE 2021, FYE 2022 and FPE 2023, collectively
FPE	:	6-month financial period ended / ending 30 June 2023, as the case may be
FYE	:	Financial year ended / ending 31 December, as the case may be
Government	:	Government of Malaysia
GP	:	Gross profit
IFRS	:	International Financial Reporting Standards



**DEFINITIONS (CONT'D)**

IMR Report	:	Independent Market Research Report on the 2D animation production industry prepared by Vital Factor
Internet Participating Financial Institution(s)	:	Participating financial institution(s) for the Internet Share Applications, which is set out in Section 16.6 of this Prospectus
Internet Share Application	:	Application for the Issue Shares through an Internet Participating Financial Institution
IPO	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	:	RM[●] per IPO Share, being the price payable by investors under the Public Issue and Offer for Sale
IPO Shares	:	Issue Shares and Offer Shares, collectively
Issue Shares	:	New Shares to be issued by our Company under the Public Issue
Issuing House	:	Malaysian Issuing House Sdn Bhd (Registration No. 199301003608 (258345-X))
IT	:	Information technology
Kenanga IB or Principal Adviser or Sponsor or Underwriter or Placement Agent	:	Kenanga Investment Bank Berhad (Registration No. 197301002193 (15678-H)), our principal adviser, sponsor, underwriter and placement agent
Kucingko Group or Group	:	Kucingko and our Subsidiaries, collectively
Listing	:	Listing of and quotation for our entire enlarged issued share capital on the ACE Market
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	31 October 2023, being the latest practicable date prior to the registration of this Prospectus with Bursa Securities
LTIP	:	Long-term incentive plan comprising ESOS and ESGS
LTIP Committee	:	The committee appointed from time to time by our Board pursuant to the By-Laws to administer the LTIP
Malaysia Digital Status	:	Malaysia Digital Status (formerly known as MSC Malaysia Status)
Malaysian Public	:	Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading in securities
MCO	:	Movement control order issued by the Government under the Prevention and Control of Infectious Disease Act, 1988 and the Police Act, 1967 as a preventive measure to curb the spread of COVID-19 in Malaysia effective from 18 March 2020
MDEC	:	Malaysia Digital Economy Corporation Sdn Bhd (Registration No. 199601016995 (389346-D))

**DEFINITIONS (CONT'D)**

MFRS	:	Malaysian Financial Reporting Standards, as issued by the Malaysian Accounting Standards Board
MITI	:	The Ministry of Investment, Trade and Industry of Malaysia
MyIPO	:	Intellectual Property Corporation of Malaysia
NA	:	Net assets
NBV	:	Net book value
Netval Ventures	:	Netval Ventures Sdn Bhd (Registration No. 200001007031 (509636-H))
Offer for Sale	:	The invitation by our Offerors to selected investors to purchase the Offer Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
Offer Shares	:	100,000,000 existing Shares to be offered by our Offerors under the Offer for Sale as follows:

<b>Offerors</b>	<b>No. of Offer Shares</b>	<b><sup>(1)</sup> % of enlarged issued share capital of our IPO</b>
Koo Hong @ Ku Hong Hai	60,000,084	12.00
Tri Dynasty Holdings Sdn Bhd	8,000,011	1.60
Eng Lian Management Sdn Bhd	4,000,006	0.80
Lu Pat Sdn Bhd	4,000,006	0.80
Tham Choy Yong	19,599,887	3.92
Chang Tat Cyan	4,400,006	0.88
<b>Total</b>	<b>100,000,000</b>	<b>20.00</b>

**Note:**

(1) Based on the enlarged total number of 500,000,000 Shares after the IPO.

Offerors	:	Koo Hong @ Ku Hong Hai, Tri Dynasty Holdings Sdn Bhd, Eng Lian Management Sdn Bhd, Lu Pat Sdn Bhd, Tham Choy Yong and Chang Tat Cyan, collectively
Official List	:	A list specifying all securities which have been admitted for listing which have not been removed from the ACE Market
Participating Financial Institutions(s)	:	The participating financial institution(s) for the Electronic Share Application, which is set out in Section 16.5 of this Prospectus
PAT	:	Profit after taxation
PATAMI	:	Profit after taxation attributable to the owners of our Company
PBT	:	Profit before taxation
PE Multiple	:	Price-to-earnings multiple

**DEFINITIONS (CONT'D)**

Pink Form Allocations	:	Allocation of 10,000,000 Issue Shares to eligible Directors, employees of our Group and persons who have contributed to our success, as further detailed in Section 4.3.1(ii) of this Prospectus
Promoters	:	See Chin Joo, Ooi Kok Hong and Cat Ching, collectively
Prospectus	:	This prospectus dated [●]
Public Issue	:	The invitation by our Company to the Malaysian Public to subscribe for the Issue Shares at the IPO Price, payable in full upon Application, subject to the terms and conditions of this Prospectus
R&D	:	Research and development
Record of Depositors	:	A record of securities holders established by Bursa Depository in accordance with the Rules of Bursa Depository
Reporting Accountant or Russell Bedford	:	Russell Bedford LC PLT (LLP0030621-LCA & AF1237), our Auditors and Reporting Accountants
Retail Offering	:	Offering of 35,000,000 IPO Shares at the IPO Price, to be allocated in the following manner: <ul style="list-style-type: none"> <li>(i) 25,000,000 IPO Shares available for application by the Malaysian Public; and</li> <li>(ii) 10,000,000 IPO Shares available for application by the eligible Directors and employees as well as persons who have contributed to our success</li> </ul>
Rules of Bursa Depository	:	Rules of Bursa Depository as issued pursuant to the SICDA
SC	:	Securities Commission Malaysia
Share Registrar	:	Boardroom Share Registrars Sdn Bhd (Registration No. 199601006647 (378993-D))
Share(s)	:	Ordinary share(s) in our Company
SMEs	:	Small and medium enterprises
Specified Shareholders	:	Promoters and Offerors, collectively
Subsidiaries	:	Bowleh, Fuloso, Inspidea, Toonigami and Tourific, collectively
Underwriting Agreement	:	The underwriting agreement dated [●] entered into between our Company and Kenanga IB pursuant to our Listing
USA	:	United States of America
Vital Factor or IMR	:	Vital Factor Consulting Sdn Bhd (Registration No. 199301012059 (266797-T)), our independent business and market research consultants

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## **DEFINITIONS (CONT'D)**

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### **CURRENCIES AND UNITS**

AUD	:	Australian Dollar, the lawful currency of Australia
CAD	:	Canadian Dollar, the lawful currency of Canada
EUR	:	Euro, the lawful currency of the European Union
HKD	:	Hong Kong Dollar, the lawful currency of Hong Kong Special Administrative Region
RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
USD	:	United States Dollar, the lawful currency of the USA
SGD	:	Singapore Dollar, the lawful currency of the Republic of Singapore
Sq. ft.	:	Square feet
%	:	Per centum

### **CUSTOMERS OF OUR GROUP**

The following are details of our customers whose names have been redacted for confidentiality throughout this Prospectus due to the confidentiality provisions in agreements entered with our customers. The confidentiality provisions are the conditions of our contracts placed by our customers. We have sought consent from our customers for the inclusion of their names in this Prospectus. However, our customers are unable to accede to the said request or have not responded.

Customer A Group	:	Customer A Group comprises 3 related companies that operates in the entertainment industry. They are subsidiaries of a listed entity on National Association of Securities Dealers Automated Quotations (NASDAQ) market with headquarters in New York, USA and offices in Germany, Canada, Australia, Sweden, United Kingdom, Singapore and others. Customer A Group is a global media and entertainment group with portfolio of contents, brands and franchises across television, film, streaming services and games
Customer B Group	:	Customer B Group comprises 2 related companies and are animation production companies. Their headquarters are in Los Angeles, California, USA and they have other offices in New York, USA and Vancouver, Canada
Customer C Group	:	Customer C Group comprises 6 related companies based in Canada. They are part of a group of companies that operates in the entertainment industry including creation and production of animated content and live-action television and film products, licensing programme development, editorial projects, talent scouting, merchandising, toy production and animated production for third parties. The headquarters of Customer C Group is in Italy
Customer D	:	Customer D is an animation production company specialising in animated television series. Customer D's operations are based in France with offices in Paris and Lille
Customer E Group	:	Customer E Group comprises 3 related companies operating within the animation production sector with offices based in USA

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**DEFINITIONS (CONT'D)**

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- Customer F : Customer F is an animation production company involved in, amongst others, feature films, short films, television series and commercial content based in Paris, France
- Customer G Group : Customer G comprises 2 related companies operating in the entertainment industry and is a producer and distributor of content for children programme with headquarters in London, United Kingdom and also operations in Netherland
- Customer H Group : Customer H Group comprises 4 related companies that operates in the entertainment industry and is a producer, distributor and licensor of animated content with headquarters in Halifax, Canada and operations worldwide including United Kingdom. It is a public listed entity on the Toronto Stock Exchange
- Customer I : Customer I operates in the entertainment industry and is a producer and developer of animated programs and feature films with headquarters in California, USA. It is a subsidiary of a public listed entity on the National Association of Securities Dealers Automated Quotations (NASDAQ) market which provide streaming services including TV series, films and games with approximately 231 million subscribers in over 190 countries
- Customer J : Customer J operates in the entertainment industry and is a producer and distributor of animated content for children and adults with headquarters in Paris, France and also operations Vietnam.
- Customer K : Customer K operates in the animation and digital entertainment industry with operational facility in Georgia, USA.
- Customer L : Customer L is a media production and animation company with operational facility in Singapore.

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## **GLOSSARY OF TECHNICAL TERMS**

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The following technical terms used in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

2D	:	Two-dimension, it refers to a type of animation process which involve images that are flat or two-dimension created on a flat surface with image variations only on the width and height
3D	:	Three-dimension, it refers to a type of animation process which involve images that gives the illusion that they are three-dimension moving in a three-dimension space with image variations in width, height and depth
AI	:	Artificial intelligence
Animation	:	A process of digitally creating a series of still images that are slightly different from one another, compiling them in sequence and displaying them at a fast pace to simulate the illusion of movement
Asset creation	:	A process of creating digital elements for use in various media production such as animation or electronic games. In the context of this Prospectus, asset creation is for animation. These assets may include graphics, still images, animations, audio files or any other type of digital content that can be used for animation production
Character rigs	:	Digital skeleton of an animated character created using specialised software to control the movement and facial expression of the character
Cloud storage	:	A remote data storage facility commonly accessible through the internet and/or private network
Compositing	:	A process in which multiple digital images are combined to create a final, seamless image. It involves placing differing layers of elements on top of each other in each frame to achieve the desired visual effect. This may include adding lighting, special effects and adjusting the size and position of each element to ensure they fit seamlessly
Content producer	:	In the context of this Prospectus, it refers to the producer of an animated content where they coordinate and oversees the production of an animated content from the initial planning up to the distribution of the content
Creative retakes	:	Changes and amendments made on finished but not finalised animated content as a result of changes by the customer. Such changes are variations to the original production specifications and may include character design, backgrounds, or the overall aesthetics of the project. Creative retakes are commonly chargeable
Display resolution	:	Refers to the number of pixels, both horizontally and vertically, that a digital display (such as a computer monitor, television or smartphone screen) is capable of displaying. The resolution is usually expressed as the total number of pixels, such as "1920 x 1080" for full high definition, or "3840 x 2160" for 4,000 ultra-high definitions. The higher the resolution, the more detailed and sharper the image will appear on the screen, up to a certain point where the human eye may not be able to perceive any further difference
Eased motion	:	Refers to the motion that accelerates and decelerates gradually

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**GLOSSARY OF TECHNICAL TERMS (CONT'D)**

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Feature film	:	A full-length film typically between 90 minutes and 120 minutes commonly targeted for cinema release as well as for streaming
First take	:	Refers to the first version of the completed but not finalised animation content and is subjected to further adjustments, corrections and editing for a revised version which is known as retake. Retakes may include technical retakes and/or creative retakes
fps	:	Frames per second
Frame rate	:	The number of frames required to create a single second of animated content to simulate movements and the unit of measure is fps
Frames	:	In the context of this report, it refers to the still images created for the production of animated content
Games	:	In the context of this Prospectus, it refers to electronic games or video games. It is a type of interactive entertainment played using electronic devices such as computers, gaming consoles, input devices, mobile phones and tablets
Generative artificial intelligence	:	It refers to the use of AI in computing to generate new and often original content or responses in the form of images, sound or textual information, without direct human intervention or direction. The generative AI tool may receive input instructions in text, still images, moving images and sound combined with other specifications and instructions for the generative AI tool to respond with new content or answer posed questions
In-between frames	:	Frames that fill in as movement frames between the start and end frames (key frames) to create smooth and fluid animation
Key frames	:	It refers to the starting and ending frames that are required within a particular action or scene. They are the most essential frames in an animation sequence as they are the base for the intended motion and also help establish the timing and pacing of the animation process
Library	:	In the context of this Prospectus, a library refers to a virtual storage facility for digital data such as textual, visual and audio files, or computing instructions and programs
Life-action	:	It refers to media such as film, television and videos that use real persons, movable and immovable properties, real or set-up locations and physical effects to create a story for entertainment, content for news or education and training purposes
Linear motion	:	Refers to the motion where the object or character moves at a constant speed in a straight line from one point to another
Pre-production package	:	Refers to materials to serve as the project brief, technical specifications and instructions for the production of animated content. Typically, it includes the storyboard, character design and background design
Rendering	:	It refers to the process of using computing software to create the final version of animated content suitable to be viewed by an audience. The process of rendering combines the individual frames of the animated content to create a seamless and high-quality final product

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**GLOSSARY OF TECHNICAL TERMS (CONT'D)**

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Retakes	:	It refers to changes made to completed but not finalised animated content, it may include technical retakes and/or creative retakes
Runtime	:	It refers to the duration of the animated content
Short film	:	A self-contained story from start to end which is shorter in duration compared to a complete television series or a feature film
Streaming platforms	:	Refers to a digital platform where users watch or listen to media content such as television series, feature films, short films, music and talks on demand without having to first download the content
Technical retakes	:	Refers to correction of technical errors in the animation content, such as timing or movement issues, or other technical aspects of the production. Technical retakes are commonly not chargeable as they are considered mistakes made by the production company
Television series	:	A connected set of animated content stories commonly referred to as episodes created commonly for television broadcast but may also be broadcasted or streamed over digital media platforms
Voice-over	:	Refers to the lines recorded by artists which are used in visual contents including animated content to narrate the action or dialogue of the scene

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**1. CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name (Designation)</b>	<b>Address</b>	<b>Nationality</b>	<b>Gender</b>
<b>Lim Chor Ghee</b> <i>(Independent Non-Executive Chairman)</i>	2A Jalan Mahligai 1E/KU2 Bandar Bukit Raja 41050 Klang Selangor	Malaysian	Male
<b>See Chin Joo</b> <i>(Executive Director)</i>	12G Jalan Dungun Damansara Heights 50490 Kuala Lumpur	Malaysian	Male
<b>Ooi Kok Hong</b> <i>(Executive Director)</i>	Unit 07-02 The Westside One 1 Jalan Residen Utama Desa Parkcity 52200 Kuala Lumpur	Malaysian	Male
<b>Quah Bee Fong</b> <i>(Independent Non-Executive Director)</i>	11 Jalan Bunga Kemboja 6 Taman Muda Cheras 56100 Kuala Lumpur	Malaysian	Female
<b>Elaine Law Soh Ying</b> <i>(Independent Non-Executive Director)</i>	No. 24, Jalan Bidara 7 Bandar Botanic 41200 Klang Selangor	Malaysian	Female
<b>Puar Chin Jong</b> <i>(Independent Non-Executive Director)</i>	22 Jalan Residensi 1 Taman Residensi Sri Utara Off Jalan Ipoh Rawang 68100 Kuala Lumpur	Malaysian	Male
<b>Ku Chia Loon</b> <i>(Non-Independent Non-Executive Director)</i>	BB-38-02, 10 Mont' Kiara No. 4, Jalan Kiara 1 50480 Kuala Lumpur	Malaysian	Male

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**1. CORPORATE DIRECTORY (CONT'D)**


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**AUDIT AND RISK MANAGEMENT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Puar Chin Jong	Chairperson	Independent Non-Executive Director
Quah Bee Fong	Member	Independent Non-Executive Director
Elaine Law Soh Ying	Member	Independent Non-Executive Director

**REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Quah Bee Fong	Chairperson	Independent Non-Executive Director
Puar Chin Jong	Member	Independent Non-Executive Director
Elaine Law Soh Ying	Member	Independent Non-Executive Director

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Elaine Law Soh Ying	Chairperson	Independent Non-Executive Director
Quah Bee Fong	Member	Independent Non-Executive Director
Puar Chin Jong	Member	Independent Non-Executive Director

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**1. CORPORATE DIRECTORY (CONT'D)**

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**COMPANY SECRETARIES** : Wong Youn Kim (MAICSA 7018778)  
CCM Practicing Certificate No. 201908000410

Lim Li Heong (MAICSA 7054716)  
CCM Practicing Certificate No. 202008001981

Wong Mee Kiat (MAICSA 7058813)  
CCM Practicing Certificate No. 202008001958

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

Telephone No: : (603) 2280 6388  
Facsimile No. : (603) 2280 6399

**REGISTERED OFFICE** : Level 5, Tower 8, Avenue 5, Horizon 2  
Bangsar South City  
59200 Kuala Lumpur

Telephone No : (603) 2280 6388  
Facsimile No. : (603) 2280 6399

**HEAD OFFICE / PRINCIPAL PLACE OF BUSINESS** : H-G-03A Glomac Square  
Jalan SS6/16A, Kelana Jaya  
47301 Petaling Jaya  
Selangor

Telephone No : (603) 7880 9934  
Email : maomao@kucingko.com  
Website : www.kucingko.com

**PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT** : Kenanga Investment Bank Berhad  
Level 17, Kenanga Tower  
237, Jalan Tun Razak  
50400 Kuala Lumpur

Telephone No : (603) 2172 2888  
Facsimile No. : (603) 2172 2776

**SOLICITORS FOR OUR LISTING** : Foong & Partners  
13-1, Menara 1MK  
Kompleks 1 Mont' Kiara  
No 1 Jalan Kiara Mont' Kiara  
50480 Kuala Lumpur

Telephone No. : (603) 6419 0822  
Facsimile No. : (603) 6419 0823

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**1. CORPORATE DIRECTORY (CONT'D)**

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- AUDITORS AND REPORTING ACCOUNTANTS** : Russell Bedford LC PLT  
Firm No. LLP0030621-LCA & AF1237  
Suite 37, Level 21, Mercu 3  
No.3, Jalan Bangsar, KL Eco City  
59200 Kuala Lumpur
- Telephone No : (603) 2202 6666  
Facsimile No. : (603) 2202 6688  
Partner-in-charge : Lew Chui Hoong  
Approval No. : 03481/01/2024 J  
Qualification : Malaysian Institute of Accountants  
(MIA Membership No. 31723)
- INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS** : Vital Factor Consulting Sdn Bhd  
V Square @ PJ City Centre (VSQ)  
Block 6, Level 6  
Jalan Utara  
46200 Petaling Jaya  
Selangor
- Telephone No : (603) 7931 3188  
Facsimile No. : (603) 7931 2188  
Person-in-charge : Wooi Tan  
Qualification : Master of Business Administration  
from the New South Wales Institute  
of Technology (now known as  
University of Technology Sydney),  
Australia; Bachelor of Science from  
the University of New South Wales,  
Australia and a Fellow of the  
Australian Marketing Institute and  
Institute of Managers and Leaders,  
Australia (formerly known as the  
Australian Institute of Management)
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd  
11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor
- Telephone No. : 03-7890 4700  
Facsimile No. : 03-7890 4680
- SHARE REGISTRAR** : Boardroom Share Registrars Sdn Bhd  
11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor
- Telephone No. : 03-7890 4700  
Facsimile No. : 03-7890 4680
- LISTING SOUGHT** : ACE Market of Bursa Securities

## 2. APPROVALS AND CONDITIONS

### 2.1 APPROVALS FROM RELEVANT AUTHORITIES

#### 2.1.1 Bursa Securities

Bursa Securities had, via its letter dated [●], approved our Admission, Listing and the listing of and quotation for the new Shares to be issued pursuant to the LTIP.

The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
1.	[●]	[●]
2.	[●]	[●]
3.	[●]	[●]

#### 2.1.2 SC

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, via its letter dated [●], taken note that our Company is exempted from the Bumiputera equity requirement for public listed companies (“**Bumiputera Equity Requirement**”).

Our subsidiary, namely Inspidea, was awarded the Multimedia Super Corridor Malaysia Status by MDEC on 9 June 2004, which was subsequently replaced by Malaysia Digital Status on 4 July 2022. Inspidea was the major contributor to our Group’s PAT for the Financial Periods Under Review and accordingly, our Company is exempted from the Bumiputera Equity Requirement.

Nevertheless, if we undertake subsequent proposals which involve:

- (i) a transfer of our listing status to the Main Market of Bursa Securities; or
- (ii) any acquisition which results in a significant change in our business direction or policy,

we must submit such application to the SC under the Bumiputera Equity Requirement for a reassessment.

#### 2.1.3 MITI

MITI had, via its letter dated [●], taken note of our Listing and that we are exempted from having to comply with the Bumiputera Equity Requirement in light of the Malaysia Digital Status awarded to our subsidiary, Inspidea.

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## 2. APPROVALS AND CONDITIONS (CONT'D)

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### 2.2 MORATORIUM ON OUR SHARES

In compliance with Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of those Shares held by our Specified Shareholders as follows:

- (i) the moratorium applies to the entire shareholdings of our Specified Shareholders for a period of 6 months from the date of our admission to the ACE Market ("**First 6-Month Moratorium**");
- (ii) upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Specified Shareholders' aggregate shareholdings amounting to at least 45.00% of our total number of issued shares (adjusted for any bonus issue or subdivision of shares) shall remain under moratorium for a further period of 6 months ("**Second 6-Month Moratorium**"); and
- (iii) upon the expiry of the Second 6-Month Moratorium, our Specified Shareholders' may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight line basis) of the Shares held under moratorium.

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## 2. APPROVALS AND CONDITIONS (CONT'D)

The details of our Specified Shareholders and their Shares which will be subject to moratorium are as follows:

Specified Shareholders	Year 1				Year 2		Year 3	
	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium		Moratorium shares during the Year 2 Moratorium		Moratorium shares during the Year 3 Moratorium	
	No. of Shares held	(1) %	No. of Shares held	(1) %	No. of Shares held	(1) %	No. of Shares held	(1) %
Cat Ching	172,889,216	34.58	172,889,216	34.58	150,000,000	30.00	75,000,000	15.00
See Chin Joo	<sup>(2)</sup> 300,001	0.06	300,001	0.06	-	-	-	-
Ooi Kok Hong	<sup>(2)</sup> 300,001	0.06	300,001	0.06	-	-	-	-
Koo Hong @ Ku Hong Hai	76,266,580	15.25	76,266,580	15.25	-	-	-	-
Tri Dynasty Holdings Sdn Bhd	10,168,874	2.03	10,168,874	2.03	-	-	-	-
Eng Lian Management Sdn Bhd	5,084,437	1.02	5,084,437	1.02	-	-	-	-
Lu Pat Sdn Bhd	5,084,437	1.02	5,084,437	1.02	-	-	-	-
Tham Choy Yong	24,913,568	4.98	24,913,568	4.98	-	-	-	-
Chang Tat Cyan	5,592,885	1.12	5,592,885	1.12	-	-	-	-
<b>Total</b>	<b>300,599,999</b>	<b>60.12</b>	<b>300,599,999</b>	<b>60.12</b>	<b>150,000,000</b>	<b>30.00</b>	<b>75,000,000</b>	<b>15.00</b>

**Notes:**

(1) Based on our enlarged total number of 500,000,000 Shares after our IPO.

(2) Includes the allocation of 300,000 Shares under the Pink Form Allocations.

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**2. APPROVALS AND CONDITIONS (CONT'D)**

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The moratorium has been fully accepted by our Specified Shareholders, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the abovementioned moratorium period.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by our Specified Shareholders to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

In accordance with Rule 3.19(2) of the Listing Requirements, where the specified shareholder or vendor is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must give undertakings to Bursa Securities that they will not sell, transfer or assign their shares in the unlisted corporation for the moratorium period.

In compliance with Rule 3.19(2) of the Listing Requirements, the following shareholders have undertaken not to sell, transfer or assign their shareholdings in the respective corporations for the duration of the moratorium period:

- (i) See Chin Joo and Ooi Kok Hong, being the shareholders of Cat Ching;
- (ii) Lim Koon Hock, Hiew Shyh Heong and Khor Yew Loong, being the shareholders of Tri Dynasty Holdings Sdn Bhd;
- (iii) Eng Lian Enterprise Sdn Bhd, being the sole shareholder of Eng Lian Management Sdn Bhd;
- (iv) Ng Lu Pat and The Nehsons Trust Company Bhd, being the shareholders of Lu Pat Sdn Bhd as well as Eng Lian Enterprise Sdn Bhd, being the holder of preference shares in Lu Pat Sdn Bhd;
- (iv) Aripeka Investments Pte Ltd, Ng Earn Chin, Yvonne Po Leng Lam, The Nehsons Trust Company Bhd and Lu Pat Sdn Bhd, being the shareholders of Eng Lian Enterprise Sdn Bhd;
- (v) Geraldine Marie Tse Chian Ng, Ng Earn Chin, Ng Ling Li, Ng Tee Chuan and Yvonne Po Leng Lam, being the shareholders of The Nehsons Trust Company Bhd;
- (vi) Aripeka Investments Ltd, being the sole shareholder of Aripeka Investments Pte Ltd; and
- (vii) Ng Lu Siong @ Ng Soon Huat, being the sole shareholder of Aripeka Investments Ltd.

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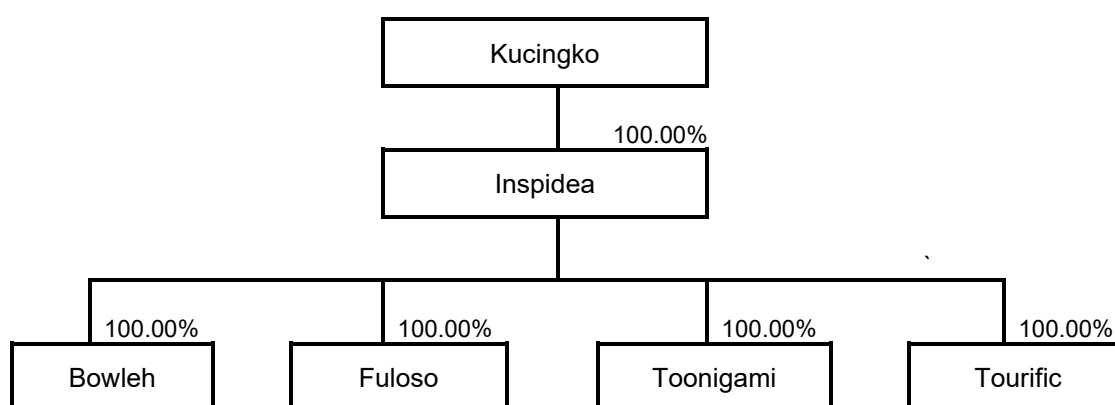
### 3. PROSPECTUS SUMMARY

**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.**

#### 3.1 OVERVIEW

We were incorporated in Malaysia under the Act on 23 March 2023 as a private limited company under the name of Kucingo Sdn Bhd. On 24 July 2023, we changed our name to Kucingko Sdn Bhd. We subsequently converted into a public limited company on 11 September 2023 and assumed our present name of Kucingko Berhad to facilitate our Listing.

As at the LPD, our Group's structure is as follows:



Further details of our Subsidiaries are set out in Section 6.5 of this Prospectus.

#### 3.2 PRINCIPAL DETAILS OF OUR IPO

##### 3.2.1 Allocation

Our IPO involves the Public Issue of 100,000,000 new Shares and Offer for Sale of 100,000,000 existing Shares, representing an aggregate of 40.00% of our enlarged number of issued Shares, at the IPO Price of RM[●] per IPO Share, subject to the terms and conditions of this Prospectus. The allocation of our IPO Shares shall be in the following manner:

	Public Issue		Offer for Sale		Total	
	No. of Shares	(1) %	No. of Shares	(1) %	No. of Shares	(1) %
Malaysian Public	25,000,000	5.00	-	-	25,000,000	5.00
Pink Form	10,000,000	2.00	-	-	10,000,000	2.00
Allocations						
Private placement to selected investors	65,000,000	13.00	100,000,000	20.00	165,000,000	33.00
	<b>100,000,000</b>	<b>20.00</b>	<b>100,000,000</b>	<b>20.00</b>	<b>200,000,000</b>	<b>40.00</b>

**Note:**

(1) Based on the enlarged total number of 500,000,000 Shares after our IPO.

### 3. PROSPECTUS SUMMARY (CONT'D)

#### 3.2.2 The principal statistics of our IPO

##### Share capital

Issued Shares as at the date of this Prospectus	400,000,000
Shares to be issued pursuant to the Public Issue	100,000,000
<b>Enlarged number of issued Shares upon Listing</b>	<b>500,000,000</b>
IPO Price per Share (RM)	[●]
Market capitalisation upon Listing based on the IPO Price (RM)	[●]
Total gross proceeds to be raised by our Company from the Public Issue (RM)	[●]
Total gross proceeds to be raised by our Offerors from the Offer for Sale (RM)	[●]

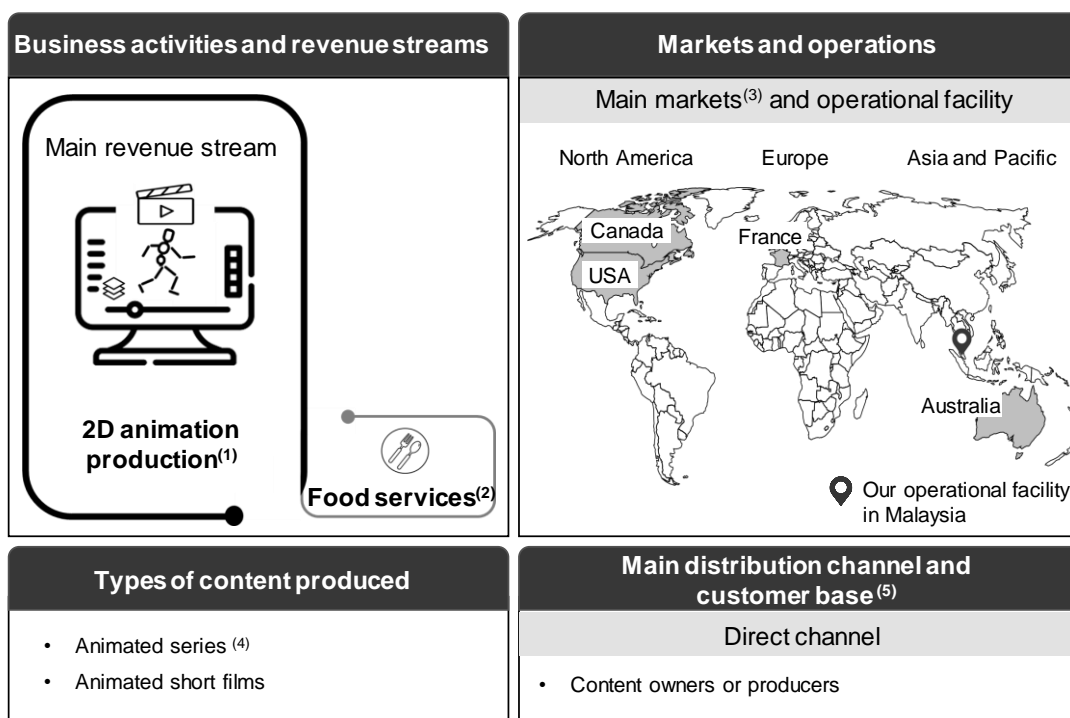
Please refer to Section 4 of this Prospectus for further details of our IPO.

#### 3.2.3 Moratorium on our Shares

In compliance with the Listing Requirements, our Specified Shareholders' entire shareholdings after IPO will be held under moratorium. Further details on the moratorium are set out in Section 2.2 of this Prospectus. Save for the above, there is no other moratorium imposed on our Shares.

### 3.3 SUMMARY OF OUR BUSINESS AND OPERATIONAL HIGHLIGHTS

Our business model is depicted as follows:



**3. PROSPECTUS SUMMARY (CONT'D)****Notes:**

- (1) Our revenue from 2D animation production accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.
- (2) Our revenue from food services accounted for 0.30% (RM0.04 million), 0.50% (RM0.09 million), 0.41% (RM0.10 million) and 0.35% (RM0.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.
- (3) Main markets are based markets with revenue contribution of on at least 10.00% of our total revenue for any of the Financial Periods Under Review.
- (4) For the Financial Periods Under Review, all of our 2D animation productions were mainly animated series for television broadcasting and digital online streaming.
- (5) For the Financial Periods Under Review, we mainly serve customers who are content producers for the provision of 2D animation production services.

The main markets we serve are foreign countries, covering certain countries from regions including North America, Asia Pacific and Europe. Revenue from foreign countries collectively accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Our revenue from foreign countries is entirely contributed by our 2D animation production services whereas revenue contribution from Malaysia was for our food services segment which accounted for 0.30% (RM0.04 million), 0.50% (RM0.09 million), 0.41% (RM0.10 million) and 0.35% (RM0.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

For the Financial Periods Under Review, our revenue segmentation by geographical market is as follows:

Geographical markets	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
North America	7,393	49.54	11,447	64.77	21,893	93.22	8,040	72.91
Europe	2,062	13.82	5,736	32.45	1,351	5.75	2,607	23.64
Asia Pacific	5,468	36.64	492	2.78	241	1.03	381	3.45
<b>TOTAL</b>	<b>14,923</b>	<b>100.00</b>	<b>17,675</b>	<b>100.00</b>	<b>23,485</b>	<b>100.00</b>	<b>11,028</b>	<b>100.00</b>

Further details of our Group and overview of our business are set out in Sections 6 and 7 of this Prospectus.

**3.4 IMPACT OF COVID-19**

In FYE 2020, our financial performance was impacted by the COVID-19 pandemic mainly due to lower activities for our 2D animation production operations. In FYE 2021, our financial performance recovered where our total revenue increased by 18.44% from RM14.92 million in FYE 2020 to RM17.68 million in FYE 2021. In FYE 2022, our total revenue continued to increase by 32.87% from RM17.68 million in FYE 2021 to RM23.49 million in FYE 2022.

Further details on the impact of COVID-19 on our business operations and financial performance are set out in Section 7.13 of this Prospectus.

### 3. PROSPECTUS SUMMARY (CONT'D)

#### 3.5 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, the risk factors (which may not be exhaustive) as set out in Section 9 of this Prospectus.

The following are some of the key risks that we are currently facing or that may occur in the future:

**(i) We are dependent on certain major customers**

Our revenue is based on contracts secured from customers from time to time. We are dependent on certain major customers, namely Customer A Group, Customer B Group, Customer C Group, Customer D, Customer H Group and Customer J where each of these customers accounted for more than 10.00% of our total revenue for at least one of the Financial Periods Under Review. As these major customers collectively accounted for a significant portion of our total revenue, the loss of any one or a few of these major customers, if they are not replaced promptly either at comparable or higher contract values, it could adversely affect our business operations and financial performance. There is no assurance that we would be able to continue to retain these customers, or that the value of their contracts will not vary significantly from year to year.

**(ii) Our financial performance is dependent on our ability to continually secure new and sizeable projects/contracts to sustain and grow our business**

The nature of our business is project-based and we do not have contracts that provides us with recurrent revenue. The financial performance of our Group is dependent on our ability to continually secure new and sizeable projects/contracts to sustain and grow our business. As 2D animation production projects are typically awarded based on competitive bidding mainly through invitations to quote, we have to continue to submit proposals to bid for new projects.

As at the LPD, we have 8 on-going animation production projects with each of the contract value ranging between RM0.16 million to RM9.56 million. Furthermore, the contract period for our 8 on-going animation production projects ranges from 4 months up to 24 months. As at the LPD, our total unbilled order book amounted to RM23.44 million from these 8 on-going animation production projects which are expected to complete between FYE 2023 and FYE 2024. Further details on the order book are set out in Section 12.11 of this Prospectus.

In the event we are unable to secure sufficient new and sizable projects, our order book will decline over time and this would adversely affect our business sustainability and financial performance in the future.

**(iii) Our business may be affected by the increasing popularity of free self-made life-action content or other free content distributed through social media platforms**

As a 2D animation production service provider, our business may be affected by the performance of our customers' business in the entertainment industry which distributes content through conventional media such as television, pay-per-view and subscription-based streaming platforms. Our customers' business may lose viewership arising from the increasing popularity of free self-made short live-action content or other free content broadcasted over various social media platforms. If these competing contents grow in popularity at the expense of 2D animated content broadcasted over conventional media, it may adversely affect our customers' business and subsequently the demand for our services.

### 3. PROSPECTUS SUMMARY (CONT'D)

#### 3.6 COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

**(i) We have an established track record of 21 years in 2D animation production to sustain and grow our business**

We have an established track record of 21 years in the provision of 2D animation production since the commencement of our business in 2002. During the initial years of our business, the focus was on the development of our proprietary 2D animation content where we were involved in the full production pipeline from story conceptualisation and design through to production and post-production. Since then and up to the LPD, we have developed 12 proprietary 2D animation content including 9 animated series, 1 animated short film, 1 graphic novel, and 1 animated character. Our proprietary contents include 2D animated series and short film with a total runtime of approximately 1,900 minutes.

**(ii) We serve customers in foreign countries where our market coverage includes certain countries from North America, Asia Pacific and Europe regions to sustain and grow our business**

We serve customers across 6 to 8 foreign countries for each of the Financial Periods Under Review, which includes the following:

- (a) USA, Canada and Mexico from North America;
- (b) Australia, Singapore, Japan and Hong Kong from Asia Pacific; and
- (c) United Kingdom, France and Netherlands from Europe.

Revenue of our 2D animation production services are entirely derived from foreign countries which collectively accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. This demonstrates our ability to tap into various foreign markets. Please refer to Section 7.3.1.2 of this Prospectus for further details on our revenue segmentation by geographical market.

Our ability to serve multiple markets covering numerous foreign countries as well as the entertainment market in North America provides us with potential business opportunities to sustain and grow our business.

**(iii) We are involved in animation projects with a distribution network covering traditional television broadcasting and online streaming platforms to reach a global viewer base**

Our customers are internationally recognised brand names in the entertainment industry and this include owners, producers and distributors of 2D animated series for the global market. Some of our internationally recognised customers include Warner Bros. Group and Titmouse Group and the notable animated contents where we carried out 2D animation production include Monster Beach, Lamput 3, The Harper House and Mao Mao Heroes of Pure Heart. To date, many of the contents of the animated series in which we were involved in the 2D animation production are screened over various formats including traditional television broadcasting as well as online streaming platforms to reach global viewers.

**3. PROSPECTUS SUMMARY (CONT'D)**

Depending on our customers' decision, our name may or may not be featured in the credits for the animated content in which we are involved. For the Financial Periods Under Review, the percentage of our name being featured in the credits for animated content are as follows:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Credit accorded	5	7	4	2
Total animated content involved	36	28	20	13
<b>Percentage (%)</b>	<b>13.89</b>	<b>25.00</b>	<b>20.00</b>	<b>15.38</b>

Our involvement in producing 2D animation content for internationally recognised brand names with global distribution capabilities raises our profile as an animation production service provider with our existing and prospective customers.

**(iv) We have experience and technical knowledge in managing and maintaining a large pool of skilled personnel**

For the Financial Periods Under Review, we have been managing a total of 154, 137, 175 and 214 technical and skilled staffs for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. This includes animators, background artists, compositing artists and production coordinators. Our skilled personnel involved in animation production are equipped with technical skills and knowledge, including animation techniques, background illustration and painting, as well as the expertise to transform a host of single frames into an animated video using software.

Our workflow has been structured to manage and maintain a large pool of skilled staff across multiple projects. Our workflow takes into consideration, amongst others, resource allocation and planning, production schedule and budgeting as well as quality control. Our project manager will monitor the overall workflow to ensure that the project can be completed within the time and budget as agreed with the customers. We utilise a customised animation production management software to monitor and review the progress and performance of the personnel to optimise our workflow.

**(v) We have experienced directors and a management team to grow our business**

We have experienced directors and a management team to grow our business.

Our Executive Director, See Chin Joo has over 21 years of experience in the 2D animation production industry. He is responsible for providing management guidance, and strategic advice to the key management personnel of our Group as well as overseeing the portfolio of finance, sales and marketing, and human resources processing of our Group. Our Executive Director, Ooi Kok Hong has over 21 years of experience in the 2D animation production industry and is responsible for providing strategic guidance and direction to the running of animation production, including talent acquisition, resource planning, process improvement, and technology development and deployment within our Group.

They are supported by our key management personnel comprising of our Head of Planning, Leong Mei Cian and Head of Animation, Mohd Faizal Bin Mohd Wazir who has over approximately 10 and 14 years of experience respectively in the 2D animation production industry.

Further details of our competitive strengths are set out in Section 7.5 of this Prospectus.

### 3. PROSPECTUS SUMMARY (CONT'D)

#### 3.7 BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and plans are to continue with our existing business activities in 2D animation production and leverage from our core competencies to grow our business where for domestic expansion, we plan to set up branch offices in Sabah and Sarawak, undertake technical resources expansion and upgrading our existing operational office in Selangor. In addition, we plan to set up sales office in USA for foreign expansion.

Further details of our business strategies and future plans are set out in Section 7.6 of this Prospectus.

#### 3.8 DIRECTORS AND KEY SENIOR MANAGEMENT OF OUR GROUP

As at the LPD, our Directors and key senior management are as follows:

<u>Name</u>	<u>Designation</u>
<b><u>Directors</u></b>	
Lim Chor Ghee	Independent Non-Executive Chairman
See Chin Joo	Executive Director
Ooi Kok Hong	Executive Director
Quah Bee Fong	Independent Non-Executive Director
Elaine Law Soh Ying	Independent Non-Executive Director
Puar Chin Jong	Independent Non-Executive Director
Ku Chia Loon	Non-Independent Non-Executive Director
<b><u>Key senior management</u></b>	
See Chin Joo	Executive Director
Ooi Kok Hong	Executive Director
Leong Mei Cian	Head of Planning
Mohd Faizal Bin Mohd Wazir	Head of Animation

Further details of our Directors and key senior management are set out in Sections 5.2 and 5.4 of this Prospectus.

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### 3. PROSPECTUS SUMMARY (CONT'D)

#### 3.9 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS OF OUR GROUP

The details of our Promoters and/or substantial shareholders, and their respective shareholdings in our Company before and after our IPO are as follows:

Name	Nationality / Place of Incorporation	Before our IPO				After our IPO				
		Direct		Indirect		Direct		Indirect		
		No. of Shares	(1) (%)	No. of Shares	(1) (%)	No. of Shares	(2) (%)	No. of Shares	(2) (%)	
<b>Promoters and substantial shareholders</b>										
Cat Ching	Malaysia	172,889,216	43.22	-	-	172,889,216	34.58	-	-	
See Chin Joo	Malaysian	1	*	172,889,216	<sup>(3)</sup> 43.22	<sup>(4)</sup> 300,001	0.06	172,889,216	<sup>(3)</sup> 34.58	
Ooi Kok Hong	Malaysian	1	*	172,889,216	<sup>(3)</sup> 43.22	<sup>(4)</sup> 300,001	0.06	172,889,216	<sup>(3)</sup> 34.58	
<b>Substantial shareholder</b>										
Koo Hong @ Ku Hong Hai	Malaysian	136,266,664	34.07	-	-	76,266,580	15.25	-	-	

**Notes:**

\* Less than 0.01%.

(1) Based on the number of 400,000,000 Shares after the completion of the Acquisition and before our IPO.

(2) Based on the enlarged number of 500,000,000 Shares after our IPO assuming that the Directors will fully subscribe for their respective entitlements under the Pink Form Allocations.

(3) Deemed interested by virtue of his interest in Cat Ching pursuant to Section 8 of the Act.

(4) Assuming he fully subscribe for his allotment under the Pink Form Allocations.

Further details of our Promoters, substantial shareholders and their shareholdings in our Company are set out in Section 5.1 of this Prospectus.



### 3. PROSPECTUS SUMMARY (CONT'D)

#### 3.10 FINANCIAL HIGHLIGHTS

The following table sets out a summary of the combined financial information of our Group for the Financial Periods Under Review.

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Combined statements of comprehensive income</b>				
Revenue	14,923	17,675	23,485	11,028
Profit from operations <sup>(1)</sup>	4,892	8,099	9,393	3,776
PBT	4,890	8,151	9,434	3,807
PAT attributable to:				
- Owners of the Company	3,680	6,487	7,979	3,021
- Non controlling interests	(3)	(3)	-	-
<b>Combined statements of cash flows</b>				
Net cash flows from operating activities	4,168	5,350	10,539	499
Net cash flows from / (used in) investing activities	40	(1,386)	(176)	(484)
Net cash flows used in financing activities	(1,400)	(7,842)	(6,361)	(6,590)
<b>Net changes in cash and cash equivalents</b>	<b>2,808</b>	<b>(3,878)</b>	<b>4,002</b>	<b>(6,575)</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>10,469</b>	<b>13,277</b>	<b>9,399</b>	<b>13,401</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>13,277</b>	<b>9,399</b>	<b>13,401</b>	<b>6,826</b>
<b>Other selected financial information</b>				
EBITDA (RM'000)	6,211	9,144	10,423	4,296
PBT margin (%)	32.77	46.12	40.17	34.52
PAT margin (%)	24.64	36.68	33.97	27.39
Gearing ratio (times)	0.07	0.06	0.04	0.05
Current ratio (times)	5.23	5.86	4.28	4.07

**Note:**

(1) Refers to the earnings before finance income, finance costs and income tax expense our Group.

Further details of our Group's financial information are set out in Section 12 of this Prospectus.

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**3. PROSPECTUS SUMMARY (CONT'D)****3.11 UTILISATION OF PROCEEDS**

Based on the IPO Price of RM[●], the total gross proceeds of RM[●] from the Public Issue will be utilised by our Group in the following manner:

Description of utilisation	Amount of proceeds		Estimated timeframe for utilisation upon Listing
	RM'000	%	
Capacity expansion	[●]	[●]	Within 36 months
USA sales office	[●]	[●]	Within 36 months
Working capital	[●]	[●]	Within 12 months
Listing expenses	[●]	[●]	Immediate
<b>Total</b>	<b>[●]</b>	<b>100.00</b>	

Further details on the utilisation of proceeds are set out in Section 4.7 of this Prospectus.

**3.12 DIVIDEND POLICY**

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

We target a payout ratio of not less than 40.00% of our PAT attributable to owners of our Company after taking into account our Group's working capital requirements, subject to any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our cash requirements or any plans approved by our Board.

The dividends declared and paid by our Group for the past 3 financial years are as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Dividends declared	10,661	<sup>(2)</sup> 6,703	6,204	-
Dividends paid	1,716	10,661	6,703	6,204
PAT	3,677	6,484	7,979	3,021
Dividend payout ratio <sup>(1)</sup> (%)	289.94	103.38	77.75	-

**Notes:**

- (1) Computed as dividends declared divided by PAT which also include dividend in specie.
- (2) Includes dividend in specie via the distribution of 2,348,830 ordinary shares in Arboratory Limited to its shareholders.

The dividends declared and paid for the FYE 2020, FYE 2021 and FYE 2022 were funded via internally generated funds. The Board proposes to declare and distribute dividend amounting to 60% of the Group's PAT for the FYE 2023 prior to our Listing.

Further information of our dividend policy is set out in Section 12.13 of this Prospectus.

#### 4. DETAILS OF OUR IPO

##### 4.1 OPENING AND CLOSING OF APPLICATIONS

Application for our IPO Shares will open at 10.00 a.m. on [●] and will remain open until 5.00 p.m. on [●].

**Late Applications will not be accepted.**

##### 4.2 INDICATIVE TIMETABLE

An indicative timetable of our IPO is set out below:

Events	Indicative Date
Issuance of Prospectus/Opening of Application	10.00 a.m., [●]
Closing of Application	10.00 a.m., [●]
Balloting of Application	[●]
Allotment/Transfer of our IPO Shares to successful applicants	[●]
Listing	[●]

In the event there is any change to the timetable, we will advertise a notice of change in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia and announce it on Bursa Securities' website accordingly.

##### 4.3 PARTICULARS OF OUR IPO

###### 4.3.1 Public Issue

A total of 100,000,000 Issue Shares, representing 20.00% of our enlarged total number of Shares are offered at the IPO Price. The Issue Shares shall be allocated in the following manner:

###### (i) Malaysian Public

25,000,000 Issue Shares, representing 5.00% of our enlarged total number of Shares, will be made available for application by the Malaysian Public through a balloting process as follows:

- (a) 12,500,000 Issue Shares will be made available to public investors; and
- (b) 12,500,000 Issue Shares will be made available to Bumiputera public investors.

**4. DETAILS OF OUR IPO (CONT'D)**

**(ii) Eligible Directors, employees of our Group and persons who have contributed to our success**

10,000,000 Issue Shares, representing 2.00% of our enlarged total number of Shares, will be reserved for application by the eligible Directors, employees of our Group and persons who have contributed to our success in the following manner:

<b>Category</b>	<b>Number of persons</b>	<b>Number of Issue Shares allocated</b>
Eligible Directors of our Company <sup>(1)</sup>	7	2,100,000
Eligible employees of our Group <sup>(2)</sup>	47	5,700,000
Persons who have contributed to our success <sup>(3)</sup>	5	2,200,000
<b>Total</b>	<b>59</b>	<b>10,000,000</b>

**Notes:**

(1) *The criteria of allocation to our eligible Directors are based on, amongst others, their respective roles and responsibilities in our Group.*

*The number of Issue Shares under the Pink Form Allocations to be allocated to our eligible Directors is set out below:*

<b>Name of Directors</b>	<b>Designation</b>	<b>Number of Issue Shares allocated</b>
<i>Lim Chor Ghee</i>	<i>Independent Non-Executive Chairman</i>	<i>300,000</i>
<i>See Chin Joo</i>	<i>Executive Director</i>	<i>300,000</i>
<i>Ooi Kok Hong</i>	<i>Executive Director</i>	<i>300,000</i>
<i>Quah Bee Fong</i>	<i>Independent Non-Executive Director</i>	<i>300,000</i>
<i>Elaine Law Soh Ying</i>	<i>Independent Non-Executive Director</i>	<i>300,000</i>
<i>Puar Chin Jong</i>	<i>Independent Non-Executive Director</i>	<i>300,000</i>
<i>Ku Chia Loon</i>	<i>Non-Independent Non-Executive Director</i>	<i>300,000</i>
<b>Total</b>		<b>2,100,000</b>

(2) *The criteria of allocation to our eligible employees (as approved by our Board) are based on, amongst others, the following factors:*

(i) *the eligible employee must be a full time and confirmed employee and on the payroll of our Group; and*

(ii) *the number of Issue Shares allocated to our eligible employees is based on their seniority, position, length of service, past performance and respective contribution made to our Group as well as other factors deemed relevant by our Board.*

#### 4. DETAILS OF OUR IPO (CONT'D)

*The number of Issue Shares allocated under this category is inclusive of the allocation to our key senior management. The number of Issue Shares to be allocated to our key senior management under the Pink Form Allocations is set out below:*

<b><i>Name of key senior management</i></b>	<b><i>Designation</i></b>	<b><i>Number of Issue Shares allocated</i></b>
<i>Leong Mei Cian</i>	<i>Head of Planning</i>	<i>400,000</i>
<i>Mohd Faizal Bin Mohd Wazir</i>	<i>Head of Animation</i>	<i>400,000</i>
<b><i>Total</i></b>		<b><i>800,000</i></b>

- (3) *The number of Pink Form Allocations to persons who have contributed to our success comprising, amongst others, our suppliers and business associates shall be based on their length of business relationship with our Group, the level of their current and past contribution and support to our Group and as approved by our Board.*

As at the LPD, to the extent known to our Company:

- (i) save as disclosed in Section 4.3.1(ii) of this Prospectus, there are no substantial shareholders, Directors or key senior management of our Company who have indicated that they intend to subscribe for the IPO Shares; and
- (ii) there is no person who have indicated that they intend to subscribe for more than 5.00% of our IPO Shares.

**(iii) Private placement**

65,000,000 Issue Shares, representing 13.00% of our enlarged number of issued Shares, will be made available by way of private placement to selected investors.

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#### 4. DETAILS OF OUR IPO (CONT'D)

##### 4.3.2 Offer for Sale

Concurrent with the Public Issue, the Offerors will offer 100,000,000 Offer Shares representing 20.00% of our enlarged total number of Shares, by way of private placement to selected investors at the IPO Price. The Offer Shares to be offered by each Offerors and their respective shareholdings in our Company before and after our IPO are as follows:

Name	Address	Position / Relationship with our Group	Shareholdings before our IPO		Offer for Sale			Shareholdings after Offer for Sale/our IPO	
			No. of Shares	(1) %	No. of Shares	(1) %	(2) %	No. of Shares	(2) %
Koo Hong @ Ku Hong Hai	BB-38-01 10 Mont' Kiara No. 4 Jalan Kiara 1 50480 Kuala Lumpur	Substantial shareholder	136,266,664	34.07	60,000,084	15.00	12.00	76,266,580	15.25
Tri Dynasty Holdings Sdn Bhd	9G Jalan Industri PBP 3/2 Taman Industri Pusat Bandar Puchong 47100 Selangor	Shareholder	18,168,885	4.54	8,000,011	2.00	1.60	10,168,874	2.03
Eng Lian Management Sdn Bhd	Tingkat 4, Lin Ho Building 15, Jalan Hang Lekiu 50100 Kuala Lumpur	Shareholder	9,084,443	2.27	4,000,006	1.00	0.80	5,084,437	1.02
Lu Pat Sdn Bhd	6 & 8 Jalan Gereja 3 <sup>rd</sup> Floor 50100 Kuala Lumpur	Shareholder	9,084,443	2.27	4,000,006	1.00	0.80	5,084,437	1.02
Tham Choy Yong	No. 79, Jalan SS2/41 47300 Petaling Jaya Selangor	Shareholder	44,513,455	11.13	19,599,887	4.90	3.92	24,913,568	4.98
Chang Tat Cyan	No. 65, Jalan SS21/3 Damansara Utama 47400 Petaling Jaya Selangor	Shareholder	9,992,891	2.50	4,400,006	1.10	0.88	5,592,885	1.12
<b>Total</b>			<b>227,110,781</b>	<b>56.78</b>	<b>100,000,000</b>	<b>25.00</b>	<b>20.00</b>	<b>127,110,781</b>	<b>25.42</b>

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**4. DETAILS OF OUR IPO (CONT'D)**

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**Notes:**

(1) *Based on the total number of 400,000,000 Shares after the completion of the Acquisition and before our IPO.*

(2) *Based on the enlarged total number of 500,000,000 Shares after our IPO.*

Our Offerors are also Specified Shareholders in our Group, whereby a moratorium will be imposed on the sale, transfer or assignment of Shares held by them as set out in Section 2.2 of this Prospectus.

Based on the IPO Price, the Offer for Sale will raise gross proceeds of approximately RM[●], which will accrue entirely to our Offerors. Our Offerors will bear all the expenses relating to the Offer for Sale, which is estimated to be approximately RM[●].

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#### 4. DETAILS OF OUR IPO (CONT'D)

##### 4.3.3 Underwriting arrangement and allocation of our IPO Shares

In summary, our IPO Shares will be allocated in the following manner:

	Issue Shares		Offer Shares		IPO Shares	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
<b>Retail Offering</b>						
- Malaysian Public (via balloting)	25,000,000	5.00	-	-	25,000,000	5.00
- Eligible Directors, employees of our Group and persons who have contributed to our success	10,000,000	2.00	-	-	10,000,000	2.00
<b>Private placement</b>						
- Selected investors	65,000,000	13.00	100,000,000	20.00	165,000,000	33.00
<b>Total</b>	<b>100,000,000</b>	<b>20.00</b>	<b>100,000,000</b>	<b>20.00</b>	<b>200,000,000</b>	<b>40.00</b>

**Note:**

(1) Based on the enlarged total number of 500,000,000 Shares after our IPO.

The retail offering has been fully underwritten, while the private placement is not underwritten. Irrevocable undertakings will be obtained from the identified selected investors to subscribe for our IPO Shares available under the private placement.

The allocation of our IPO Shares shall be on a fair and equitable manner and shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view:

- (i) to broaden our Company's shareholding base to meet the public shareholding spread requirements of Bursa Securities; and
- (ii) to establish a liquid and adequate market for our Shares.

##### 4.3.4 Clawback and re-allocation

Our IPO Shares will be subject to the following clawback and reallocation provisions:

- (i) any Issue Shares not subscribed for under the Pink Form Allocations will be made available for application by other eligible Directors, employees of our Group and person who have contributed to our success who have applied for excess IPO Shares in addition to their pre-determined allocation ("**Excess IPO Shares**") and will be allocated on a fair and equitable basis in the following priority:
  - (a) firstly, allocation on a pro-rata basis to our eligible Directors and employees of our Group who have applied for Excess IPO Shares based on the number of Excess IPO Shares applied for;
  - (b) secondly, allocation of any balance Excess IPO Shares after item (a) above on a pro-rata basis to persons who have contributed to the success of our Group who have applied for the Excess IPO Shares based on the number of Excess IPO Shares applied for; and



#### 4. DETAILS OF OUR IPO (CONT'D)

- (c) thirdly, to minimise odd lots.
- (ii) after (i) above, if any of our Issue Shares made available to the eligible Directors, employees of our Group and persons who have contributed to our success under the Pink Form Allocations are undersubscribed, such Issue Shares will be made available for application by way of private placement to selected investors;
- (iii) if there is an under-subscription in the private placement to selected investors and there is an over-subscription by the Malaysian Public, our Issue Shares may be clawed back from the private placement to selected investors and reallocated to the Malaysian Public; and
- (iv) if there is an under-subscription by the Malaysian Public and there is an over-subscription in the private placement to selected investors, our Issue Shares may be clawed back from the allocation to Malaysian Public and reallocated to selected investors via private placement.

Any Issue Shares made available for application by the Malaysian Public, and the eligible Directors, employees of our Group and persons who have contributed to our success, not applied for after being subject to the clawback and reallocations provisions above will be underwritten by the Underwriter based on the terms of the Underwriting Agreement.

The clawback and reallocation provisions will not apply in the event there is an over-subscription of the Issue Shares allocated to the Malaysian Public and Pink Form Allocations.

##### 4.3.5 Minimum and over-subscription

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of IPO Shares will be the number of IPO Shares required to be held by public shareholders to comply with the public spread requirement as set out in the Listing Requirements or as approved by Bursa Securities. There is no over-allotment or "greenshoe" option that will result in an increase in the number of our IPO Shares.

In the event of an over-subscription, acceptance of Application by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Directors.

Under the Listing Requirements, at least 25.00% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our Admission. We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing.

In such an event, we will return in full, without interest, all monies paid in respect of all Applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

##### 4.3.6 LTIP

In conjunction with our Listing, we established a LTIP of up to 10.00% of the total number of issued Shares of our Company, comprising ESOS and ESGS, to be granted to the Eligible Persons.

The LTIP is intended to provide our Company with the flexibility to determine the most appropriate instrument or combination of instruments to reward and retain Eligible Persons whose services are vital to the continued growth and performance of our Group. It is also intended to incentivise the Eligible Persons for their commitment, dedication and loyalty towards attainment of higher performance.

#### 4. DETAILS OF OUR IPO (CONT'D)

The LTIP will be administered by the LTIP Committee and will be governed by the By-Laws. The members of the LTIP Committee will comprise one of our Executive Director and two of our Independent Non-Executive Directors as follows:

Name	Designation	Directorship
See Chin Joo	Chairman	Executive Director
Lim Chor Ghee	Member	Independent Non-Executive Director
Quah Bee Fong	Member	Independent Non-Executive Director

The ESOS involves the grant of options to the Eligible Persons to subscribe for new Shares in our Company throughout the duration of the LTIP at a subscription price per Share to be determined in accordance with the By-Laws, whereas the ESGS involves grant of Shares in our Company to the Eligible Persons, i.e. the Eligible Persons are not required to pay any subscription price for the Shares in our Company.

In implementing the LTIP, the LTIP Committee may, at its discretion, decide that any vesting of Shares comprised in an award under the LTIP ("**LTIP Award**") shall be satisfied through:

- (i) the issuance of new Shares;
- (ii) the acquisition and transfer of existing Shares (including treasury shares, if any);
- (iii) any other methods as may be permitted by the Act; or
- (iv) a combination of any of the above.

In considering the modes of satisfaction as referred to in (i) to (iv) above, the LTIP Committee will take into consideration factors such as, amongst others, the prevailing market price of the Shares, funding considerations, dilutive effects of any such issuance on our Company's share capital base, and cash requirements of our Group.

The salient features of the LTIP are as follows:

(i) **Maximum number of Shares available under the LTIP**

Not more than 10.00% of the total number of issued Shares of our Company (excluding treasury shares, if any) at any one time throughout the duration of the LTIP.

(ii) **Maximum allowable allocation and basis of allocation**

At the sole and absolute discretion of the LTIP Committee after taking into consideration, inter alia, the seniority, job grading, length of service and/or contribution to our Group by the Eligible Persons and/or other matters which the LTIP Committee may in its sole and absolute discretion deem fit, subject always to the following:

- (a) Eligible Persons do not participate in the deliberation or discussion of their own allocation and the allocation to any person connected with them;
- (b) the number of Shares allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20.00% or more in the total number of issued Shares (excluding treasury shares) of our Company, shall not exceed 10.00% of the total number of Shares to be made available under the LTIP; and

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**4. DETAILS OF OUR IPO (CONT'D)**

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- (c) not more than 80.00% of the new Shares available under the ESOS and ESGS shall be allocated in aggregate to the executive Directors and key senior management.

The maximum allocation of 80.00% to the executive Directors and key senior management was determined to incentivise the Directors for their contribution towards development, growth and success and strategic direction to drive long term shareholder value enhancement of our Group and to incentivise the senior management of our Group for their commitment, dedication and loyalty towards attainment of higher performance.

The LTIP Committee shall be entitled in its discretion to determine the aggregate maximum number of Shares that may be allocated between the ESOS and the ESGS which shall not in aggregate exceed 10.00% of the total number of issued Shares (excluding treasury shares, if any) from time to time, and to any one class/grade of Eligible Person.

(iii) **Eligibility**

Subject to the discretion of the LTIP Committee, any Eligible Persons of our Group shall be eligible to be considered for the offer of ESOS Options under the ESOS and share grant under the ESGS, if the following eligibility criteria are fulfilled:

- (a) he/she has attained the age of at least 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (b) he/she is employed on full time basis and is on the payroll of any company within our Group, and who has been confirmed in service/employment as a full-time employee of our Group, and has not at the relevant point in time served a notice of resignation or received a notice of termination;
- (c) in respect of an executive Director, the executive Director must have been appointed as an executive Director for such period as may be determined by the LTIP Committee prior to and up to the date of the LTIP Award and has not at the relevant point in time served a notice of resignation or received a notice of termination; and/or
- (d) he/she falls within any other categories or criteria as may be determined by the LTIP Committee from time to time in its absolute discretion.

Our LTIP Committee may, at any time and from time to time, before and after a LTIP Award is granted, have the sole and absolute discretion to:

- (a) limit the exercise of the ESOS Options to a maximum number of new Shares and/or such percentage of the total new Shares comprised in the ESOS Options during such periods within the option period;
- (b) subject the exercise of the ESOS Options and/or ESGS to any vesting condition determined by the LTIP Committee at its sole and absolute discretion including but not limited to performance targets being achieved before an ESOS Options and/or ESGS can be exercised;
- (c) impose any other terms and conditions (including the time period to exercise the ESOS Options or ESGS) as the LTIP committee may, in its sole discretion deems appropriate including amending or varying any terms and conditions imposed earlier; and/or

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**4. DETAILS OF OUR IPO (CONT'D)**

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- (d) stagger the allocation of ESOS Options and/or ESGS available over the duration of the LTIP and to determine the vesting period (if any) for the ESOS Options and/or ESGS granted under the LTIP.

**(iv) Subscription price**

The subscription price of each Share comprised in any ESOS Option shall be:

- (a) in respect of any ESOS Option granted in conjunction with our IPO, be the IPO Price; or
- (b) in respect of any ESOS Option granted after our IPO, at the discretion of the LTIP Committee, be based on a discount of not more than 10.00% or such higher limit as may be permitted from time to time by Bursa Securities or any other relevant authorities to 5-day volume weighted average market price of our Shares transacted on Bursa Securities immediately preceding the offer date.

**(v) Duration of the LTIP**

The LTIP shall be in force for a period of 5 years commencing from the effective date upon full compliance with the Listing Requirements and may be extended by our Board at its absolute discretion, without having to obtain the approval of our shareholders, for up to another 5 years immediately from the expiry of the first 5 years, and shall not in aggregate exceed 10 years from the effective date of implementation of the LTIP, being the date of full compliance with all relevant provisions of the Listing Requirements in relation to the LTIP.

**(vi) Rights of grantees**

The ESOS Options shall not carry any rights to vote at any general meeting of our Company. The grantees shall not in any event be entitled to any dividends, rights or other entitlements on his/her unexercised ESOS Options.

In the event that a resolution is passed or a court order is made for the winding up of our Company, all outstanding LTIP Awards shall be automatically terminated and be of no further force and effect commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding up or liquidation of our Company, all rights to exercise and/or vest the LTIP Awards shall automatically be suspended from the date of presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise and/or vest the LTIP awards shall accordingly be unsuspended.

**(vii) Ranking of the new Shares to be issued under the LTIP**

The new Shares to be allotted and issued under the LTIP will be subject to the provisions of our Constitution and will, upon allotment and issuance, rank equally in all respects with our existing Shares including voting rights, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, that may be declared, made or paid to our shareholders for which the relevant entitlement date precedes the date of issuance of the new Shares pursuant to the LTIP.

In respect of the existing Shares to be transferred to the ESGS grantees pursuant to the vesting of the Shares comprised in an ESGS grant, such Shares rank equally in all respects with our existing Shares. However, the ESGS grantee shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the Shares are credited into the CDS Accounts of the ESGS grantees on or prior to the relevant entitlement date of such dividends, rights, allotments and/or other distributions.

**4. DETAILS OF OUR IPO (CONT'D)****(viii) Alteration of share capital and adjustment**

In the event of an alteration in the share capital of our Company during the duration of the LTIP, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction or any other variation of capital, the LTIP Committee may, at its discretion, determine whether:

- (a) in respect of the ESOS, the option price and/or the number of unvested or unexercised ESOS Options and the option price and/or number of ESOS Options in respect of which future ESOS awards may be granted under the ESOS; and
- (b) in respect of the ESGS, the ESGS grant price and/or number of Shares comprised in unvested ESGS,

shall be adjusted, and if so, the manner in which such adjustments should be made, as provided for in the By-Laws.

Save as provided for in the By-Laws, the external auditors or the principal adviser selected by our Board (acting as an expert and not as an arbitrator) shall confirm in writing that the adjustments are in their opinion fair and reasonable.

Any fraction of a Share arises from the adjustment, the number of Shares comprised in any award of ESOS Options and ESGS grant shall automatically be rounded down to the nearest whole number.

**(ix) Listing of and quotation for the new Shares to be issued arising from the exercise of the LTIP**

The LTIP is conditional upon the listing of our Company on the ACE Market of Bursa Securities and any new Shares to be issued pursuant to the LTIP will be listed and quoted on the ACE Market of Bursa Securities.

Prior to the full vesting of any LTIP Awards to the Eligible Persons, such LTIP awards that remain unvested or unexercised or unsatisfied (as the case may be) shall be automatically terminated and ceased or be deemed to cease to be valid in the event of the termination or cessation of employment of the grantee with our Group, in which event the termination of LTIP Awards shall be effective on the grantee's last day of employment.

The proposed specific allocation of the ESOS Options to the Eligible Persons in conjunction with our Listing is as follows:

<b>Name</b>	<b>Designation</b>	<b>No. of ESOS Options allocated</b>
See Chin Joo	Executive Director	2,500,000
Ooi Kok Hong	Executive Director	2,500,000
Leong Mei Cian	Head of Planning	600,000
Mohd Faizal Bin Mohd Wazir	Head of Animation	600,000
Other employees	-	8,100,000
<b>Total</b>		<b>14,300,000</b>

#### 4. DETAILS OF OUR IPO (CONT'D)

The exercise price for the above ESOS Options shall be the IPO Price. The above ESOS Options to be granted shall vest over 4 tranches, commencing from the first anniversary of the date of the Listing as follows:

<b>First anniversary of the date of the Listing</b>	10.00%
<b>Second anniversary of the date of the Listing</b>	20.00%
<b>Third anniversary of the date of the Listing</b>	30.00%
<b>Fourth anniversary of the date of the Listing</b>	40.00%

Any further offer, allocation or allotment under the LTIP to any of our executive Directors or persons connected to them (if any), shall require the prior approval of our shareholders in a general meeting.

The grant of the ESOS Options in conjunction with our Listing will not have an immediate effect on the consolidated NA and NA per Share until such time new Shares are issued when the ESOS Options are exercised. Any potential effect on the consolidated NA per Share would depend on the number of ESOS Options that have vested and the exercise price of the ESOS Options, which shall be the IPO Price.

Further details of the LTIP are set out in the By-Laws in Section 15 of this Prospectus.

#### 4.3.7 Share capital, classes of shares and rankings

Upon completion of our IPO, our share capital will be as follows:

<b>Details</b>	<b>No. of Shares</b>	<b>RM</b>
As at the date of this Prospectus	400,000,000	9,560,003
To be issued under the Public Issue	100,000,000	<sup>(1)</sup> [●]
<b>Enlarged issued Shares upon Listing</b>	<b>500,000,000</b>	<b>[●]</b>

**Note:**

(1) Calculated based on the IPO Price and after deducting the estimated listing expenses of approximately RM[●] which is directly attributable to the Public Issue and allowed to be debited against the share capital of our Company.

The Offer for Sale will not have any effect on our share capital.

As at the date of this Prospectus, we have only one class of shares, being ordinary shares. Our Issue Shares will, upon allotment and issuance, rank equally in all respect with our existing Shares including voting rights and will be entitled to all rights, dividends and other distributions that may be declared subsequent to the date of allotment of our Issue Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the amount paid by them, be entitled to share the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

#### 4. DETAILS OF OUR IPO (CONT'D)

At any general meeting of our Company, each of our shareholders shall be entitled to vote in person, by proxy, by attorney or by other duly authorised representatives. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

On a show of hands, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote for each Share held.

#### 4.4 BASIS OF ARRIVING AT THE IPO PRICE

Our IPO Price was determined and agreed upon by us and our Principal Adviser, Sponsor, Underwriter and Placement Agent after taking into consideration the following factors:

- (i) PE multiple of approximately [●] times based on our EPS of approximately 1.60 sen for the FYE 2022 (calculated based on our PAT attributable to owners of our Company for the FYE 2022 of approximately RM7.98 million and our enlarged total number of 500,000,000 Shares upon Listing);
- (ii) our pro forma combined NA per Share of RM[●] as at 30 June 2023 based on our enlarged number of issued Shares of 500,000,000 Shares, after our IPO and subsequent to the utilisation of proceeds from our Public Issue as set out in Section 4.7 of this Prospectus;
- (iii) our competitive strengths as described in Section 7.5 of this Prospectus;
- (iv) our business strategies and future plans as described in Section 7.6 of this Prospectus; and
- (v) the industry overview and prospects as set out in the IMR Report in Section 8 of this Prospectus.

**You should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares. You should form your own views on the valuation of our IPO Shares and reasonableness of the bases used before deciding to invest in our IPO Shares. You are also reminded to carefully consider the risk factors as set out in Section 9 of this Prospectus.**

#### 4.5 OBJECTIVES OF OUR IPO

The purposes of our IPO are as follows:

- (i) to enable our Group to raise funds for the purposes set out in Section 4.7 of this Prospectus;
- (ii) to gain recognition through our Group's listing status which will enhance our Group's reputation in the marketing of our services and to retain and attract new, skilled employees in the industry; and
- (iii) to enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities, as and when they arise.

#### 4. DETAILS OF OUR IPO (CONT'D)

##### 4.6 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and our enlarged number of issued Shares of 500,000,000 upon Listing, our total market capitalisation is estimated to be RM[●].

##### 4.7 DILUTION

Dilution is the amount by which the IPO Price exceeds our pro forma combined NA per Share immediately after our IPO. The following table illustrates such dilution on a per Share basis:

	<b>RM</b>
IPO Price	[●]
Pro forma combined NA per Share as at 30 June 2023 after the Acquisition but before our Public Issue	0.03
Pro forma combined NA per Share as at 30 June 2023 after the Acquisition, the Public Issue and the utilisation of proceeds from the Public Issue	[●]
Increase in pro forma combined NA per Share attributable to existing shareholders	[●]
Dilution in pro forma combined NA per Share to new public investors	[●]
Dilution in pro forma combined NA per Share as a percentage of IPO Price	[●]%

Further details of our pro forma NA per Share as at 30 June 2023 are set out in Section 12 of this Prospectus.

Save as disclosed below, there has been no acquisition or allotment of any of our Shares by/to our Directors, Promoters, direct substantial shareholders, key senior management or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares in the past 3 years prior to the date of this Prospectus:

<b>Name</b>	<b>No. of Shares allotted</b>	<b>Total consideration (RM)</b>	<b>Average effective cost for each Share (RM)</b>
<b><u>Promoters, Directors and substantial shareholders</u></b> <sup>(1)</sup>			
See Chin Joo	<sup>(2)</sup> 1	-	1.0000
Ooi Kok Hong	<sup>(2)</sup> 1	-	1.0000
<b><u>Promoter and substantial shareholder</u></b>			
Cat Ching	<sup>(3)</sup> 172,889,216	<sup>(4)</sup> 4,132,052	0.0239
<b><u>Substantial shareholder</u></b>			
Koo Hong @ Ku Hong Hai	<sup>(3)</sup> 136,266,664	<sup>(4)</sup> 3,256,773	0.0239

**Notes:**

- (1) See Chin Joo and Ooi Kok Hong are deemed substantial shareholders of our Company by virtue of their interest in Cat Ching pursuant to Section 8 of the Act.
- (2) Subscriber's Shares pursuant to the incorporation of our Company.
- (3) Allotted pursuant to the Acquisition.
- (4) The total consideration for these Shares was arrived based on a "willing-buyer willing-seller" basis after taking into consideration the audited consolidated NA of Inspidea as at 31 December 2022 and the final dividend declared for the FYE 2022 pursuant to the Acquisition.



#### 4. DETAILS OF OUR IPO (CONT'D)

##### 4.8 UTILISATION OF PROCEEDS

Based on the IPO Price of RM[●], the total gross proceeds of RM[●] from the Public Issue will be utilised by our Group in the following manner:

Allocation of proceeds	Amount of proceeds		Estimated timeframe for utilisation upon Listing
	RM'000	%	
Capacity expansion	[●]	[●]	Within 36 months
USA sales office	[●]	[●]	Within 36 months
Working capital	[●]	[●]	Within 12 months
Listing expenses	[●]	[●]	Immediate
<b>Total</b>	<b>[●]</b>	<b>100.00</b>	

##### 4.8.1 Capacity expansion

Our Group intends to utilise proceeds raised of approximately RM[●] to increase capacity by setting up branch offices in Sabah and Sarawak to source and tap into talent pools in animation production there, as well as refurbishment of existing production facilities in Selangor to expand our production workforce.

The details of utilisation for the capacity expansion are as follows:

Details of utilisation	RM'000
Setting up production branch office in Sabah <sup>(1)</sup>	[●]
Setting up production branch office in Sarawak <sup>(2)</sup>	[●]
Expansion of Group's workforce in Selangor <sup>(3)</sup>	[●]
<b>Total</b>	<b>[●]</b>

##### Notes:

- (1) We have earmarked approximately RM[●] for the setting up of a production branch office in Kota Kinabalu, Sabah with a total built-up area of 1,800 sq. ft. As at the LPD, our Group is still in the process of identifying a suitable location in Kota Kinabalu, Sabah for the establishment of a production branch office. The breakdown of the costs is as follows:

Details of utilisation	RM'000
Capital expenditure for office renovation and the purchasing of new workstations and office equipment	[●]
Staff costs <sup>(a)</sup> and operational expenditure such as rental, payment of utilities, professional fees and software subscription for animation production	[●]
<b>Total</b>	<b>[●]</b>

#### 4. DETAILS OF OUR IPO (CONT'D)

**Note:**

- (a) For Sabah's production branch office, it includes hiring of 35 personnel including animation technical personnel and admin staff between FYE 2024 and FYE 2026.
- (2) We have earmarked approximately RM[●] for the setting up of a production branch office in Kuching, Sarawak with a total built-up area of 3,200 sq. ft. As at the LPD, our Group is still in the process of identifying a suitable location in Kuching, Sarawak for the establishment of a production branch office. The breakdown of the costs is as follows:

<b>Details of utilisation</b>	<b>RM'000</b>
Capital expenditure for office renovation and the purchasing of new workstations and office equipment	[●]
Staff costs <sup>(a)</sup> and operational expenditure such as rental, payment of utilities, professional fees and software subscription for animation production	[●]
<b>Total</b>	<b>[●]</b>

**Note:**

- (a) For Sarawak's production branch office, it includes hiring of 40 personnel including animation technical personnel and admin staff between FYE 2024 and FYE 2026.
- (3) We have earmarked approximately RM[●] for the for the expansion of our Group's workforce in Selangor. The breakdown of the costs is as follows:

<b>Details of utilisation</b>	<b>RM'000</b>
Refurbishment of existing production facilities and the purchasing of new workstations and office equipment	[●]
Staff costs <sup>(a)</sup> and operational expenditure such as software subscription for animation production	[●]
<b>Total</b>	<b>[●]</b>

**Note:**

- (a) It includes hiring of 30 animation technical personnel between FYE 2024 and FYE 2026. As at the LPD, our Group has 209 animation technical personnel.

Please refer to Section 7.6.1.1 of this Prospectus for further details on the capacity expansion in Sabah and Sarawak.

#### 4.8.2 USA sales office

Our Group intends to utilise proceeds raised of approximately RM[●] to set up a sales office in the USA to better facilitate client management in that geographical region and to be more effective in sales and marketing initiatives including more frequent physical interactions and engagement, and better networking opportunities with potential customers.

Presently, although we do not have physical presence or business entity in any of the foreign countries, our Group was able to secure 2D animation production projects from customers in foreign countries including the USA. All our projects are carried out in Malaysia as all of our 2D animation production works are undertaken digitally, where we receive the pre-production package and we deliver our completed production works through the internet. Communications with our customers in the USA are mainly through e-mails and virtual meetings.

#### 4. DETAILS OF OUR IPO (CONT'D)

The sales office in the USA is intended to serve 2 purposes including addressing potential business opportunities with prospective customers as well as continuing to serve the requirements of the Group's existing customers in North America.

By having a physical presence in the USA, we are able to enhance our customer service coverage efforts, increase our business development activities as well as widen the channel that potential customers could reach us. We will be able to have face-to-face interactions and provide localised support to potential customers within North America.

As at the LPD, our Group is still in the process of identifying a suitable location in Los Angeles for the establishment of the branch office. The proceeds raised would be used for:

<b>Details of utilisation</b>	<b>RM'000</b>
Purchasing of new workstations and office equipment	[•]
Staff costs <sup>(a)</sup> and operational expenditure such as rental, professional fees and software subscription	[•]
<b>Total</b>	<b>[•]</b>

**Note:**

(1) *Hiring of 1 sales and marketing personnel and 1 business development personnel between FYE 2024 and FYE 2026.*

As at the LPD, the sales and marketing force of our Group consists of 2 employees.

#### 4.8.3 Working capital

Our Group intends to utilise proceeds raised of approximately RM[•] for its working capital requirements which may include, but are not limited to general selling and distribution expenses, and general administrative expenses including staff-related costs of the Group.

While the breakdown of such use has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation, on a best estimate basis, the allocation of the proceeds to be utilised for each component of the working capital are as follows:

<b>Details of utilisation</b>	<b>RM'000</b>
Payroll expenses for animation technical personnel	[•]
Marketing support expenses such as travelling expenses, international tradeshow participation, branding and advertising	[•]
Administrative expenses such as remunerations for administrative staff and directors, legal and professional fees and office upkeep and maintenance	[•]
<b>Total</b>	<b>[•]</b>

**4. DETAILS OF OUR IPO (CONT'D)****4.8.4 Listing expenses**

Our listing expenses are estimated to be approximately RM[●] representing about [●]% of the gross proceeds from our Public Issue, details of which are as follows:

<b>Estimated listing expenses</b>	<b>RM'000</b>
Professional fees <sup>(1)</sup>	[●]
Brokerage, underwriting and placement fees	[●]
Regulatory fees	[●]
Printing, advertising and other miscellaneous expenses	[●]
<b>Total</b>	<b>[●]</b>

**Note:**

(1) *Includes fees for the Principal Adviser, Solicitors, Reporting Accountants, Independent Market Researcher, Issuing House and other professional advisers.*

In the event the actual listing expenses is lower than the allocation of RM[●], the excess will be used for working capital purposes. However, if the actual listing expenses are higher than the estimated, the shortfall will be funded out of the portion allocated for working capital purposes and/or internally generated funds.

Pending the utilisation of the proceeds from our Public Issue for the above intended purposes, the unutilised proceeds will be placed in interest-bearing accounts with licenced financial institutions in Malaysia and/or money market deposit instruments/funds. The interest income derived from such short-term placements and gains from money market deposit instruments will be used as additional working capital for our Group (e.g. payroll expenses for animation technical personnel, marketing support expenses and administrative expenses).

**4.8.5 Offer for Sale**

Our Company will not receive any proceeds from the Offer for Sale. The Offer for Sale is expected to raise gross proceeds of RM[●] which will accrue entirely to our Offerors. Our Offerors will bear all the expenses relating to the Offer for Sale including the placement fee, which is estimated to be approximately RM[●].

**4.9 UNDERWRITING COMMISSION, BROKERAGE AND PLACEMENT FEES****4.9.1 Underwriting commission**

Kenanga IB, as our Underwriter, has agreed to underwrite 35,000,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. We will pay our Underwriter an underwriting commission at the rate of 2.50% of the total value of the underwritten Shares.

**4.9.2 Brokerage fee**

We will pay brokerage fee in respect of the 25,000,000 Issue Shares made available to the Malaysian Public via balloting at the rate of 1.00% on the IPO Price in respect of all successful applications that bear the stamp of either Kenanga IB, the participating organisations of Bursa Securities, the members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

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**4. DETAILS OF OUR IPO (CONT'D)**

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**4.9.3 Placement fee**

Our Placement Agent has agreed to place out 165,000,000 IPO Shares comprising 65,000,000 Issue Shares and 100,000,000 Offer Shares to selected investors.

We will pay our Placement Agent a placement fee of between 0.50% to 2.50% of our IPO Price multiplied by the number of Issue Shares placed out by our Placement Agent.

The placement fee of between 0.50% to 2.50% of the value of those Offer Shares placed out by our Placement Agent will be borne entirely by the Offerors.

**4.10 SALIENT TERMS OF THE UNDERWRITING ARRANGEMENT**

Pursuant to the Underwriting Agreement entered on [●], the Underwriter has agreed to underwrite 35,000,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations (“**Underwritten Shares**”) on the terms and conditions as set out in the Underwriting Agreement. The following are the salient terms contained in the Underwriting Agreement:

- (i) [●]

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## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 5.1 OUR PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

#### 5.1.1 Promoters and substantial shareholders' shareholdings

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

Name	Nationality / Place of incorporation	Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	<sup>(1)</sup> (%)	No. of Shares	<sup>(1)</sup> (%)	No. of Shares	<sup>(2)</sup> (%)	No. of Shares	<sup>(2)</sup> (%)
<b><u>Promoters and substantial shareholders</u></b>									
Cat Ching	Malaysia	172,889,216	43.22	-	-	172,889,216	34.58	-	-
See Chin Joo	Malaysian	1	*	<sup>(3)</sup> 172,889,216	43.22	<sup>(4)</sup> 300,001	0.06	<sup>(3)</sup> 172,889,216	34.58
Ooi Kok Hong	Malaysian	1	*	<sup>(3)</sup> 172,889,216	43.22	<sup>(4)</sup> 300,001	0.06	<sup>(3)</sup> 172,889,216	34.58
<b><u>Substantial shareholder</u></b>									
Koo Hong @ Ku Hong Hai	Malaysian	136,266,664	34.07	-	-	76,266,580	15.25	-	-

**Notes:**

\* Less than 0.01%.

(1) Based on the total number of 400,000,000 Shares after completion of the Acquisition and before our IPO.

(2) Based on the enlarged total number of 500,000,000 Shares after our IPO.

(3) Deemed interested by virtue of his direct interest in Cat Ching pursuant to Section 8(4) of the Act.

(4) Assuming that the Directors will fully subscribe for their respective entitlements under the Pink Form Allocations.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

Save for our Promoters and substantial shareholders above, there are no:

- (i) other substantial shareholders with a deemed interest in our Company; or
- (ii) other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company.

As at the LPD, our Promoters and substantial shareholders have the same voting rights as the other shareholders of our Company and there is no arrangement between our Company and its shareholders with any third parties, the operation of which may, at a subsequent date, result in the change in control of our Company.

### 5.1.2 Profiles of Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders are as follows:

- (i) **See Chin Joo**  
(*Executive Director, Promoter, substantial shareholder and key senior management*)

See Chin Joo, a Malaysian aged 52, is the Executive Director, Promoter, substantial shareholder and key senior management of our Group. He was appointed to our Board on 23 March 2023, and he also sits on the board of all our subsidiaries. He is also a shareholder of Cat Ching, which is our Promoter and substantial shareholder. He has over 21 years of experience in the animation production industry.

He graduated with a Bachelor of Commerce, Finance and Accounting from the University of Melbourne, Australia in March 1994. In July 2016, he was selected as an Endeavor Entrepreneur in the 65<sup>th</sup> Endeavor International Selection Panel in Bali.

He began his career with an accounting firm, Coopers & Lybrand, as an Audit Assistant in the audit department in November 1994. In January 1995, he left Coopers & Lybrand to pursue his career in capital markets when he joined KLOFFE Capital Sdn Bhd, a company principally involved in the business of options and future exchange, as a Compliance and Surveillance Officer from February 1995 to August 1996 where he was involved in the surveillance of market trading activities on the Kuala Lumpur Options and Financial Futures Exchange (KLOFFE).

In September 1996, he joined SBB Securities Sdn Bhd (subsequently known as RC Holdings Sdn Bhd), a company principally involved in the business of stockbroking and equity research, as a Financial Analyst where he was involved in doing general equity research work. He later left SBB Securities Sdn Bhd in April 1997 to join a multinational brokerage network, J.M. Sassoon Research (M) Sdn Bhd, a company principally involved in the business of equity research, as an Investment Analyst from April 1997 to December 1999 where he was responsible for doing equity research in the motor, media and telecommunication sector. He continued his work on equity research in the motor, media and telecommunication sector when he joined HLG Securities Sdn Bhd, a company principally involved in the business of stockbroking, corporate finance and equity research, as a Research Analyst from January 1999 to May 1999.

In December 1999, he along with Ooi Kok Hong, our Executive Director, co-founded Tourific (currently our subsidiary), then a software distribution and systems integration company where See Chin Joo assumed the role as the Sales and Marketing Director. As the Sales and Marketing Director, he is primarily responsible for the financial and administration of Tourific.

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

Subsequently, he and Ooi Kok Hong decided to venture into the animation production industry where they co-founded an animation production company, Inspidea in May 2002. Similarly, See Chin Joo assumed the role as the Sales and Marketing Director of Inspidea where he is responsible for overseeing the sales, marketing, finance and day-to-day operations of Inspidea.

See Chin Joo, together with Ooi Kok Hong, are instrumental in and has contributed significantly to the growth and development of our Group from a 4-person team to 230 artists and designers, becoming one of the largest creative studio in Malaysia and South East Asia.

As our Executive Director, he is responsible for providing management guidance, and strategic advice to the key management and personnel of our Group as well as overseeing the portfolio of finance, sales and marketing, and human resources processing.

He is also a director of other private limited companies, details of which are set out in Section 5.2.4 of this Prospectus.

**(ii) Ooi Kok Hong**

*(Executive Director, Promoter, substantial shareholder and key senior management)*

Ooi Kok Hong, a Malaysian aged 52, is the Executive Director, Promoter, substantial shareholder and key senior management of our Group. He was appointed to our Board on 23 March 2023, and he also sits in the board of all our subsidiaries. He is also a shareholder of Cat Ching, which is our Promoter and substantial shareholder. He has over 21 years of experience in the animation production industry.

He graduated with a Bachelor of Science (Housing, Building and Planning) from Universiti Sains Malaysia in August 1995. He subsequently obtained a Master of Science (Planning) from Universiti Sains Malaysia in August 1996. In July 2016, he was selected as an Endeavor Entrepreneur in the 65<sup>th</sup> Endeavor International Selection Panel in Bali.

He began his career with Perunding Alam Bina Sdn Bhd, a company principally involved in the business of architectural and landscape consultancy services, as an Urban Planner in July 1996 where he was involved in the preparation and presentation of proposals of urban planning for development projects to local authorities. In September 1996, he left Perunding Alam Bina Sdn Bhd to pursue his career in information technology (IT) when he joined Bentley Systems (Malaysia) Sdn Bhd, a company principally involved in the business of providing customer interfacing support services to Bentley System International Limited and provide technical support and/or other services to customers located in Malaysia, as a Geo-Engineering Specialist from October 1996 to November 1999 where he was involved in providing pre-sales and post-sales technical support for engineering software developed by Bentley Systems (Malaysia) Sdn Bhd.

In December 1999, he along with See Chin Joo, our Executive Director, co-founded Tourific (currently our subsidiary), then a software distribution and systems integration company, where Ooi Kok Hong assumed the role as the Technology Director. As the Technology Director, he is primarily responsible for the technical sales training of software developed by Tourific.



**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

Subsequently, he and See Chin Joo decided to venture into the animation production industry where they co-founded an animation production company, Inspidea in May 2002. Ooi Kok Hong then assumed the role as the Managing Director of Inspidea where he is responsible for the management, intellectual property development and animation production of Inspidea.

Ooi Kok Hong, together with See Chin Joo, are instrumental in and has contributed significantly to the growth and development of our Group from a 4-person team to 230 artists and designers, becoming one of the largest creative studio in Malaysia and South East Asia.

As our Executive Director, he is responsible for providing strategic guidance and direction to the running of animation production, including talent acquisition, resource planning, process improvement, and technology development and deployment within our Group.

He is also a director of other private limited companies, details of which are set out in Section 5.2.4 of this Prospectus.

**(iii) Cat Ching**  
*(Promoter and substantial shareholder)*

Cat Ching is the Promoter and substantial shareholder of our Company. Cat Ching was incorporated by See Chin Joo and Ooi Kok Hong to hold Shares in our Company.

Cat Ching was incorporated on 25 July 2023 in Malaysia under the Act as a private limited company. Cat Ching is principally involved in the activities of holding companies.

As at 5 January 2024, the issued share capital of Cat Ching is RM10,000.00 comprising 10,000 ordinary shares. The directors and shareholders of Cat Ching are as follows as at 5 January 2024:

Name	Nature of involvement	Direct		Indirect	
		No. of shares	%	No. of shares	%
See Chin Joo	Director and shareholder	5,305	53.05	-	-
Ooi Kok Hong	Director and shareholder	4,695	46.95	-	-

As at the LPD, Cat Ching does not have any subsidiary and associated companies.

**(iv) Koo Hong @ Ku Hong Hai**  
*(Substantial shareholder)*

Koo Hong @ Ku Hong Hai, a Malaysian aged 77, is the substantial shareholder of our Group.

Koo Hong @ Ku Hong Hai graduated with a Bachelor of Science in Electrical Engineering from the National Taiwan University, Taiwan in June 1971. He subsequently obtained a Diploma in Electronics from the University of Wales Institute of Science and Technology, United Kingdom in July 1972.

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

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He began his career with Motorola (M) Sdn Bhd, a semiconductor manufacturing company as a Process Engineer in 1973. In 1978, he relocated to the Republic of Philippines when he was transferred to Motorola's entity in the Republic of Philippines as an Engineering Manager where he was responsible for the start-up of a new semiconductor plant. He was subsequently relocated back to Malaysia when he was transferred back to Motorola (M) Sdn Bhd in 1982 as a Quality Assurance Manager where he was responsible for quality assurance activities of the semiconductor plant in Malaysia.

He left Motorola (M) Sdn Bhd in 1985 and joined Carsem (M) Sdn Bhd, a company principally involved in the business of manufacturing and testing of semiconductor devices and electronic components, until 1991 as a General Manager where he was responsible for the day-to-day operations of the semiconductor plant. After he left Carsem (M) Sdn Bhd, he pioneered the startup of Unisem (M) Sdn Bhd (now known as Unisem (M) Berhad) in 1991 which is principally involved in the manufacturing of semiconductor devices where he was then appointed as the Chief Operation Officer, Vice President and Director of Unisem (M) Sdn Bhd. In June 1997, Unisem (M) Sdn Bhd was converted into a public company and assumed the name of Unisem (M) Berhad. Unisem (M) Berhad was listed on the Main Board of Bursa Securities (now known as the Main Market of Bursa Securities) in July 1998. Koo Hong @ Ku Hong Hai retired from Unisem (M) Berhad as a Director in April 2000.

After his retirement till present, he has not taken up any employment positions but has taken up a board seat in Netval Ventures since July 2000.

He is a person connected to our Non-Independent Non-Executive Director, Ku Chia Loon as he is the father of Ku Chia Loon.

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## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 5.1.3 Changes in our Promoters' and substantial shareholders' shareholdings in our Company

The changes in the shareholdings of our Promoters and substantial shareholders in our Company since our incorporation are as follows:

Name	As at date of incorporation				Before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	<sup>(1)</sup> (%)	No. of Shares	<sup>(1)</sup> (%)	No. of Shares	<sup>(2)</sup> (%)	No. of Shares	<sup>(2)</sup> (%)
<b>Promoters and substantial shareholders</b>												
Cat Ching	-	-	-	-	172,889,216	43.22	-	-	172,889,216	34.58	-	-
See Chin Joo	1	50.00	-	-	1	* <sup>(3)</sup>	172,889,216	43.22	<sup>(4)</sup> 300,001	0.06	<sup>(3)</sup> 172,889,216	34.58
Ooi Kok Hong	1	50.00	-	-	1	* <sup>(3)</sup>	172,889,216	43.22	<sup>(4)</sup> 300,001	0.06	<sup>(3)</sup> 172,889,216	34.58
<b>Substantial shareholder</b>												
Koo Hong @ Ku Hong Hai	-	-	-	-	136,266,664	34.07	-	-	76,266,580	15.25	-	-

**Notes:**

\* Less than 0.01%.

(1) Based on the total number of 400,000,000 Shares after the completion of the Acquisition and before our IPO.

(2) Based on the enlarged total number of 500,000,000 Shares after our IPO.

(3) Deemed interested by virtue of his direct interest in Cat Ching pursuant to Section 8(4) of the Act.

(4) Assuming that the Directors will fully subscribe for their respective entitlements under the Pink Form Allocations.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 5.1.4 Promoters and/or substantial shareholders' remuneration and benefits

Save for the dividends paid or proposed to be paid to our Promoters and/or substantial shareholders and the aggregate remuneration and benefits paid and proposed to be paid for services rendered to our Group in all capacities, there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus.

Further details of our dividend payment are set out in Section 12.13 of this Prospectus and further details of the remuneration and benefits paid or proposed to be paid to our Promoters and substantial shareholders are set out in Sections 5.2.5 of this Prospectus.

## 5.2 BOARD OF DIRECTORS

### 5.2.1 Our Board

Our Board comprises the following members:

<u>Name</u>	<u>Age</u>	<u>Nationality</u>	<u>Date of appointment</u>	<u>Designation</u>
Lim Chor Ghee	54	Malaysian	15 September 2023	Independent Non-Executive Chairman
See Chin Joo	52	Malaysian	23 March 2023	Executive Director
Ooi Kok Hong	52	Malaysian	23 March 2023	Executive Director
Quah Bee Fong	53	Malaysian	15 September 2023	Independent Non-Executive Director
Elaine Law Soh Ying	45	Malaysian	15 September 2023	Independent Non-Executive Director
Puar Chin Jong	53	Malaysian	15 September 2023	Independent Non-Executive Director
Ku Chia Loon	47	Malaysian	15 September 2023	Non-Independent Non-Executive Director

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## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

### 5.2.2 Profiles of our Directors

The profiles of See Chin Joo and Ooi Kok Hong are set out in Section 5.1.2 of this Prospectus. The profiles of our other Directors are as follows:

(i) **Lim Chor Ghee**  
(*Independent Non-Executive Chairman*)

Lim Chor Ghee, a Malaysian aged 54, is our Independent Non-Executive Chairman. He was appointed to our Board on 15 September 2023. He has over 20 years of experience in providing business consultancy services.

Lim Chor Ghee graduated with a Bachelor of Commerce from the University of Melbourne, Australia, in March 1993. In March 1997, he attained the status of Certified Practising Accountant from the Australian Society of Certified Practising Accountants (CPA). In April 1999, he was admitted as an Associate of the Malaysian Institute of Taxation. He is also a Chartered Accountant with the Malaysian Institute of Accountants since June 2001. Amongst his diverse academic achievements, Lim Chor Ghee has attained a Master of Business Administration from the Heriot-Watt University, United Kingdom, in February 2003. He also obtained a Master in International Studies from the University of Sydney, Australia, in August 2004.

He began his career with a tax consultancy firm, Coopers & Lybrand Taxation Services Sdn Bhd, as a Consultant from June 1993 to 1994 where he was responsible to assist clients in the preparation of tax returns. He later joined another tax consultancy firm, Price Waterhouse Tax Services Sdn Bhd, as a Senior Consultant from 1994 to 1996 where he was responsible in advisory and consultancy role focusing in tax services. Subsequently, he joined Star Cruises Administrative Services Sdn Bhd, a company principally involved in the business of investment holding, provision of ship management and administrative services, a wholly owned subsidiary of Star Cruise Limited (now known as Genting Hong Kong Limited), a holding company that operated Star Cruises, a cruise line operator, as Vice President, Legal and Corporate Affairs from April 1996 to February 2002 where he was responsible in overseeing the legal and corporate affairs of the entire Star Cruises group of companies. He then took a break from March 2002 to September 2004 during which he pursued 2 of the aforementioned Master degrees.

Upon completion of his postgraduate studies, he began his entrepreneurial journey through the formation of various business entities specialising in the provision of professional services such as audit, consultancy and management services. In October 2004, Lim Chor Ghee co-founded a trading and consultancy firm specialising in corporate consultancy, training services and cross border trade, Peligo Training Solutions Sdn Bhd (now known as Peligo Link Sdn Bhd), and in July 2007, he co-founded a management consultancy firm based in Singapore, Indochina Link Pte Ltd which primarily focuses on international trade and investment consultancy services. He is currently still active in both companies as a director and shareholder.

He assumed the role as the Executive Director with BDO Consulting Vietnam, a company based in Vietnam providing a broad range of professional service from November 2012 to April 2013, where he was responsible in the business development and client services of BDO Consulting Vietnam.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

In March 2014, he continued his business ventures when he co-founded a company based in Vietnam, Tricor Vietnam Co., Ltd (now known as Tricor Axcelasia Vietnam Co., Ltd) specialising in general management and consultancy services, and subsequently exited the said company when he divested his shareholdings in December 2020 and resigned as a director/legal representative in May 2023. In December 2016, he co-founded a company based in Vietnam, Tricor Services Vietnam Co., Ltd providing a broad range of professional services, and subsequently exited the said company when he divested his shareholdings in September 2020 and resigned as a director/legal representative in February 2023.

In May 2015, he co-founded IMM Group Pte Ltd, a company based in Singapore focusing on wealth management and investment migration services for clients based in Vietnam, which forms part of a group of entities under IMM Group Company Limited, a company based in Vietnam specialising in wealth management and investment migration services. He subsequently exited IMM Group Pte Ltd when he divested his shareholdings and resigned as a director in December 2022.

In addition to the above, he also served as a lecturer in multiple universities on an ad hoc basis, including when he was appointed as an Adjunct Professor in the area of Finance and Accounting at the Management and Science University, Malaysia, from February 2009 to February 2015.

In October 2023, he was appointed as a Senior Adviser of ADK Vietnam Lawyers, a law firm based in Vietnam, where he focuses on providing advice on mergers and acquisitions as well as environment, social and corporate governance (**ESG**).

He is also a director of other private limited companies, details of which are set out in Section 5.2.4 of this Prospectus.

### (ii) **Quah Bee Fong** (*Independent Non-Executive Director*)

Quah Bee Fong, a Malaysian aged 53, is our Independent Non-Executive Director. She was appointed to our Board on 15 September 2023. She has over 10 years of experience of equity research and analysis with multiple financial advisory and stockbroking firms. She has also over 13 years of experience in investment management.

She graduated with a Bachelor of Commerce from the University of Guelph, Canada, in June 1995.

Upon graduation, Quah Bee Fong began her career as a Research Analyst with a financial advisory firm, Capital Dynamics Investment Advisory Services Sdn Bhd from 1995 to 1996. She subsequently joined Yamaichi Advisory Services (M) Sdn Bhd, a company principally involved in the business of investment advisory, as a Research Analyst from 1996 to 1997. She continued to work in the research field when she joined UT Securities (M) Sdn Bhd, a company principally involved in the business of stock and share broking, as the Head of Research from 1998 to 2000. She later joined another equity and investment research firm, OCBC Research (M) Sdn Bhd from 2000 to 2003 where she expanded her equity research coverage to public listed companies beyond Malaysia into Singapore, Hong Kong and China. In 2003, she joined RHB Research Institute Sdn Bhd, a company principally involved in the business of equity research, as an Equity Analyst, where she primarily focused in equity research, analysis and valuation for private and public listed companies in Malaysia.

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

She grew progressively in Khazanah Nasional Berhad, when she joined in November 2005 as a Vice President in the Investments Division and was promoted to a Director in the Investments Division in 2012, a position she held till the completion of her employment tenure with Khazanah Nasional Berhad in March 2019. Her key responsibilities as a Vice President of Khazanah Nasional Berhad include to execute, manage and monitor the investment and divestment activities of Khazanah Nasional Berhad as well as the restructuring and re-organisation of her assigned portfolio companies. As a Director in the Investments Division of Khazanah Nasional Berhad, she sat on the boards of various creative and media companies within Khazanah Nasional Berhad's portfolio companies.

She served on the board of Astro Malaysia Holdings Berhad as a Non-Independent and Non-Executive Director from April 2015 to December 2017.

Since March 2019, she was involved in various charitable organisation. In August 2022, she assumed the role as the Head of Yu Cai Foundation (a position she still holds as at the LPD), which is a charitable foundation, focusing on advancement, uplifting and benefiting the underserved communities of Malaysia and to promote the learning of vernacular languages of Malaysia.

She is also a director of other private limited companies, details of which are set out in Section 5.2.4 of this Prospectus.

**(iii) Elaine Law Soh Ying**  
*(Independent Non-Executive Director)*

Elaine Law Soh Ying, a Malaysian aged 45, is our Independent Non-Executive Director. She was appointed to our Board on 15 September 2023.

She graduated with a degree in Bachelor of Laws in Law from the University of Leicester, United Kingdom in July 2000. She then undertook the professional law course in Malaysia from September 2000 until June 2001 and later obtained the Certificate in Legal Practice from the Legal Profession Qualifying Board Malaysia in March 2002. In September 2001, she returned to the University of Leicester, United Kingdom to pursue her Master of Laws (in International Commercial Law) ("**LLM**") and completed the same in September 2002. She was awarded the degree in LLM in January 2003.

After completion of the LLM, she commenced her pupillage with Messrs Raja, Darryl & Loh, a law firm, in October 2002 and thereafter was admitted as an Advocate and Solicitor of the High Court of Malaya in September 2003. She is also a Certified Professional Coach after having completed a coach training program accredited by the International Coaching Federation with Corporate Coach Academy, Malaysia in December 2021 and currently holds an Associate Certified Coach (ACC) credentialed by the International Coaching Federation.

She then joined Messrs Zain & Co, a law firm, as a Legal Associate from September 2003 to June 2006 where she was involved in civil litigation and arbitration matters. From June 2006 to December 2006, she joined Messrs Foong & Partners, a law firm, as a Legal Associate where she was primarily involved in corporate advisory work.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

Subsequently, she joined Messrs Azman Davidson & Co, a law firm, from January 2007 to June 2021 as a Legal Associate in the corporate and commercial department. She was promoted to Senior Associate in January 2011, and was subsequently admitted as Partner in January 2012 where she was one of the partners responsible for the corporate and commercial department as well as intellectual property department of the firm. While in Messrs Azman Davidson & Co., her practice areas encompassed advising on mergers and acquisitions (M&A), joint ventures, shareholders' agreements and foreign investments into Malaysia, as well as various commercial contracts drafting. She was also involved in advising on initial public offering exercises on Bursa Securities and acting as Malaysian counsel in initial public offering exercises on the Singapore Exchange. In the intellectual property practice area, she has provided advisory work relating to intellectual property laws and assisted clients in trademark registration.

In July 2021, Elaine Law Soh Ying joined Messrs Law Kuan Yew & Co, a law firm, as a Partner where she is currently still active and is specialising in the practise areas of corporate and commercial law as well as intellectual property law, particularly on trademark advisory and registration.

In October 2020, Elaine set up a sole proprietorship business, namely Emerging Leaders Coaching & Consulting which specialises in coaching, training and consulting. In November 2022, Elaine Law Soh Ying was appointed as the Independent Non-Executive Director of KJTS Group Berhad, an investment holding company where its subsidiaries are principally involved in the business of integrated building support services.

The details of her business, partnership and other directorships are set out in Section 5.2.4 of this Prospectus.

**(iv) Puar Chin Jong**  
(*Independent Non-Executive Director*)

Puar Chin Jong, a Malaysian aged 53, is the Independent Non-Executive Director of our Group. He was appointed to our Board on 15 September 2023.

He obtained his Bachelor of Economics (Business Administration) from Universiti Malaya in 1994. In 2001, he was admitted as an Associate Member of the Chartered Institute of Management Accountants.

He began his career in 1994 in FACB Capital Sdn Bhd, a company principally involved in the business of investment holding, consultancy and money lending, a subsidiary of FACB Resorts Berhad (now known as Karambunai Corporation Berhad), a company which was listed on the Main Market of Bursa Securities until November 2019, as a Management Trainee in the Corporate Strategy & Research department and was subsequently promoted to Executive in the same department in 1995. In 1996, he was reassigned as an Executive in the Corporate Finance – Mergers & Acquisitions department and was subsequently promoted to Assistant Manager and Manager in the same department in 1997 and 1998 respectively. During his tenure with FACB Capital Sdn Bhd, he was responsible for managing financing and implementation of various mergers & acquisition exercises. Thereafter, he left FACB Capital Sdn Bhd in 1999.

In 2000, he joined Petaling Tin Berhad ("**PTB**"), a company principally involved in the business of property development, investment holdings and provision of management services, as a Senior Manager of Corporate Finance where he was responsible for overseeing end to end mergers and acquisition operations, identifying and reviewing potential deals to enhance the overall shareholders' value of PTB.



**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

He subsequently left PTB in 2003 and joined Alliance Merchant Bank Berhad (now known as Alliance Investment Bank Berhad) (“**AIBB**”), a company principally involved in investment banking business including Islamic banking business and the provision of related financial services, as a Senior Manager in the Corporate Finance Department in the same year. In 2007, he was promoted to Vice President in the Corporate Finance department and Senior Vice President, Head of Capital Markets – Equity Execution in 2013. During his tenure with AIBB, he led the origination, structuring and management of deals while providing corporate and financial advice on a myriad of mergers & acquisitions, fund raising and takeover exercises as well as restructuring transactions and flotation.

In 2013, he joined RHB Investment Bank Berhad (“**RHBIB**”), a company principally involved in the business of merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and option contracts, as a Senior Vice President of Corporate Finance. He was involved in corporate finance advisory exercises such as mergers and acquisitions, fund raising and corporate restructuring.

In 2016, he left RHBIB and joined S P Setia Berhad, a public company listed on the Main Market of Bursa Securities which is principally involved in the business of investment holdings, where its subsidiary companies are principally involved in property development and other property related business, as the Head of Corporate Affairs, Group Corporate Finance Division. During his tenure in S P Setia Berhad, he has been tasked to oversee the corporate finance, accounting, treasury, audit and taxation as well as investor relations for S P Setia Berhad group of companies. He left S P Setia Berhad as Divisional General Manager in 2022.

He is presently a Partner at Ecore Synergy PLT where he provides business management consultancy services as well as focuses in providing guidance and knowledge-sharing opportunities to young professionals in the field of corporate finance. As at the LPD, he is the Independent Non-Executive Director of SCC Holdings Berhad, a public listed company on ACE Market of Bursa Securities and Heng Hup Holdings Limited, a company listed on the Hong Kong Stock Exchange.

He brings with him approximately 29 years of experience in corporate finance and mergers and acquisitions.

He is also a director of other private limited and public listed companies, details of which are set out in Section 5.2.4 of this Prospectus.

**(v) Ku Chia Loon**  
(*Non-Independent Non-Executive Director*)

Ku Chia Loon, a Malaysian aged 47, is our Non-Independent Non-Executive Director. He was appointed to our Board on 15 September 2023. He has over 20 years of experience as a consultant focusing in IT services and solutions area.

He graduated with a Bachelor of Engineering (Information Technology) from the University of Western Australia, Australia, in April 1999.

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

Upon his graduation, he began his career with Wildridge Technologies Sdn Bhd, a company based in Kuala Lumpur, Malaysia, primarily involved in the business of providing IT services and solutions, from 1999 to December 2000, where he primarily focused in the consultation of Windows and Microsoft Exchange systems design and deployment. In January 2001, he was transferred to I.S.A Technologies Sdn Bhd (now known as ISATEC Sdn Bhd), a company principally involved in the business of provision of products and contract programming services related to IT and telecommunication facilities, pursuant to an internal restructuring of Wildridge Technologies Sdn Bhd. Subsequently, he was promoted to assume the role as the Group Manager in consulting services, where he was responsible in IT solution proposals, project management, resource management and client management, a position he held until he left ISA Technologies Sdn Bhd in April 2008.

In June 2008, he set up his own business, Impreszions Services, an IT service provider specialising in web, product and mobile design services, where he focuses in web design consulting, client management, mobile application design architecture, as well as creating virtual reality and augmented reality solution. In May 2015, he co-founded Impreszions Solutions Sdn Bhd, a company principally involved in the provision of graphical application development services specialising in 3D visualisations, augmented reality and virtual reality solutions for architectural visualisations, where he also assumed the role as the director since its incorporation and up to the LPD. He is primarily responsible for the solutioning, sales and market, and day-to-day management of the company.

He is also a director of other private limited companies, details of which are set out in Section 5.2.4 of this Prospectus.

He is the son and the board representative of Koo Hong @ Ku Hong Hai, a substantial shareholder of our Group.

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**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

**5.2.3 Shareholdings of our Directors**

The following table sets out the direct and indirect shareholdings of our Directors before and after our IPO:

Name	Before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	<sup>(1)</sup> (%)	No. of Shares	<sup>(1)</sup> (%)	No. of Shares	<sup>(2)</sup> (%)	No. of Shares	<sup>(2)</sup> (%)
Lim Chor Ghee	-	-	-	-	<sup>(4)</sup> 300,000	0.06	-	-
See Chin Joo	1	*	<sup>(3)</sup> 172,889,216	43.22	<sup>(4)</sup> 300,001	0.06	<sup>(3)</sup> 172,889,216	34.58
Ooi Kok Hong	1	*	<sup>(3)</sup> 172,889,216	43.22	<sup>(4)</sup> 300,001	0.06	<sup>(3)</sup> 172,889,216	34.58
Quah Bee Fong	-	-	-	-	<sup>(4)</sup> 300,000	0.06	-	-
Elaine Law Soh Ying	-	-	-	-	<sup>(4)</sup> 300,000	0.06	-	-
Puar Chin Jong	-	-	-	-	<sup>(4)</sup> 300,000	0.06	-	-
Ku Chia Loon	-	-	-	-	<sup>(4)</sup> 300,000	0.06	-	-

**Notes:**

\* *Less than 0.01%.*

(1) *Based on the total number of 400,000,000 Shares after completion of the Acquisition and before our IPO.*

(2) *Based on the total enlarged number of 500,000,000 Shares after our IPO.*

(3) *Deemed interested by virtue of his direct interest in Cat Ching pursuant to Section 8(4) of the Act.*

(4) *Assuming that the Directors will fully subscribe for their respective entitlements under the Pink Form Allocations.*

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

**5.2.4 Principal directorships and business activities of our Directors outside our Group**

Save as disclosed below, none of our Directors have any other principal directorships and principal business activities performed outside of our Group as at the LPD (“**Present Involvement**”), and within the past 5 years up to the LPD (“**Past Involvement**”):

**(i) Lim Chor Ghee**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Involvement / % of shareholding held</u>	<u>Principal activities</u>
<u>Present involvement</u>				
IMT Software Solutions Pte Ltd	3 October 2014	-	<ul style="list-style-type: none"> <li>• Director</li> </ul>	<ul style="list-style-type: none"> <li>• Development of software and applications (except games and cybersecurity)</li> <li>• Information technology consultancy (except cybersecurity)</li> </ul>
Indochina Link Pte Ltd	26 December 2007	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 80.00%)</li> </ul>	<ul style="list-style-type: none"> <li>• Management consultancy services</li> <li>• Convention/Conference organisers</li> </ul>
Peligo Link Sdn Bhd	1 August 2006	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 51.00%)</li> </ul>	<ul style="list-style-type: none"> <li>• Provide corporate consultancy, training services and cross border trade</li> </ul>
<u>Past involvement</u>				
IMM Group Pte Ltd	26 May 2015	23 December 2022	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 20.00%)(<sup>1</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>• Management consultancy services</li> </ul>

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director / joining as partner</b>	<b>Date of resignation as director</b>	<b>Involvement / % of shareholding held</b>	<b>Principal activities</b>
Pearl Alto Resources Sdn Bhd	-	-	<ul style="list-style-type: none"> <li>Shareholder (Direct: 7.50%)<sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Business of management consultants to render business management, industrial, commercial, financial, public relations, industrial relations and human resources services</li> <li>Explore and drill for produce, buy, sell and otherwise deal</li> <li>Supplier, retailer, dealer, distributor, merchant</li> </ul>
Tricor Axcelasia Vietnam Co., Ltd.	13 March 2014	26 May 2023	<ul style="list-style-type: none"> <li>Director/Legal Representative</li> <li>Shareholder (Direct: 30.00%)<sup>(3)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Professional services</li> </ul>
Tricor Services Vietnam Co. Ltd.	23 December 2016	22 February 2023	<ul style="list-style-type: none"> <li>Director/Legal Representative</li> <li>Shareholder (Direct: 28.25%)<sup>(4)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Professional services</li> </ul>
TSV Services (Singapore) Pte Ltd	13 November 2014	1 April 2023	<ul style="list-style-type: none"> <li>Director</li> <li>Shareholder (Direct: 25.00%)<sup>(5)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Other holding companies</li> <li>Management consultancy services</li> </ul>

**Notes:**

(1) He held 20.00% equity interest (direct) in IMM Group Pte Ltd prior to his divestment on 23 December 2022.

(2) He held 20.00% equity interest (direct) in Pearl Alto Resources Sdn Bhd prior to its dissolution on 26 November 2019.

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

- (3) He held 30.00% equity interest (direct) in Tricor Axcelasia Vietnam Co., Ltd, prior to his divestment on 30 December 2020.
- (4) He held 28.25% equity interest (direct) in Tricor Services Vietnam Co. Ltd prior to his divestment on 21 September 2020.
- (5) He held 25.00% equity interest (direct) in TSV Services (Singapore) Pte Ltd prior to his divestment on 23 November 2020.

**(ii) See Chin Joo**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Involvement / % of shareholding held</u>	<u>Principal activities</u>
<u>Present involvement</u>				
Arboratory Limited	18 October 2019	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Indirect: 43.22%)(1)</li> </ul>	<ul style="list-style-type: none"> <li>• Investment holding, where its subsidiaries are principally involved in software platform development and commercialisation</li> </ul>
Cat Ching	25 July 2023	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 53.05%)</li> </ul>	<ul style="list-style-type: none"> <li>• Activities of holding companies (incorporated to hold shares in Kucingko)</li> </ul>
Defyx Sdn Bhd	5 October 2010	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 53.06% ordinary shares and 53.06% preference shares)</li> </ul>	<ul style="list-style-type: none"> <li>• Investment holding. As at the LPD, it holds 43.22% direct equity interest in Arboratory Limited.</li> </ul>
See Teow Chuan Holdings Sdn Bhd	18 June 2007	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 40.00%)</li> </ul>	<ul style="list-style-type: none"> <li>• Property investment</li> <li>• Management and letting of property</li> </ul>
Tapestream Pte Ltd	7 February 2018	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Indirect: 100.00%)(2)</li> </ul>	<ul style="list-style-type: none"> <li>• Publishing of games software / applications</li> </ul>

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director / joining as partner</b>	<b>Date of resignation as director</b>	<b>Involvement / % of shareholding held</b>	<b>Principal activities</b>
Tessereum Limited	-	-	<ul style="list-style-type: none"> <li>Shareholder (Indirect: 37.50% ordinary shares and 100.00% convertible preference shares)<sup>(3)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Developer for web based and mobile based software application</li> </ul>
TSSRM Sdn Bhd	20 December 2013	-	<ul style="list-style-type: none"> <li>Director</li> <li>Shareholder (Indirect: 100.00%)<sup>(4)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Business of developing software and application for the cloud, mobile and desktop, including but not limited to research and development of emerging technologies, design and development of software and programs for the cloud, enterprises and consumers</li> <li>Design and development of software and programs running on games and virtual infrastructure and consultancy services</li> </ul>

**Notes:**

- (1) *Deemed interested pursuant to Section 8(4) of the Act; held via Defyx Sdn Bhd which in turn holds 43.22% direct equity interest in Arboratory Limited.*
- (2) *Deemed interested pursuant to Section 8(4) of the Act; held via Arboratory Limited which in turn holds 100.00% direct equity interest in Tapestream Pte Ltd.*
- (3) *Deemed interested pursuant to Section 8(4) of the Act; held via Arboratory Limited which in turn holds 37.50% of the ordinary shares and 100.00% of the convertible preference shares of Tessereum Limited.*
- (4) *Deemed interested pursuant to Section 8(4) of the Act; held via Arboratory Limited which in turn holds 100.00% direct equity interest in TSSRM Sdn Bhd.*

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

**(iii) Ooi Kok Hong**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Involvement / % of shareholding held</u>	<u>Principal activities</u>
<u>Present involvement</u>				
Arboratory Limited	18 October 2019	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Indirect: 43.22%)(<sup>1</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>• Investment holding, where its subsidiaries are principally involved in software platform development and commercialisation</li> </ul>
Cat Ching	25 July 2023	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 46.95%)</li> </ul>	<ul style="list-style-type: none"> <li>• Activities of holding companies (incorporated to hold shares in Kucingko)</li> </ul>
Defyx Sdn Bhd	5 October 2010	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 46.94% ordinary shares and 46.94% preference shares)</li> </ul>	<ul style="list-style-type: none"> <li>• Investment holding. As at the LPD, it holds 43.22% direct equity interest in Arboratory Limited.</li> </ul>
Ooi Labuan Foundation	10 September 2021	-	<ul style="list-style-type: none"> <li>• Founder</li> <li>• Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Investment holding. It does not hold shares in any company as at the LPD.</li> </ul>
Tapestreum Pte Ltd	7 February 2018	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Indirect: 100.00%)(<sup>2</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>• Publishing of games software / applications</li> </ul>



**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director / joining as partner</b>	<b>Date of resignation as director</b>	<b>Involvement / % of shareholding held</b>	<b>Principal activities</b>
Tessereum Limited	29 January 2021	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 1.70%) (Indirect: 37.50% ordinary shares and 100.00% convertible preference shares)<sup>(3)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Developer for web based and mobile based software application</li> </ul>
TSSRM Sdn Bhd	20 December 2013	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Indirect: 100.00%)<sup>(4)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Business of developing software and application for the cloud, mobile and desktop, including but not limited to research and development of emerging technologies, design and development of software and programs for the cloud, enterprise and consumer</li> <li>• Design and development of software and programs running on games and virtual infrastructure and consultancy services</li> </ul>

**Notes:**

- (1) *Deemed interested pursuant to Section 8(4) of the Act; held via Defyx Sdn Bhd which in turn holds 43.22% direct equity interest in Arboratory Limited.*
- (2) *Deemed interested pursuant to Section 8(4) of the Act; held via Arboratory Limited which in turn holds 100.00% direct equity interest in Tapestream Pte Ltd.*
- (3) *Deemed interested pursuant to Section 8(4) of the Act; held via Arboratory Limited which in turn holds 37.50% of the ordinary shares and 100.00% of the convertible preference shares of Tessereum Limited.*
- (4) *Deemed interested pursuant to Section 8(4) of the Act; held via Arboratory Limited which in turn holds 100.00% direct equity interest in TSSRM Sdn Bhd.*

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

**(iv) Quah Bee Fong**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Involvement/ % of shareholding held</u>	<u>Principal activities</u>
<u>Present involvement</u>				
Academy For Silent Member <sup>(1)</sup>	26 October 2020	-	• Director	• For medical research, medical studies and training
<u>Past involvement</u>				
AGT Productions Sdn Bhd	9 October 2014	21 November 2018	• Director	• To produce a television series titled 'Asia's Got Talent'
Apareiba Capital Sdn Bhd	2 June 2015	8 February 2019	• Director	• Dormant
IDM Lab Sdn Bhd	14 October 2014	28 March 2019	• Director	• Research and development of internet and media Intellectual properties
Imagica South East Asia Sdn Bhd	9 February 2014	21 November 2018	• Director	• Digital post of production services
Marco Polo Productions Asia Sdn Bhd	24 September 2013	21 November 2018	• Director	• To produce an episodic television series titled "Marco Polo"
Pulau Kapas Ventures Sdn Bhd	14 August 2014	23 October 2018	• Director	• Investment holding
The Imaginarium Studios Asia Pacific Sdn Bhd	12 November 2015	21 November 2018	• Director	• Dormant

**Note:**

(1) A public company limited by guarantee incorporated pursuant to the Act.

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

**(v) Elaine Law Soh Ying**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Involvement / % of shareholding held</u>	<u>Principal activities</u>
<u>Present involvement</u>				
Emerging Leaders Coaching & Consulting <sup>(1)</sup>	-	-	• Sole Proprietor	• Coaching, training and consulting
Law Kuan Yew & Co	1 July 2021	-	• Partner	• Law firm specialising in the areas of corporate and commercial, property and real estate
KJTS Group Berhad	21 November 2022	-	• Independent Non-Executive Director	• Activities of holding companies, where its subsidiaries are principally involved in the business of integrated building support services

**Note:**

(1) A registered business (sole proprietorship) pursuant to the Registration of Business Act 1956. It has not commenced business as at the LPD.

**(vi) Puar Chin Jong**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Involvement / % of shareholding held</u>	<u>Principal activities</u>
<u>Present involvement</u>				
1Advisory Sdn Bhd	4 June 2020	-	• Director • Shareholder (Direct: 20.00%)	• Financial consultancy services • Business management consultancy services

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Involvement / % of shareholding held</u>	<u>Principal activities</u>
CMGI Berhad	8 September 2023	-	• Independent Non-Executive Director	• Activities of holding companies. It does not hold shares in any company as at the LPD.
Ecore Synergy PLT <sup>(1)</sup>	19 February 2021	-	• Partner	• Business management consultancy services • Activities of holding companies
Heng Hup Holdings Limited	19 February 2019	-	• Independent Non-Executive Director	• Investment holding, where its subsidiaries are principally involved in trading of scrap ferrous metals, used batteries and other scraps
Inter Consultancy Service PLT <sup>(2)</sup>	20 April 2022	-	• Partner	• Accounting, bookkeeping, auditing activities and tax consultancy • Business management consultancy services • Financial consultancy services • Investment advisory services
SCC Holdings Berhad	26 May 2023	-	• Independent Non-Executive Director	• Investment holding, where its subsidiaries are principally involved in the business of sales, marketing and distribution of animal health product • Listed on ACE Market
<u>Past involvement</u>				
Homevest Sdn Bhd	1 July 2022	30 June 2023	Director	• Activities of holding companies • Development of building projects for own operation, i.e., for renting of space in these buildings Buying, selling renting and operating of self-owned or leased real estate – residential buildings

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Involvement / % of shareholding held</u>	<u>Principal activities</u>
I & P Supply Berhad	3 April 2019	11 January 2022	• Director	• Other retail sale not in stores, stalls or markets not elsewhere classified
Kesas Kenangan Sdn Bhd	15 August 2018	21 January 2022	• Director	• Property development and property investment
Setia Putrajaya Development Sdn Bhd	30 August 2018	27 January 2022	• Director	• Property development
Setia Putrajaya Sdn Bhd	30 August 2018	27 January 2022	• Director	• Property development, building construction, and investment holding

**Notes:**

(1) *A limited liability partnership registered on 19 February 2021 pursuant to the Limited Liability Partnership Act 2012.*

(2) *A limited liability partnership registered on 20 April 2022 pursuant to the Limited Liability Partnership Act 2012. It is dormant as at the LPD as it has not commenced business activities.*

**(vii) Ku Chia Loon**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director</u>	<u>Date of resignation as director</u>	<u>Involvement / % of shareholding held</u>	<u>Principal activities</u>
<u>Present involvement</u>				
Impreszions Solutions Sdn Bhd	26 May 2015	-	• Director • Shareholder (Direct: 50.00%)	• Carrying on the business of service provider for graphical application development

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director</b>	<b>Date of resignation as director</b>	<b>Involvement / % of shareholding held</b>	<b>Principal activities</b>
Take Care Living Services Sdn Bhd	17 June 2019	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 50.00%)</li> </ul>	<ul style="list-style-type: none"> <li>• Other social work activities without accommodation for the elderly and disabled</li> </ul>
Two Cents Incubation Sdn Bhd	13 March 2020	-	<ul style="list-style-type: none"> <li>• Director</li> <li>• Shareholder (Direct: 50.00%)</li> </ul>	<ul style="list-style-type: none"> <li>• Organisation, promotions and/or management of event</li> <li>• Market research and public opinion polling</li> <li>• Advertising</li> </ul>

Save as disclosed above and in Section 11.1 of this Prospectus, as at the LPD, none of our Directors has any interest, direct or indirect, or directorship in other businesses or corporations. Notwithstanding the above and as disclosed in Section 11.1 of this Prospectus, there are no interest, direct or indirect, or directorship in other businesses or corporations by our Directors that may give rise to a situation of conflict of interest with our Group.

The involvement of our Executive Directors in the abovementioned business activities does not require significant amount of time, and hence does not affect their ability to perform their executive roles and responsibilities as well as their contribution to our Group.

The involvement of our Independent Non-Executive Directors and Non-Independent Non-Executive Director in other businesses or corporations outside our Group is not expected to affect their ability to perform their roles and responsibilities as well as their contribution to our Group as they do not act in any executive capacity and are not involved in the day-to-day operations of our Group.

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## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 5.2.5 Directors' remuneration and benefits-in-kind

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid to our current Directors for services rendered to our Group for FYE 2022 and proposed to be paid for FYE 2023 are as follows:

FYE 2022 <sup>(1)</sup>	Salaries RM'000	Fees and allowances RM'000	Bonuses RM'000	Statutory contributions RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Non-Independent Executive Directors</b>						
See Chin Joo	120	<sup>(2)</sup> 50	30	17	-	217
Ooi Kok Hong	132	<sup>(2)</sup> 50	33	18	-	233

**Notes:**

- (1) There were no remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid to our Non-Executive Directors in FYE 2022 in view that they were only appointed on 15 September 2023.
- (2) Amount declared but not paid as at the LPD.

FYE 2023	Salaries RM'000	Fees and allowances RM'000	Bonuses RM'000	Statutory contributions RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Independent Non-Executive Chairman</b>						
Lim Chor Ghee	-	<sup>(2)</sup> 10	-	-	-	10
<b>Non-Independent Executive Directors</b>						
See Chin Joo	120	<sup>(1)</sup> 60	25	16	-	221
Ooi Kok Hong	132	<sup>(1)</sup> 60	27	18	-	237
<b>Independent Non-Executive Directors</b>						
Quah Bee Fong	-	<sup>(2)</sup> 8	-	-	-	8
Elaine Law Soh Ying	-	<sup>(2)</sup> 8	-	-	-	8
Puar Chin Jong	-	<sup>(2)</sup> 8	-	-	-	8
<b>Non-Independent Non-Executive Director</b>						
Ku Chia Loon	-	<sup>(2)</sup> 8	-	-	-	8

**Notes:**

- (1) Estimated amount.
- (2) Fees and allowances for the Non-Executive Directors are computed on a pro-rated basis, from their appointment on 15 September 2023 up to 31 December 2023.

The remuneration of our Directors, which includes salaries, fees and allowances, bonuses, as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently, be approved by our Board, subject to the provisions of our Constitution. Our Directors' fees and benefits must be further approved and endorsed by our shareholders at a general meeting.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 5.3 BOARD PRACTICES

#### 5.3.1 Directors' term of office

As at the LPD, the date of expiry of the current term of office for each of our Directors and the period that each of them has served in that office is as follows:

<u>Directors</u>	<u>Date of appointment</u>	<u>Date of expiry of the current term of office</u>	<u>Approximate no. of years and months in office up to the date of this Prospectus</u>
Lim Chor Ghee	15 September 2023	At the first annual general meeting	Less than 1 year
See Chin Joo	23 March 2023	At the first annual general meeting	Less than 1 year
Ooi Kok Hong	23 March 2023	At the first annual general meeting	Less than 1 year
Quah Bee Fong	15 September 2023	At the first annual general meeting	Less than 1 year
Elaine Law Soh Ying	15 September 2023	At the first annual general meeting	Less than 1 year
Puar Chin Jong	15 September 2023	At the first annual general meeting	Less than 1 year
Ku Chia Loon	15 September 2023	At the first annual general meeting	Less than 1 year

Pursuant to Clause 94 of our Constitution, any Director appointed by our Board shall hold office only until the conclusion of the next annual general meeting and shall be eligible for re-election at such meeting.

Pursuant to Clause 96 of our Constitution, at each annual general meeting of our Company, 1/3 of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to 1/3, shall retire from office provided always that all Directors including our Non-Independent Executive Director shall retire from office once at least in each 3 years as required by the Listing Requirements but shall be eligible for re-election.

A retiring Director shall retain office until the close of the meeting at which he retires. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between Directors of equal seniority, the Directors to retire shall (unless they otherwise agree among themselves) be determined from among them by lot.

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance ("MCCG"), which contains best practices and guidance for listed companies to improve or enhance their corporate governance, as it forms an integral part of their business operations and culture.

As at the LPD, our Company has adopted all the relevant recommended MCCG best practices in terms of the Board composition except having a Board comprising at least 30% women directors. In this regard, our Company endeavours to comply with such recommendation within two years following our Listing.



## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 5.3.2 Audit and Risk Management Committee

The Audit and Risk Management Committee shall solely comprise of Independent Non-Executive Directors. The Audit and Risk Management Committee was constituted on 25 September 2023 by our Board with the function of assisting our Board in fulfilling its oversight responsibilities. The composition of our Audit and Risk Management Committee is set out below:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Puar Chin Jong	Chairperson	Independent Non-Executive Director
Quah Bee Fong	Member	Independent Non-Executive Director
Elaine Law Soh Ying	Member	Independent Non-Executive Director

Our Audit and Risk Management Committee has full access to both internal and external auditors who in turn have access at all times to the Chairperson of our Audit and Risk Management Committee. The key duties and responsibilities of our Audit and Risk Management Committee as stated in its terms of reference include, amongst others, the following:

(i) **Financial reporting**

Review the Group's quarterly results and year-end financial statements before submission to our Board for approval, focusing particularly on:

- (a) changes in or implementation of major accounting policy changes;
- (b) significant matters highlighted in the financial statements including the "Key Audit Matters" and significant and unusual events or transactions, and how these matters are addressed;
- (c) significant adjustments arising from the audit;
- (d) compliance with accounting standards and other legal requirements; and
- (e) the going concern assumption.

(ii) **External audit**

To conduct the following in respect of external audit: -

- (a) to consider and recommend to our Board on the appointment or re-appointment of external auditors, to consider the adequacy of experience and resources of the external auditors and determine the audit fees;
- (b) to review any letter of resignation from the external auditors and any questions of resignation or dismissal;
- (c) to annually assess the suitability, objectivity and independence of the external auditors, taking into consideration the following:
  - the competence, audit quality and resource capacity of the external auditors in relation to the audit;

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

- the Annual Transparency Report (“**ATR**”) of the external auditors, if applicable, or to engage with audit firms (for firms that are not required to issue ATR) on matters in relation to their governance and leadership structure as well as measures undertaken by the audit firm to uphold audit quality and manage risks;
  - the appropriateness of audit fees to support a quality audit;
  - the nature and extent of non-audit services rendered and the level of fees paid for such services relative to audit fees. In this connection, the Committee shall review and approve all proposed non-audit services, including proposed fees, prior to work commencement;
  - the conduct of and independence demonstrated by the external auditors throughout the audit engagement. In this connection, the Committee shall obtain written confirmation from the external auditors that they are, and have been, independent in accordance with all relevant professional and regulatory requirements; and
  - the conduct of an annual evaluation on the performance of the external auditors and undertaking follow-up measures, where necessary;
- (d) to discuss with the external auditors before the audit commences, their audit plan, the nature and scope of their audit and their co-ordination with component auditors where more than 1 audit firm is involved in the audit of our Group’s financial statements;
- (e) to review with the external auditors, their evaluation of the system of internal controls and their audit report and to report the same to our Board;
- (f) to review any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors and to report the same to our Board;
- (g) to review the external auditors’ management letter and Management’s response to their suggestions for improvements;
- (h) to review whether there is a reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment; and
- (i) to discuss and review the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts cannot be entered into should include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit.

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

(iii) **Internal audit**

To review the following in respect of internal audit: -

- (a) suitability of the candidate to be hired as in-house internal auditors, his/her jobs description and remuneration;
- (b) adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
- (c) the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and ensure that appropriate actions are taken on the recommendations of the internal audit function;
- (d) the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function; and
- (e) review and approve any appointment, termination or resignation of the internal auditors.

Review with the internal auditors on the following and report the same to our Board:

- (a) the annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of our Group and that it has the necessary authority to carry out its work;
- (b) effectiveness of the internal audit processes as well as the adequacy of the resource requirements, competency and the budget of the internal audit function;
- (c) the internal audit report containing the internal audit findings, commentaries and recommendations and to follow-up on remedial actions;
- (d) effectiveness of the internal control systems and risk management systems and have them considered if necessary; and
- (e) internal auditors' report of deficiencies in internal control and management's response thereto.

(iv) **Review related party transactions and conflict of interest**

- (a) to review any related party transaction and conflict of interest situation that may arise within our Company or our Group including any transaction, procedure or course of conduct that raises question of management integrity and to report the same to our Board; and
- (b) to ensure that our Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes;

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**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

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(v) **Risk management and internal control**

- (a) to review the adequacy of our Group's risk management framework and assess the resources and knowledge of the management and employee involved in the risk management process;
- (b) to review the effectiveness of internal control systems deployed by the Management to address those risks;
- (c) to review and recommend corrective measures undertaken to remedy failings and/or weaknesses;
- (d) to review and further monitor principal risks that may affect our Group directly or indirectly that if deemed necessary, recommend additional course of action to mitigate such risks;
- (e) to communicate and monitor the risk assessment results to our Board; and
- (f) to highlight actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting our Group.

(vi) **Sustainability reporting**

To provide oversight of sustainability reporting by ensuring the effective identification, management and reporting of material sustainability matters (i.e. risks and opportunities) affecting the economic, environmental and social aspects of our Group's businesses towards achievement of sustainability goals across our Group.

(vii) **Other matters**

- (a) to provide oversight of anti-bribery management of our Group.
- (b) to oversee the implementation of the whistleblowing policy and procedures of our Group.
- (c) to verify the allocation of share options and grant of shares pursuant to the share issuance scheme to ensure in compliance with the allocation criteria under the share issuance scheme, at the end of each financial year.
- (d) to assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies.
- (e) to review the Annual Statement on Risk Management and Internal Control, Audit and Risk Management Committee Report, Corporate Governance Overview Statement and Corporate Governance Report to be published in the Annual Report.
- (f) to carry out any other function that may be mutually agreed upon by the Committee and our Board.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 5.3.3 Remuneration Committee

The Remuneration Committee was constituted on 25 September 2023 by our Board. The composition of our Remuneration Committee is set out below:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Quah Bee Fong	Chairperson	Independent Non-Executive Director
Puar Chin Jong	Member	Independent Non-Executive Director
Elaine Law Soh Ying	Member	Independent Non-Executive Director

The key duties and responsibilities of our Remuneration Committee as stated in its terms of reference include, amongst others, the following:

- (a) to determine and recommend to our Board the general remuneration policy for Executive Directors, Non-Executive Directors and key senior management;
- (b) to review and recommend to our Board in relation to the remuneration structures of the Executive Directors, Non-Executive Directors and key senior management;
- (c) to review and recommend the fee and benefits payable to the Non-Executive Directors to our Board taking into consideration each Director's contribution, the level of expertise, commitment and responsibilities undertaken;
- (d) to ensure that the remuneration package of Executive Directors commensurate with skills and responsibility of the director concerned and is sufficient to attract and retain Directors needed to run our Company successfully;
- (e) to review the policies and procedures of the remuneration framework periodically; and
- (f) to carry out any other function that may be mutually agreed upon by the Committee and our Board.

### 5.3.4 Nomination Committee

The Nomination Committee was constituted on 25 September 2023 by our Board. The composition of our Nomination Committee is set out below:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Elaine Law Soh Ying	Chairperson	Independent Non-Executive Director
Quah Bee Fong	Member	Independent Non-Executive Director
Puar Chin Jong	Member	Independent Non-Executive Director

The key duties and responsibilities of our Nomination Committee as stated in its terms of reference include, amongst others, the following:

- (a) to assess and recommend to our Board, candidates for any directorships. In making its recommendations, the Committee should consider the following attributes of the candidates or factors:
  - (i) technical competency, skills, knowledge, expertise and experience;

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

- (ii) strong sense of professionalism;
  - (iii) background, character, integrity and competence;
  - (iv) contribution and performance;
  - (v) other commitments and time available to contribute inputs to our Board;
  - (vi) in the case of candidates for the position of Independent Non-Executive Directors, the Committee should evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors; and
  - (vii) boardroom diversity.
- (b) to review annually the overall structure, size and composition of our Board, which including the required mix of skills, knowledge, experience, diversity and core competencies which Non-Executive and Executive Directors should bring to our Board.
  - (c) to formulate, maintain and review the re-appointment and re-election process of Directors having due regard to their performance and ability to continue contributing to our Board with their knowledge, skills and experience as and when required.
  - (d) to formulate the "Fit and Proper Policy" and to ensure that all Directors fulfil the fit and proper criteria and for conducting assessments of the fitness and properness of candidates to be appointed onto our Board, including Directors who are seeking for re-election.
  - (e) to prepare and review the report of the Committee in accordance with Rule 15.08A of the Listing Requirements.
  - (f) to recommend to our Board the nominees to fill the seats on the committees of our Board.
  - (g) to review Board succession plans and make recommendations to our Board on succession planning policy.
  - (h) to lead the succession planning and appointment of board members, including the Chairman of our Board and Executive Directors.
  - (i) to review the training needs/programs for our Board and facilitate our Board induction and training programs.
  - (j) to review annually, the term of office and performance of the Audit and Risk Management Committee and each of its members to determine whether the Audit and Risk Management Committee and members have carried out their duties in accordance with the terms of reference of the Audit and Risk Management Committee.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (k) to implement annual assessment on the effectiveness and performance of our Board as a whole, the committees of our Board, as well as the contribution/performance, character, experience, integrity, competence and time to effectively discharge his/her role as a Director, including non-executive Directors and executive Directors. All assessments and evaluations carried out by the Committee in the discharge of all its functions should be properly documented together with the criteria used for such assessment.
- (l) to develop the criteria to assess independence and to assess on an annual basis, the independence of the Independent Non-Executive Directors and recommend the same to our Board.
- (m) to recommend and, where applicable, to provide justifications to our Board for its recommendation, on whether annual shareholders' approval should be sought to on the retention of its Independent Non-Executive Directors whose terms have exceeded nine (9) years' tenure for continuance in the office.
- (n) to recommend the re-election of Directors who retired by rotation pursuant to our Company's Constitution.
- (o) to establish a policy formalising its approach to boardroom diversity.
- (p) to act in line with the directions of our Board.
- (q) to review with the Executive Directors, their goals and objectives and to assess their performance against these objectives as well as their contribution to the corporate strategy.
- (r) to ensure that the composition of our Board is refreshed periodically. The tenure of each director should be reviewed by the Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to our Board.
- (s) To consider and examine such other matters as the Committee considers appropriate including the activities of the Committee in the discharge of its duties for the financial year.

### 5.4 KEY SENIOR MANAGEMENT

#### 5.4.1 Key senior management team

The composition of our key senior management team is set out below:

<u>Name</u>	<u>Age</u>	<u>Nationality</u>	<u>Designation / Function</u>
See Chin Joo	52	Malaysian	Executive Director
Ooi Kok Hong	52	Malaysian	Executive Director
Leong Mei Cian	34	Malaysian	Head of Planning
Mohd Faizal Bin Mohd Wazir	39	Malaysian	Head of Animation

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**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

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**5.4.2 Profiles of our key senior management**

The profiles of our key senior management are as follows:

**(i) See Chin Joo**  
*(Executive Director)*

See Chin Joo is responsible for providing management guidance and strategic advice to the key management and personnel of our Group. He is also the key personnel overseeing the following portfolio of our Group:

- (a) finance, which he is responsible for managing the finance matters and reporting of our Group;
- (b) sales and marketing, which he is responsible for developing sales and marketing strategies for our Group, identifying new business opportunities, and maintaining strong customer relationships; and
- (c) human resources processing, which he is responsible for overseeing payroll processing and administration, human resources record management and employees' benefits administration.

For further details on See Chin Joo, please refer to Section 5.1.2 of this Prospectus.

**(ii) Ooi Kok Hong**  
*(Executive Director)*

Ooi Kok Hong is responsible for providing strategic guidance and direction to the operations of our Group, in which he is the key personnel overseeing the following portfolio of our Group:

- (a) animation production, which he is responsible for leading and managing the animation production team, driving technology adoption in animation production, resource planning and talent acquisition.

He is also supported by the other key senior management of our Group in animation production, being Leong Mei Cian (Head of Planning) and Mohd Faizal Bin Mohd Wazir (Head of Animation), details of which are set out below; and

- (b) technology department, which he is responsible for leading the technology team of our Group, identifying emerging technologies and implementation within the animation production pipeline and overseeing the information technology infrastructure management.

For further details on Ooi Kok Hong, please refer to Section 5.1.2 of this Prospectus.



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**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

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**(i) Leong Mei Cian**  
*(Head of Planning)*

Leong Mei Cian, a Malaysian aged 34, is the Head of Planning of our Group and she reports to Ooi Kok Hong, our Executive Director. She has over 10 years of experience in 2D animation production. Her main responsibilities as Head of Planning include production scheduling, resource planning and allocation, production management and monitoring, talent acquisition, as well as overseeing and managing the planning activities of the animation productions and projects of Inspidea in the Planning Department.

Leong Mei Cian graduated with a Bachelor of Communication (Honours) Broadcasting from the Universiti Tunku Abdul Rahman, Malaysia, in February 2013.

She began her career with cCube TV Sdn Bhd, a company principally involved in the business of TV production, musical industries and general merchant, as a Video Editor from March 2013 to April 2014 where she was involved in video editing and motion graphics creation.

In June 2014, she joined Inspidea as a Production Co-ordinator where she was responsible to plan, organise and manage the overall production scheduling and workflow for each project team within the animation department. In September 2014, she was promoted to the role of Assistant Manager where she was given more responsibilities as she handled larger projects and managed a team of Production Co-ordinators. She was then promoted to Planning Supervisor in January 2016 where she was given the responsibility to manage a larger team of Production Co-ordinators. She was subsequently promoted to the current role of Head of Planning in January 2020 to lead the Planning Department.

**(ii) Mohd Faizal Bin Mohd Wazir**  
*(Head of Animation)*

Mohd Faizal Bin Mohd Wazir, a Malaysian aged 39, is the Head of Animation of our Group and he reports to Ooi Kok Hong, our Executive Director. As the Head of Animation, he is responsible in overseeing the animation direction, providing creative supervision for the animation production, quality management, as well as training and coaching talent in the Animation Department. He has over 14 years of experience in 2D animation production.

He graduated with a Bachelor of Multimedia Communication with Honours from Open University Malaysia, Malaysia, in May 2013.

He began his career in animation production industry whilst still pursuing his bachelor's degree in Multimedia Communication from Open University Malaysia, where he first received the offer to join Inspidea as a Junior Animator in November 2009.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In November 2010, he was promoted to the role of Assistant Clean Up Checker where he was responsible to assist the Lead Clean Up Checker in maintaining the quality of the ink and paint process and to guide the clean-up artists to ensure that the animations met client's specifications for each project. In November 2011, he was promoted to the role of Animator, where he was responsible for the creation and production of various animation projects. In November 2012, he was promoted to Team Lead where he was given the responsibility to lead a team of 10 animators and is responsible to provide leadership and guidance to his team members alongside with his animation role. Subsequently, in November 2014, he assumed the role of Animation Checker and Supervisor, where he was given greater responsibility in overseeing several projects to ensure the quality of each project, managing the team leaders as well as liaising with clients to ensure successful delivery of each project.

In September 2012, he decided to complete his deferred final year project to complete his bachelor's degree with Open University Malaysia, while still maintaining full-time employment with Inspidea. He subsequently graduated with a Bachelor of Multimedia Communication with Honours from Open University Malaysia, in May 2013.

Mohd Faizal Bin Mohd Wazir was promoted to his current role as the Head of Animation of our Group in January 2020.

### 5.4.3 Shareholdings of our key senior management

The direct and indirect shareholdings of See Chin Joo and Ooi Kok Hong before and after our IPO are set out in Section 5.2.3 of this Prospectus.

The following table sets out the direct and indirect shareholdings of our other key senior management (assuming full subscription of Pink Form Allocations reserved for our eligible employees):

Name	Before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)(%)	No. of Shares	(1)(%)	No. of Shares	(2)(%)	No. of Shares	(2)(%)
Leong Mei Cian	-	-	-	-	<sup>(3)</sup> 400,000	0.08	-	-
Mohd Faizal Bin Mohd Wazir	-	-	-	-	<sup>(3)</sup> 400,000	0.08	-	-

#### Notes:

- (1) Based on the total number of 400,000,000 Shares after completion of the Acquisition and before our IPO.
- (2) Based on the enlarged total number of 500,000,000 Shares after our IPO.
- (3) Assuming that the key senior management will fully subscribe for their respective entitlements under the Pink Form Allocations.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 5.4.4 Principal directorship of our key senior management and principal business activities performed outside of our Group

Save as disclosed in Section 5.2.4 of this Prospectus, none of our key senior management is involved in any other principal business activities outside our Group as at the LPD.

Save as disclosed in Section 11.1 of this Prospectus, the involvement of our key senior management in those business activities outside our Group does not give rise to any conflict of interest situation with our business.

### 5.4.5 Key senior management's remuneration and benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid to See Chin Joo and Ooi Kok Hong for FYE 2022 and proposed to be paid for FYE 2023 are set out in Section 5.2.5 of this Prospectus.

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid (in bands of RM50,000) to our other key senior management for services rendered in all capacities to our Group for FYE 2022 and proposed to be paid for FYE 2023 are as follows:

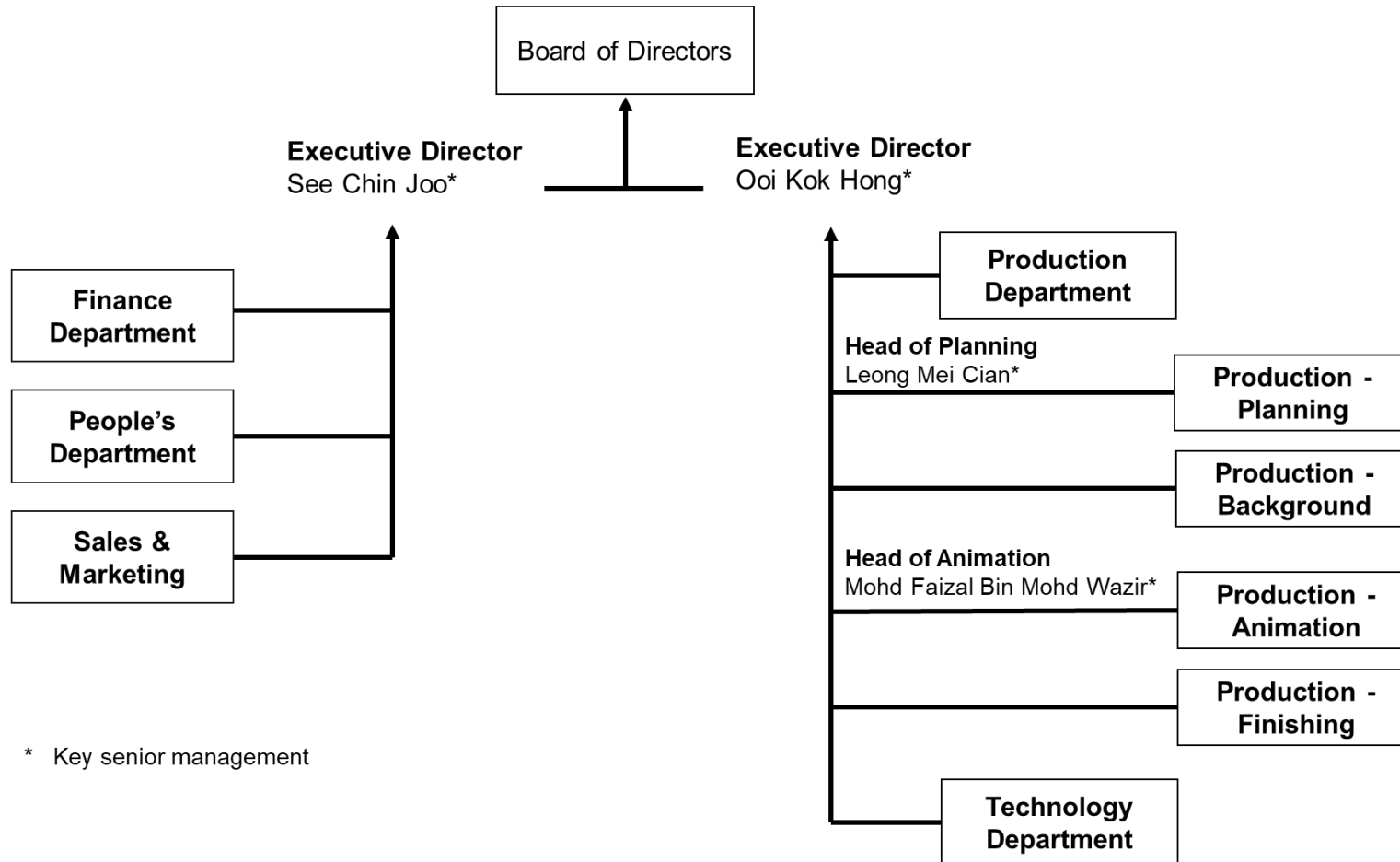
Name	Remuneration band	
	FYE 2022 (RM'000)	FYE 2023 (RM'000)
Leong Mei Cian	100 to 150	100 to 150
Mohd Faizal Bin Mohd Wazir	100 to 150	100 to 150

The remuneration of our key senior management, which includes salaries, fees and allowances, bonuses, as well as other benefits, shall be considered and recommended by our Remuneration Committee and subsequently, be approved by our Board, subject to the provisions of our board charter.

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5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.5 MANAGEMENT REPORTING STRUCTURE



\* Key senior management

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**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

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**5.6 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT**

As at the LPD, none of our Promoters, Directors and key senior management is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he/she was a partner or any corporation of which he/she was a director or member of key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgement was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his/her part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, such person was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his/her part that relates to the capital market;
- (vi) was the subject of any order, judgement or ruling of any court, government, or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity;
- (vii) in the last 10 years, such person has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) has any unsatisfied judgement against such person.

**5.7 FAMILY RELATIONSHIPS AND ASSOCIATIONS**

Save for Ku Chia Loon, our Non-Independent Non-Executive Director which is the son of our substantial shareholder, Koo Hong @ Ku Hong Hai, there is no family relationship and/or association between any of our Promoters, substantial shareholders, Directors and key senior management.

**5.8 SERVICE AGREEMENTS**

As at the LPD, there are no existing or proposed service agreements entered into or to be entered into between our Company with any Directors, or between any companies within our Group with any member of our key senior management.

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**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

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**5.9 MANAGEMENT SUCCESSION PLAN**

Our future success also depends on our ability to attract and retain skilled personnel. Our strategies to retain our key senior management and attract new personnel include, amongst others, succession planning and promotion opportunities, attractive remuneration packages and training activities.

Our succession plan consists of:

- (i) selection and recruitment: identifying key competencies and requirements for managerial and key senior positions for succession planning; and identifying potential successor's readiness to facilitate skills transfer so as to ensure smooth running and continuity of the operations of our Group;
- (ii) attractive remuneration packages and employee benefits;
- (iii) career planning and development: our senior management trains the lower and middle management staff to gradually assume more responsibilities; and
- (iv) continuous training and education: our middle management actively participate in discussions and decision-making in various operations of our Group. Such active participation will ensure better understanding of our operations and enable the personnel to equip themselves with the necessary knowledge and skills to succeed in senior management roles.

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## 6. INFORMATION ON OUR GROUP

### 6.1 OUR COMPANY

Our Company was incorporated in Malaysia under the Act on 23 March 2023 as a private limited company under the name of Kucingo Sdn Bhd. On 24 July 2023, we changed our name to Kucingko Sdn Bhd. We subsequently converted into a public limited company on 11 September 2023 and assumed our present name of Kucingko Berhad.

We were incorporated to facilitate the Listing and our Company is principally an investment holding company. Through our subsidiaries, we provide 2D animation production services. The principal activities of our Subsidiaries are disclosed in Section 6.5 of this Prospectus.

### 6.2 SHARE CAPITAL

Our issued share capital upon completion of the Acquisition is approximately RM9,560,003, comprising 400,000,000 Shares. The changes in our issued share capital since incorporation up to the LPD are as follows:

<u>Date of allotment</u>	<u>No. of Shares allotted</u>	<u>Consideration (RM)</u>	<u>Cumulative issued share capital (RM)</u>	<u>Cumulative no. of Shares</u>
23 March 2023	2	2.00	2.00	2
15 September 2023	1	1.00	3.00	3
[●]	399,999,997	9,559,999.93	9,560,002.93	400,000,000

Save for the ESOS Options to be granted upon Listing, there is also no outstanding warrants, options, convertible securities or uncalled capital in respect of our Share as at the LPD. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the allotments as tabulated above.

Upon completion of our IPO, our issued share capital will increase to RM[●] comprising 500,000,000 Shares.

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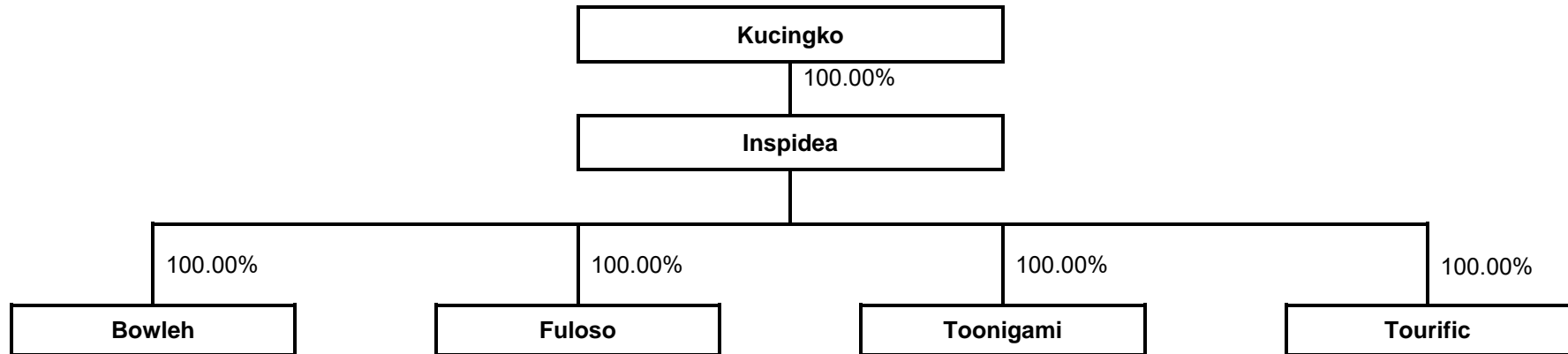
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**6. INFORMATION ON OUR GROUP (CONT'D)**

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**6.3 OUR GROUP STRUCTURE**

**6.3.1** The structure of our Group as at the LPD is as follows:

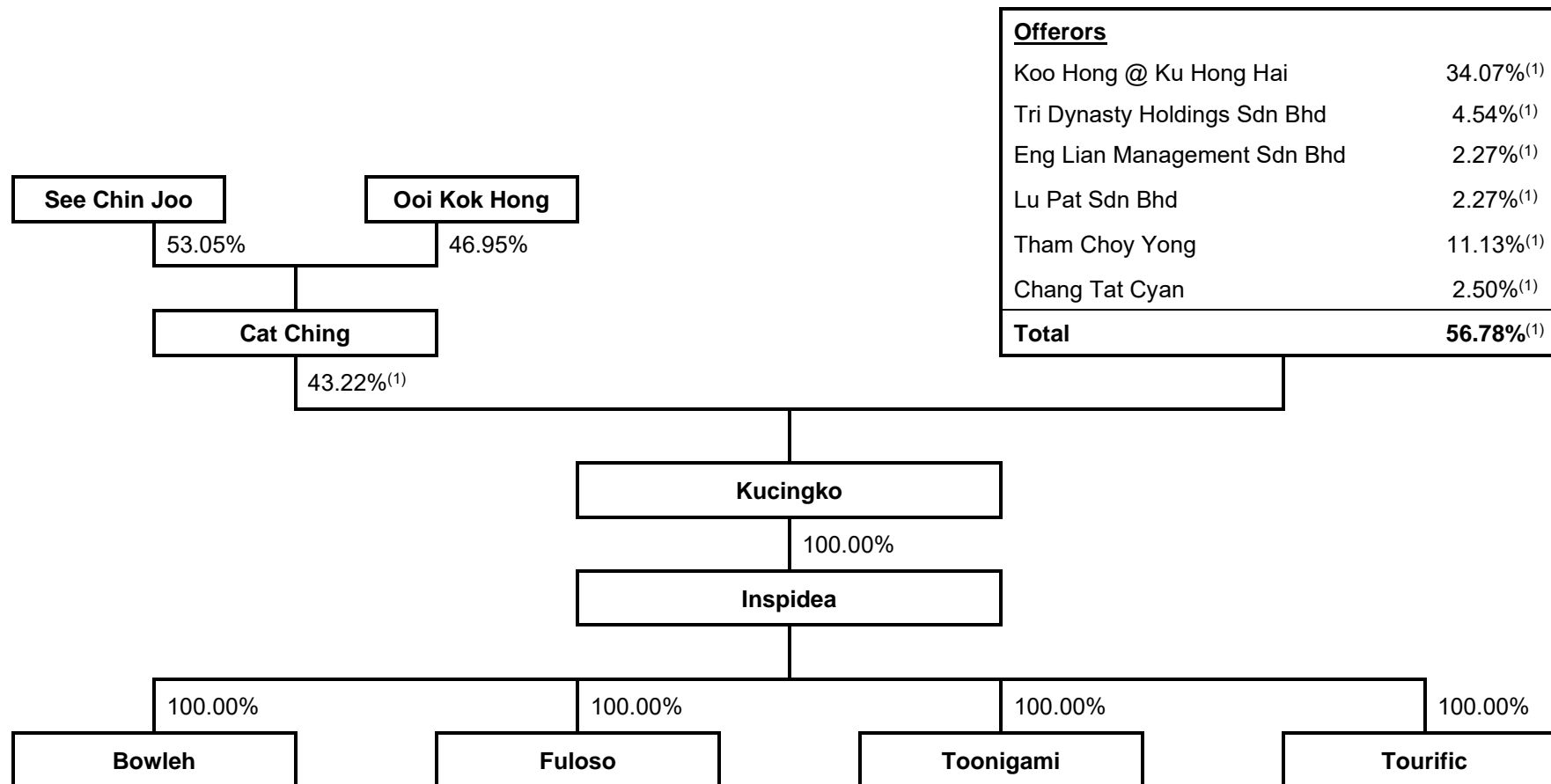


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**6. INFORMATION ON OUR GROUP (CONT'D)**

**6.3.2** The structure of our Group after the Acquisition but before our IPO is as follows:



**Note:**

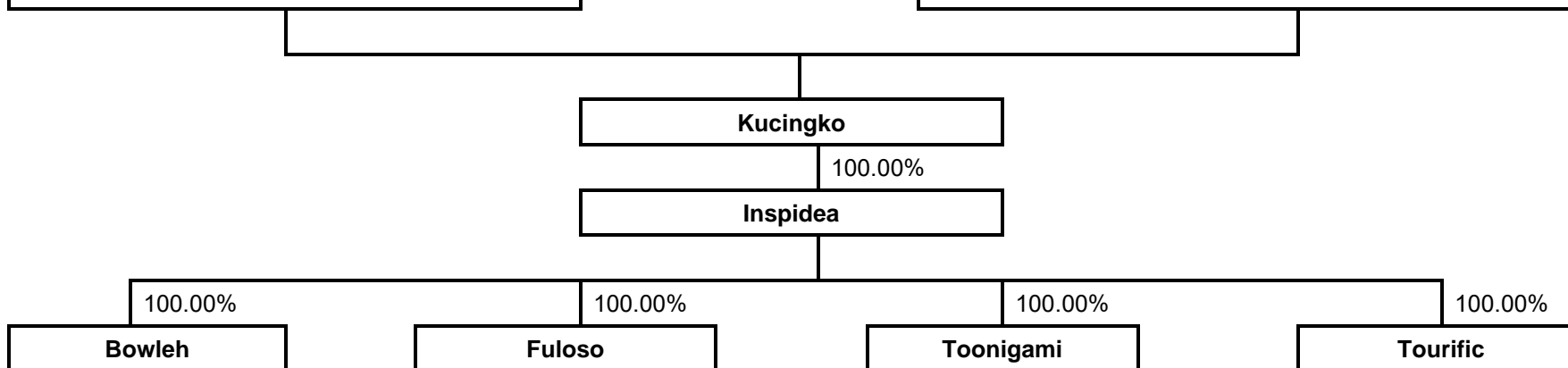
(1) Based on the total number of 400,000,000 Shares after completion of the Acquisition and before our IPO.

**6. INFORMATION ON OUR GROUP (CONT'D)**

**6.3.3** The structure of our Group after our IPO is as follows:

<b>Promoter</b>	
Cat Ching	34.58% <sup>(1)</sup>
See Chin Joo	0.06% <sup>(1)(2)</sup>
Ooi Kok Hong	0.06% <sup>(1)(2)</sup>
<b>Offerors</b>	
Koo Hong @ Ku Hong Hai	15.25% <sup>(1)</sup>
Tri Dynasty Holdings Sdn Bhd	2.03% <sup>(1)</sup>
Eng Lian Management Sdn Bhd	1.02% <sup>(1)</sup>
Lu Pat Sdn Bhd	1.02% <sup>(1)</sup>
Tham Choy Yong	4.98% <sup>(1)</sup>
Chang Tat Cyan	1.12% <sup>(1)</sup>
<b>Pink Form Allocations</b> (for the Non-Executive Directors)	0.30% <sup>(1)(2)</sup>
<b>Total</b>	<b>60.42%<sup>(1)</sup></b>

<b>Public shareholders</b>	
Placement to Institutional / Selected Investors	33.00% <sup>(1)</sup>
Malaysian Public - Bumiputera	2.50% <sup>(1)</sup>
Malaysian Public – Non-Bumiputera	2.50% <sup>(1)</sup>
Pink Form Allocations (for employees and persons contributed to the Group's success)	1.58% <sup>(3)</sup>
<b>Total</b>	<b>39.58%<sup>(1)</sup></b>



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**6. INFORMATION ON OUR GROUP (CONT'D)**

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**Notes:**

- (1) *Based on the enlarged total number of 500,000,000 Shares after our IPO.*
- (2) *Assuming that the Directors will fully subscribe for their respective entitlements under the Pink Form Allocations.*
- (3) *Assuming that the employees of our Group and persons who have contributed to our success subscribe for their respective entitlements under the Pink Form Allocations.*

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**6. INFORMATION ON OUR GROUP (CONT'D)****6.4 DETAILS OF THE LISTING SCHEME**

In conjunction with and as an integral part of our Listing, our Company undertook a listing scheme which involved the Acquisition. On 21 November 2023, we entered into a conditional share sale agreement with the shareholders of Inspidea to acquire the entire equity interest in Inspidea comprising 4,910,703 ordinary shares for a total purchase consideration of RM9,559,999.93 ("**Purchase Consideration**"). The Purchase Consideration was satisfied by the issuance of 399,999,997 new Shares to the nominees nominated by the shareholders of Inspidea at an issue price of RM0.0239 per Share, details of which are as follows:

<b>Shareholders of Inspidea</b>	<b>No. of Inspidea shares acquired</b>	<b>Share capital in Inspidea (%)</b>	<b>Purchase Consideration (RM)</b>	<b>No. of Shares issued</b>
See Chin Joo <sup>(1)</sup>	1,126,222	22.93	2,192,493	91,736,111
Ooi Kok Hong <sup>(1)</sup>	996,297	20.29	1,939,559	81,153,105
Netval Ventures <sup>(2)</sup>	2,788,184 <sup>(3)</sup>	56.78	5,427,948	227,110,781
<b>Total</b>	<b>4,910,703</b>	<b>100.00</b>	<b>9,560,000</b>	<b>399,999,997</b>

**Notes:**

- (1) See Chin Joo and Ooi Kok Hong have nominated Cat Ching as the recipient for the new Shares to be issued to them in respect of the Acquisition. The shareholders of Cat Ching and their respective shareholdings as at the LPD are as follows:

<b>Shareholders of Cat Ching</b>	<b>Ordinary shares (%)</b>
See Chin Joo	53.05
Ooi Kok Hong	46.95
<b>Total</b>	<b>100.00</b>

- (2) Netval Ventures has nominated its shareholders as the recipients for the new Shares to be issued to them in respect of the Acquisition. The shareholders of Netval Ventures and their respective shareholdings as at the LPD are as follows:

<b>Shareholders of Netval Ventures</b>	<b>Ordinary shares (%)</b>	<b>Preference shares (%)</b>
Koo Hong @ Ku Hong Hai	75.00	-
Tri Dynasty Holdings Sdn Bhd	10.00	-
Eng Lian Management Sdn Bhd	5.00	-
Lu Pat Sdn Bhd	5.00	-
Tham Choy Yong	4.50	80.0
Chang Tat Cyan	0.50	20.0
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

- (3) Includes the 209,342 ordinary shares in Inspidea held by Netval Ventures as well as the issuance of 2,578,842 ordinary shares in Inspidea pursuant to the conversion of 88,509 convertible preference shares.

**6. INFORMATION ON OUR GROUP (CONT'D)**

The Purchase Consideration of RM9,559,999.93 for the Acquisition was arrived based on a “willing-buyer willing-seller” basis after taking into consideration amongst others the audited consolidated NA of Inspidea as at 31 December 2022 of RM15,786,278 and the final dividend declared for the FYE 2022 of RM6,204,127. The Acquisition was completed on [●] and Inspidea became our wholly-owned subsidiary.

The new Shares issued pursuant to the Acquisition rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

**6.5 DETAILS OF OUR SUBSIDIARIES**

As at the LPD, the details of our Subsidiaries are as follows:

<b>Name and registration no.</b>	<b>Date / Place of incorporation</b>	<b>Principal place of business</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
<b><u>Subsidiary</u></b>				
Inspidea (200201012802 (580465-T))	16 May 2002 / Malaysia	Malaysia	100.00	Provision of animation production services
<b><u>Subsidiaries held through Inspidea</u></b>				
Bowleh (201701042933 (1257106-H))	23 November 2017 / Malaysia	Malaysia	100.00	Operation of restaurant and cafe
Fuloso (201801045770 (1307802-K))	17 December 2018 / Malaysia	Malaysia	100.00	Provision of games, animation and content development and production services
Toonigami (200801004656 (805940-X))	11 February 2008 / Malaysia	Malaysia	100.00	Provision of animation production services
Tourific (199901025996 (500896-D))	10 December 1999 / Malaysia	Malaysia	100.00	Providing internet business or services, online content development, online content publishing, internet consultancy services and related services

## 6. INFORMATION ON OUR GROUP (CONT'D)

### 6.5.1 Our Subsidiaries

#### (i) Inspidea

##### (a) Background and history

Inspidea was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 16 May 2002 and is deemed registered under the Act, under the name of Inspidea Sdn Bhd. Inspidea commenced its operations in May 2002.

##### (b) Principal place of business

Inspidea's principal place of business is located at our Group's headquarters located at G-G-03A Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia.

##### (c) Principal activities and products / services

Inspidea is principally involved in the provision of animation production services.

##### (d) Share capital

As at the LPD, the issued share capital of Inspidea is RM6,611,427.48 comprising 2,331,861 ordinary shares and 88,509 convertible preference shares. Upon full conversion of the convertible preference shares, the total number of ordinary shares of Inspidea will increase to 4,910,703 ordinary shares.

The movements in the share capital of Inspidea during the Financial Periods Under Review and up to the LPD are set out below:

<u>Date of allotment</u>	<u>No. of shares allotted (Ordinary/Preference)</u>	<u>Consideration / Type of issue</u>	<u>Cumulative share capital (RM)</u>
21 April 2021	73,131 (Ordinary)	RM73,131.00 / Cash	3,032,307.00
31 May 2021	1,699,554 (Ordinary)	RM1,699,554.00 / Cash	4,731,861.00
31 May 2021	64,509 (Preference)	RM1,879,566.48 / Cash	6,611,427.48
[•]	2,578,842 (Ordinary)	Not applicable / Conversion of convertible preference shares	6,611,427.48

Save for the convertible preference shares, Inspidea does not have any other outstanding warrants, options, convertible securities and uncalled capital as at the LPD. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotments above.

## 6. INFORMATION ON OUR GROUP (CONT'D)

(e) **Shareholder**

As at the LPD, Kucingko is the sole shareholder of Inspidea.

(f) **Subsidiary, joint venture or associated company**

As at the LPD, save for Bowleh, Fulofo, Toonigami and Tourific, Inspidea does not have any subsidiary, joint venture or associated company.

(ii) **Bowleh**

(a) **Background and history**

Bowleh was incorporated in Malaysia under the Act as a private limited company on 23 November 2017 under the name of Bowleh Sdn Bhd. Bowleh commenced its operations in October 2019

(b) **Principal place of business**

Bowleh's principal place of business is located at H-G-2 Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301, Petaling Jaya, Selangor, Malaysia.

(c) **Principal activities and products / services**

Bowleh is principally involved in the operation of restaurant and café.

(d) **Share capital**

As at the LPD, the issued share capital of Bowleh is RM150,000.00 comprising 150,000.00 ordinary shares. There has been no change in the issued share capital of Bowleh during the Financial Periods Under Review and up to the LPD.

Bowleh does not have any outstanding warrants, options, convertible securities and uncalled capital as at the LPD.

(e) **Shareholder**

As at the LPD, Inspidea is the sole shareholder of Bowleh.

(f) **Subsidiary, joint venture or associated company**

As at the LPD, Bowleh does not have any subsidiary, joint venture or associated company.

(iii) **Fulofo**

(a) **Background and history**

Fulofo was incorporated in Malaysia under the Act as a private limited company on 17 December 2018, under the name of Fulofo Sdn Bhd. Fulofo has been dormant since 2020 and has recommenced its operations on 1 November 2023.

(b) **Principal place of business**

Fulofo's principal place of business is located at G-G-03A Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia.

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**6. INFORMATION ON OUR GROUP (CONT'D)**

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**(c) Principal activities and products / services**

Fuloso is principally involved in the provision of games, animation and content development/production services.

**(d) Share capital**

As at the LPD, the issued share capital of Fuloso is RM100,000.00 comprising 100,000 ordinary shares. There has been no change in the issued share capital of Fuloso during the Financial Periods Under Review and up to the LPD.

Fuloso does not have any outstanding warrants, options, convertible securities and uncalled capital as at the LPD.

**(e) Shareholder**

As at the LPD, Inspidea is the sole shareholder of Fuloso.

**(f) Subsidiary, joint venture or associated company**

As at the LPD, Fuloso does not have any subsidiary, joint venture or associated company.

**(iv) Toonigami**

**(a) Background and history**

Toonigami was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 11 February 2008 and is deemed registered under the Act, under the name of Toonigami Sdn Bhd. Toonigami commenced its operations in 2008.

**(b) Principal place of business**

Toonigami's principal place of business is located at our Group's headquarters located at G-G-05 Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia.

**(c) Principal activities and products / services**

Toonigami is principally involved in the provision of animation production services.

**(d) Share capital**

As at the LPD, the issued share capital of Toonigami is RM50,000.00 comprising 50,000 ordinary shares. There has been no change in the issued share capital of Toonigami during the Financial Periods Under Review and up to the LPD.

Toonigami does not have any outstanding warrants, options, convertible securities and uncalled capital as at the LPD.

**(e) Shareholder**

As at the LPD, Inspidea is the sole shareholder of Toonigami.



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**6. INFORMATION ON OUR GROUP (CONT'D)**

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**(f) Subsidiary, joint venture or associated company**

As at the LPD, Toonigami does not have any subsidiary, joint venture or associated company.

**(v) Tourific**

**(a) Background and history**

Tourific was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 10 December 1999 and is deemed registered under the Act, under the name of Tourific Sdn Bhd. Tourific commenced its operations in 1999.

**(b) Principal place of business**

Tourific's principal place of business is located at our Group's headquarters located at G-G-03A Glomac Square, Jalan SS6/16A, 47301 Petaling Jaya, Selangor, Malaysia.

**(c) Principal activities and products / services**

Tourific is principally involved in the distribution of computer hardware and software, IT Infrastructure and networking support and services.

**(d) Share capital**

As at the LPD, the issued share capital of Tourific is RM131,844.00 comprising 131,844 ordinary shares. There has been no change in the issued share capital of Tourific during the Financial Periods Under Review and up to the LPD.

Tourific does not have any outstanding warrants, options, convertible securities and uncalled capital as at the LPD.

**(e) Shareholder**

As at the LPD, Inspidea is the sole shareholder of Tourific.

**(f) Subsidiary, joint venture or associated company**

As at the LPD, Tourific does not have any subsidiary, joint venture or associated company.

**6. INFORMATION ON OUR GROUP (CONT'D)****6.6 MATERIAL INVESTMENTS AND DIVESTITURES IN SUBSIDIARIES**

Save as disclosed below, we do not have any material investments and divestitures in subsidiaries for the Financial Periods Under Review and up to the LPD:

Description	Consideration (RM'000)				Between 1 July 2023 up to the LPD
	FYE 2020	FYE 2021	FYE 2022	FPE 2023	
Disposal by Inspidea of its 100.00% equity interest in Tapestream Pte Ltd to Arboratory Limited <sup>(1)</sup>	-	-	96.63 (1.21% of our Group's NA for the FYE 2022)	-	-
Disposal by Inspidea of its 100.00% equity interest in TSSRM Sdn Bhd to Arboratory Limited <sup>(1)</sup>	-	-	391.20 (4.90% of our Group's NA for the FYE 2022)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>487.83</b>	<b>-</b>	<b>-</b>

**Note:**

(1) Please refer to Section 10.1.1 of this Prospectus for further details of the Inspidea's disposal of Tapestream Pte Ltd and TSSRM Sdn Bhd to Arboratory Limited.

**6.7 PUBLIC TAKE-OVERS**

During the last financial year and the current financial year up to the LPD, there were:

- (i) no public take-over offers by third parties in respect of our Shares; and
- (ii) no public take-over offers by our Company in respect of other companies' shares.

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## 7. BUSINESS OVERVIEW

### 7.1 HISTORY AND MILESTONES

The history of our Group can be traced back to the incorporation of Inspidea on 16 May 2002 by our Executive Directors, See Chin Joo and Ooi Kok Hong as well as 2 other unrelated parties namely Foo Weng Seng and Chuo Yuan Ping, where the business was initially in proprietary content creation. Our Executive Directors, See Chin Joo and Ooi Kok Hong initially held 31.00% equity interest each in Inspidea while the remaining 38.00% equity interest in Inspidea was collectively held by the 2 unrelated parties. The 2 unrelated parties disposed their equity interest to See Chin Joo and Ooi Kok Hong in 2004. Subsequent to the disposal by the 2 unrelated parties, See Chin Joo and Ooi Kok Hong collectively held 100.00% equity interest in Inspidea, in which 67.14% equity interest were held by See Chin Joo while the remaining 32.86% equity interest were held by Ooi Kok Hong.

In 2005, Netval Ventures, a registered venture capital corporation with the SC, became our shareholder via the initial subscription of 10,000 convertible preference shares. Netval Ventures is an investor and is not involved in the day-to-day operations of our Group. In 2007, Inspidea transitioned the focus of its business from proprietary content creation to the provision of 2D animation production services. On [●], Inspidea became a wholly-owned subsidiary of Kucingko.

We are primarily involved in 2D animation production services which is undertaken by our subsidiary, Inspidea. A small proportion of our business relates to the provision of food services, which is undertaken by our subsidiary, Bowleh. Generally, our 2D animation production services utilise a series of digitally drawn 2D images to create an illusion of movement to form visual content mainly for animated series. For the Financial Periods Under Review, we produce animation contents that are based on pre-production package provided by the customer. For the Financial Periods Under Review and up to the LPD, we have completed 59 animation production projects with a collective contract value of RM63.22 million and a total runtime of approximately 4,617 minutes.

The table below sets out the key events and milestones in the history and development of our business:

Year	Key events and milestones
2002	<ul style="list-style-type: none"> <li>Incorporation of Inspidea.</li> <li>We commenced our business initially in proprietary content creation, which was focused on the development of proprietary content including animated series and animated characters. Our business commenced in an office located in Mont Kiara, Kuala Lumpur.</li> </ul>
2004	<ul style="list-style-type: none"> <li>We developed and produced our first proprietary content namely, <i>Johan the Young Scientist</i>, an animated series that comprises 26 episodes with a total runtime of approximately 312 minutes. During the same year, we entered into a broadcasting agreement with a broadcaster in Estonian which permitted the broadcasting of the animated series in the Republic of Estonia.</li> </ul> <p>Between 2004 and up to the LPD, we have developed and produced 12 proprietary contents in total which is set out as below:</p> <ul style="list-style-type: none"> <li>- 9 animated series including <i>Johan the Young Scientist</i>, <i>Mustang Mama Football Fever</i>, <i>Mustang Mama Diehard Sports Fan</i>, <i>Mustang Mama x3</i>, <i>Happy Together</i>, <i>Boo &amp; Mee</i>, <i>Pet Squad</i>, <i>AKIS</i>, and <i>Kobushi</i>;</li> <li>- 1 animated short film namely, <i>InnerTommy</i>;</li> <li>- 1 graphic novel namely, <i>Osiana World</i>; and</li> <li>- 1 animated character namely, <i>Terrified Sushi</i>, which has yet to be commercialised.</li> </ul>

**7. BUSINESS OVERVIEW (CONT'D)**

Year	Key events and milestones
	<p>For the Financial Periods Under Review and up to the LPD, the focus of our business is 2D animation production services and there was no revenue generated from our proprietary content. Please refer to Section 7.12 of this Prospectus for further details on our proprietary content.</p> <ul style="list-style-type: none"> <li>Inspidea was granted Pioneer Status from MITI, in which the company was entitled to corporate tax incentives for 5 years from November 2004 to November 2009 which was later extended for an additional 5 years to November 2014.</li> <li>We relocated our operational office from Mont Kiara, Kuala Lumpur to an office located in Kelana Square, Selangor.</li> </ul>
2005	<ul style="list-style-type: none"> <li>Netval Ventures, a registered venture capital corporation with the SC, became our shareholder via the initial subscription of 10,000 convertible preference shares in Inspidea. Netval Ventures is an investor and is not involved in our day-to-day business operations.</li> <li>Inspidea acquired Tourific which is involved in the distribution of IT products and the provision of related services. For the Financial Periods Under Review and up to the LPD, Tourific is mainly the procurement arm for IT products and services used in our business operations.</li> </ul>
2006	<ul style="list-style-type: none"> <li>We relocated our operational office from Kelana Square, Selangor to Glomac Square, Selangor.</li> </ul>
2007	<ul style="list-style-type: none"> <li>We transitioned the focus of our business from proprietary content creation to the provision of 2D animation production services. In 2007, we secured our first 2D animation production project from a content producer in France for the production of an animated series which comprises 26 episodes with a total runtime of approximately 594 minutes.</li> <li>We commenced our business relationship with Customer A Group where we sold the proprietary right of one of our proprietary contents to a subsidiary of Customer A Group</li> </ul>
2008	<ul style="list-style-type: none"> <li>Toonigami was incorporated and the company is involved in the provision of subcontracted animation production services. Since 2021, the company has been mainly involved in the provision of subcontracted services for our animation projects.</li> <li>We expanded our office facilities in Glomac Square, Selangor from 1 shop unit to 2 shop units for our animation production operations.</li> </ul>
2009	<ul style="list-style-type: none"> <li>Through Inspidea, we collaborated with an international children's television channel based in the United Kingdom, for the development and production of an animated series namely, <i>Boo and Me</i> for 26 episodes with a total runtime of approximately 52 minutes. The proprietary rights of the animated series are owned by our Group.</li> <li>Inspidea obtained an approval from MDEC for a grant of up to RM4.85 million pertaining to the co-production of <i>Pet Squad</i>, an animated series. <i>Pet Squad</i> comprises 52 episodes with a total runtime of approximately 572 minutes which was co-produced by Inspidea together with 2 co-production partners from United Kingdom and Canada. As at the LPD, the proprietary rights of the said animated series is jointly owned by our Group (20.00%) and the 2 said parties (80.00%). The <i>Pet Squad</i> animated series was subsequently released in 2011.</li> </ul>

**7. BUSINESS OVERVIEW (CONT'D)**

Year	Key events and milestones
2010	<ul style="list-style-type: none"> <li>We expanded our office facilities in Glomac Square, Selangor from 2 shop unit to 3 shop units for our animation production operations.</li> </ul>
2011	<ul style="list-style-type: none"> <li>We expanded our office facilities in Glomac Square, Selangor from 3 shop units to 4 shop units for our animation production operations.</li> </ul>
2012	<ul style="list-style-type: none"> <li>Inspidea obtained an approval from MDEC for a grant of up to RM2.38 million for the co-production of <i>Kobushi</i>, an animated series which was co-produced by Inspidea together with a co-production partner from France. We produced a total of 104 episodes with a total runtime of approximately 728 minutes and the animated series was released in 2012. The proprietary rights of this animated series was jointly owned by our Group (42.50%), the co-production partner (42.50%) and a financing co-producer (15.00%).</li> <li>We expanded our office facilities in Glomac Square, Selangor from 4 shop units to 6 shop units for our animation production operations.</li> </ul>
2017	<ul style="list-style-type: none"> <li>Bowleh was incorporated in 2017 and commenced business in the provision of food services in 2019 by setting up a restaurant in the vicinity of our office in Glomac Square.</li> </ul>
2019	<ul style="list-style-type: none"> <li>We were approved by the Ministry of Human Resources Malaysia as a Technical and Vocational Education and Training (“<b>TVET</b>”) centre where we provide National Dual Training (“<b>SLDN</b>”) programme for 2D animation production related knowledge. Between 2019 and up to the LPD, we have enrolled 40 students under the SLDN programme.</li> </ul>
2020	<ul style="list-style-type: none"> <li>We secured our first animation project directly from Customer I where we produced 1 episode with a total runtime of approximately 11 minutes. Subsequently, in 2021, we secured an additional contract from Customer I for the animation production of the full series of an animated series with 26 episodes and total runtime of approximately 78 minutes.</li> </ul>

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.2 KEY AWARDS, CERTIFICATIONS AND RECOGNITIONS

Since the commencement of business operations in 2002, we have obtained the following key awards and recognitions:

Year	Key awards	Awarding party
2008	Enterprise 50 Award Programme Winner	Small and Medium Enterprises Corporation Malaysia (“ <b>SME Corp Malaysia</b> ”) (previously known as Small and Medium Industries Development Corporation) and Deloitte Malaysia
2008	Winner of Industry Excellence Award 2008 for the category: - Brand Excellence Award (Services) - Export Excellence Award (Services)	MITI
2009	Winner of Industry Excellence Award 2009 under the category of Export Excellence Award (Services)	MITI
2009	Achieve 3 stars under the SME Competitive Rating for Enhancement category	SME Corp Malaysia and MITI

In addition, we are involved in the production of animation content which obtained awards and nominations. Our contribution as an animation production service provider is to transform the concept and storyline into actual animated content with satisfactory quality that qualifies for the awards and nominations. Since the commencement of business operations in 2002, the awards and nominations obtained by the animated content which we were involved in are as follows:

Year	Key awards	Awarding party
2008	Nomination of <i>Mustang Mama Season 2 - Diehard Sports Fan</i> as one of the five finalists in the category of “TV series for all ages” in the Cartoons on the Bay Pulcinella Awards 2008	Rai Trade SpA
2009	The programme <i>Happy Together</i> was selected as part of the Official Selection of the Pulcinella Awards 2009	Rai Trade SpA
2011	Nominee of British Academy Children’s Awards, for <i>Pet Squad</i>	British Academy of Film and Television Arts (BAFTA)
2013	15 <sup>th</sup> TBS DigiCon6 Award - DigiCon6 Creativity Awards for <i>InnerTommy</i>	Tokyo Broadcasting System Television Inc, Japan
2018	Winner of the FICCI Frames BAF (Best Animated Frames) Award for a 2D animated series in the FICCI Frames BAF Awards	Federation of Indian Chambers of Commerce and Industry
2018	Nomination of a 2D animated series under the Best Children’s Animated Programme or Series category in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd
2018	Nomination of a 2D animated series under the Best Short Form Content category in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd
2018	Winner of 2D Best Animated Programme or Series for a 2D animated series in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd
2019	Nomination of a 2D animated series under the Best Short Form Content category in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd

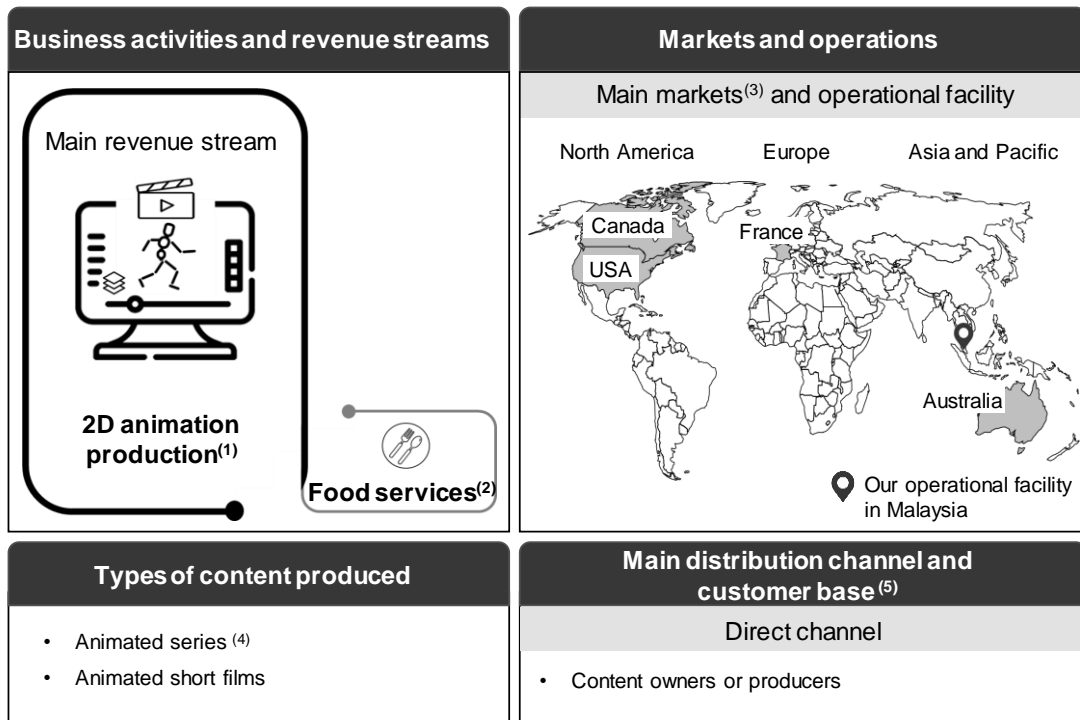
**7. BUSINESS OVERVIEW (CONT'D)**

Year	Key awards	Awarding party
2019	Winner of Best Animated Programme or Series (2D or 3D) for a 2D animated series in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd
2019	Nomination of a 2D animated series under the Kids: Animation category in the International Emmy Kids Awards	International Academy of Television Arts & Sciences
2020	Winner of Best Children Programme (one off/series) for a 2D animated series in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd
2023	Winner of Best Kids TV Programme Made in Asia for a 2D animated series in the ContentAsia Awards	Pencil Media Pte Ltd

**7.3 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS / SERVICES**

**7.3.1 Our business model**

For the Financial Periods Under Review, our business model is as follows:



**Notes:**

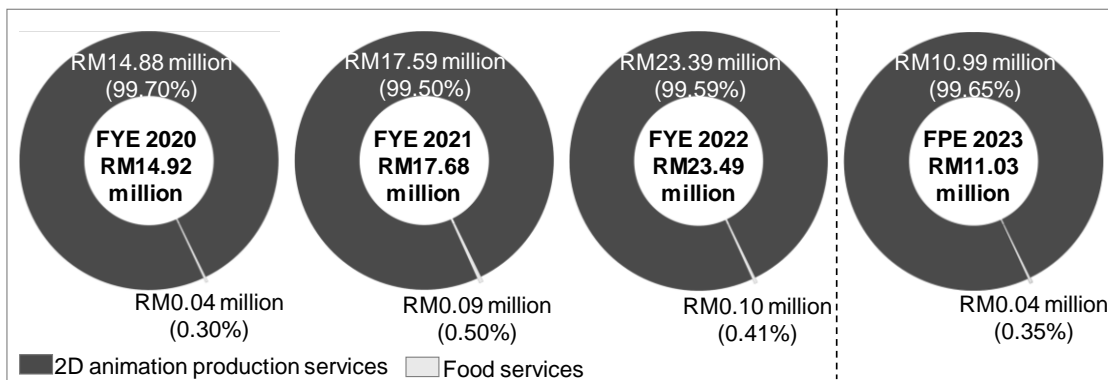
- (1) Our revenue from 2D animation production accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.
- (2) Our revenue from food services accounted for 0.30% (RM0.04 million), 0.50% (RM0.09 million), 0.41% (RM0.10 million) and 0.35% (RM0.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.
- (3) Main markets are based on markets with revenue contribution of at least 10.00% of our total revenue for any of the Financial Periods Under Review.

## 7. BUSINESS OVERVIEW (CONT'D)

- (4) For the Financial Periods Under Review, all of our 2D animation productions were mainly animated series for television broadcasting and digital online streaming.
- (5) For the Financial Periods Under Review, we mainly serve customers who are content producers for the provision of 2D animation production services.

### 7.3.1.1 Business activities and revenue streams

#### Revenue segmentation by business activities



Our revenue segmentation by business activities for the Financial Periods Under Review is as follows:

#### (i) 2D animation production services

We are principally involved in 2D animation production services, which is undertaken by our subsidiary, Inspidea. We utilise digitally drawn 2D images to create an illusion of movement to form the animated visual content mainly for animated series. For the Financial Periods Under Review, 2D animation production services represented 99.70%, 99.50%, 99.59% and 99.65% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Generally, the production of animated content can be broadly categorised into 3 phases namely, pre-production, production and post-production phases. Our 2D animation production service primarily focuses on the production phase where we produce 2D animations based on the pre-production package provided by our customers. The 2D animated contents we produced are mainly for television broadcasting and digital online streaming which are commonly broadcasted for global viewers. Please refer to Section 7.4.1 of this Prospectus for further details on our 2D animation production services.

Our production projects comprised either full production from start to the end of an episode, or partial production where we are involved in producing part of an episode. For the Financial Periods Under Review and up to the LPD, we have completed 59 animation production projects with a collective contract value of RM63.22 million and a total runtime of approximately 4,617 minutes.

As at the LPD, we have 8 on-going animation production projects with a collective contract value of RM44.27 million and a total runtime of approximately 1,947 minutes. As at the LPD, we have a total unbilled order book of RM23.44 million from the said on-going 2D animation projects which are expected to be completed between FYE 2023 and FYE 2024. A total of RM19.35 million will be recognised as revenue for FYE 2023 and a total of RM4.08 million will be recognised as revenue for FYE 2024. For further details of the order book, please refer to Section 12.11 of this Prospectus.

Please refer to Section 7.4.1.4 and Section 7.4.1.5 of this Prospectus for further details on our completed and on-going animation production projects respectively.



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**7. BUSINESS OVERVIEW (CONT'D)**

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**(ii) Food services**

A small proportion of our revenue is derived from the provision of food services where we operate a restaurant located in the vicinity of our office and this is undertaken by our subsidiary, Bowleh. For each of the Financial Periods Under Review, food services accounted for less than 1.00% of our total revenue.

**7.3.1.2 Principal markets and operations**

The main markets we serve are foreign countries, covering certain countries from regions including North America, Asia Pacific and Europe. Revenue from foreign countries collectively accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Our revenue from foreign countries is entirely contributed by our 2D animation production services whereas revenue contribution from Malaysia was for our food services segment which accounted for 0.30% (RM0.04 million), 0.50% (RM0.09 million), 0.41% (RM0.10 million) and 0.35% (RM0.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Customers from countries within North America region, which comprises the USA, Canada and Mexico, represents our largest market which collectively accounted for 49.54% (RM7.39 million), 64.77% (RM11.45 million), 93.22% (RM21.89 million), 72.91% (RM8.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Customers from countries within European region, which covers the Netherlands, France and the United Kingdom, accounted for 13.82% (RM2.06 million), 32.45% (RM5.74 million), 5.75% (RM1.35 million) and 23.64% (RM2.61 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Customers from countries within Asia Pacific region which comprises Australia, Malaysia, Japan, Hong Kong and Singapore, accounted for 36.64% (RM5.47 million), 2.78% (RM0.49 million), 1.03% (RM0.24 million) and 3.45% (RM0.38 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Presently, although we do not have physical presence or business entity in any of the foreign countries. Nevertheless, our Group was able to secure 2D animation production projects from customers in foreign countries including the USA. All our projects are carried out in Malaysia as all of our 2D animation production work is undertaken digitally. We can receive the pre-production package and deliver our completed production work through the use of the internet, thereby allowing us to have a global reach.

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**7. BUSINESS OVERVIEW (CONT'D)**

For the Financial Periods Under Review, our revenue segmentation by geographical market is as follows:

Geographical markets	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
<b>North America</b>	<b>7,393</b>	<b>49.54</b>	<b>11,447</b>	<b>64.77</b>	<b>21,893</b>	<b>93.22</b>	<b>8,040</b>	<b>72.91</b>
USA	1,495	10.02	3,494	19.77	14,727	62.71	4,930	44.70
Canada	5,887	39.45	7,953	45.00	7,166	30.51	3,110	28.21
Mexico	11	0.07	-	-	-	-	-	-
<b>Europe</b>	<b>2,062</b>	<b>13.82</b>	<b>5,736</b>	<b>32.45</b>	<b>1,351</b>	<b>5.75</b>	<b>2,607</b>	<b>23.64</b>
United Kingdom	362	2.43	-	-	68	0.29	1,345	12.20
France	1,700	11.39	4,282	24.22	160	0.68	1,262	11.44
Netherlands	-	-	1,454	8.23	1,123	4.78	-	-
<b>Asia Pacific</b>	<b>5,468</b>	<b>36.64</b>	<b>492</b>	<b>2.78</b>	<b>241</b>	<b>1.03</b>	<b>381</b>	<b>3.45</b>
Australia	5,062	33.93	351	1.99	146	0.62	277	2.51
Singapore	123	0.82	-	-	-	-	65	0.59
Malaysia <sup>(1)</sup>	45	0.30	88	0.50	95	0.41	39	0.35
Japan	-	-	53	0.29	-	-	-	-
Hong Kong	238	1.59	-	-	-	-	-	-
<b>TOTAL</b>	<b>14,923</b>	<b>100.00</b>	<b>17,675</b>	<b>100.00</b>	<b>23,485</b>	<b>100.00</b>	<b>11,028</b>	<b>100.00</b>

**Note:**

(1) Revenue from Malaysia was contributed by the food services segment for the Financial Periods Under Review.

**7.3.1.3 Main types of content produced**

Our 2D animation production is focused on the following format:

- **2D animated series**

2D animated series, also known as cartoon series, refers to animated shows with a collection of episodes and recurring characters to convey a story. Typically, each episode of the same series features the same theme, story background and various recurring animated characters, with the exception that the story is different in each episode. For the Financial Periods Under Review, each episode of the 2D animated series that we produced ranges between 1 minute and 27 minutes. An animated series has numerous episodes and a successful animated series may have several seasons or it may go on for several years. 2D animated series are commonly broadcasted over television as well as distributed through streaming platforms to a global audience.

## 7. BUSINESS OVERVIEW (CONT'D)

- **Other 2D animated content**

We also produce other animated content including 2D animated short films which are self-contained stories from start to end which are shorter in duration compared to a complete series or a feature film. Commonly, each 2D animated short film's duration is approximately 15 minutes. The production process for short films is the same as 2D animated series. 2D animated short films are commonly showcased in festivals and events, broadcasted over television and distributed through streaming platforms.

In addition, we have 2D animation test projects which are small-scale projects mainly for evaluation purpose before our customer proceed with a larger scale production. Some of the aspects that are evaluated from the 2D animated test projects include technical considerations such as character design and storyboard design, as well as production quality. We are paid for these small-scale projects.

We mainly carry out 2D animation production for animated series. For the Financial Periods Under Review, we have carried out 1 production of a 2D animated short film. Please refer to Section 7.4.1.3 of this Prospectus for further details.

### 7.3.1.4 Distribution channels and main customer base

- (i) **2D animation production services**

We mainly utilise a direct distribution channel where we secure contracts directly from content owners or producers for the production of 2D animated content. Under the direct distribution channel, we communicate directly with the content owners or producers to understand their requirements in terms of, amongst others, timeline, cost, and quality standards.

We also utilise indirect distribution channel where the supervising producers would engage us as a subcontractor. As a subcontractor, we provide 2D animation production services under the supervision of the supervising producers where we liaise and report directly to them for their requirements.

Generally, we would be responsible for the 2D animation production for contracts secured from content owners, producers or supervising producers.

- (ii) **Food services**

We mainly utilise a direct distribution channel for our food services segment where we serve customers for dine-in and/or takeaway. A small proportion of our revenue under the food services segment is from indirect distribution channel where we sell our food and beverages through food delivery platforms including GrabFood and Foodpanda. We will prepare the food and beverages based on orders received via the food delivery platforms prior to handing over to the assigned driver who will pick up and deliver the orders to the end consumers.

Revenue from direct distribution channel is mainly from 2D animation production services. For the Financial Periods Under Review, our revenue from direct distribution channels accounted for 81.58% (RM12.17 million), 92.43% (RM16.34 million), 89.52% (RM21.03 million) and 99.99% (RM11.03 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. For the Financial Periods Under Review, our revenue from indirect distribution channel accounted for 18.42% (RM2.75 million), 7.57% (RM1.34 million), 10.48% (RM2.46 million) and 0.01% (less than RM0.1 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

## 7. BUSINESS OVERVIEW (CONT'D)

For the Financial Periods Under Review, our revenue segmentation by distribution channels and main types of customers is as follows:

Distribution channels and main types of customers	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
<b>Direct distribution channel</b>	<b>12,174</b>	<b>81.58</b>	<b>16,337</b>	<b>92.43</b>	<b>21,025</b>	<b>89.52</b>	<b>11,027</b>	<b>99.99</b>
- 2D animation production services: Content owners or producers	12,127	81.26	16,257	91.98	20,931	89.12	10,989	99.65
- Food services: Walk-in customers	47	0.32	80	0.45	94	0.40	38	0.34
<b>Indirect distribution channel</b>	<b>2,749</b>	<b>18.42</b>	<b>1,338</b>	<b>7.57</b>	<b>2,460</b>	<b>10.48</b>	<b>1</b>	<b>0.01</b>
- 2D animation production services: Supervising producers	2,749	18.42	1,330	7.52	2,459	10.47	-	-
- Food services: Food delivery platforms	*	*	8	0.05	1	0.01	1	0.01
<b>TOTAL</b>	<b>14,923</b>	<b>100.00</b>	<b>17,675</b>	<b>100.00</b>	<b>23,485</b>	<b>100.00</b>	<b>11,028</b>	<b>100.00</b>

\* Less than RM1,000/0.01% contribution.

### 7.3.2 Our modes of operations

#### 7.3.2.1 2D animation production segment

Our modes of operation for the 2D animation production segment are as below:

- **Fixed lump sum contracts**

For our 2D animation production segment, we obtain our projects mainly through competitive bidding including open tenders or invitations to quote. Our revenue model for these projects is based on fixed lump sum contracts, which include details such as the scope of work, timeline, contract price and payment schedule. Our customers will pay us the fixed price of the contract, subject to any additional work for creative retakes that they may request.

On project commencement, we would typically invoice a percentage of the total price of the contract. During the production phase, we will invoice our customers based on the proportion of work that we have completed according to the production milestones and payment schedule agreed upon. The schedule of billings is specified in the contract and this may vary depending on the terms agreed with the customers. Our last invoice is issued upon receiving the final validation or approval from the customer, confirming the acceptance of our work, indicating compliance with all specifications and requirements, as well as completion of the project.

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**7. BUSINESS OVERVIEW (CONT'D)**


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- **Scheduled rate contracts**

We have projects based on scheduled rate contracts where our customers will pay us based on a pre-determined rate per minute or second of animation production work completed. At the commencement of each minute of animation production work in the project, we would typically invoice a percentage of the price per minute as specified in the contract. The remaining portion of the contract value will be invoiced upon receiving final validation or approval from the customer for accepting each completed minute of animation production work.

- **Project contract period obligation**

Our primary obligation is to deliver the completed production materials on time, according to the milestone schedule outlined in the contract.

In some situation, we may be subject to a deduction of fees as penalty based on a percentage of the value of the corresponding production milestone stipulated in our contracts or we may be subject to an indemnity equal to the amount of the fee paid and/or due in the event of any delays in the delivery of our production works. While for other contracts, we may be subject to termination of our contract. For the Financial Periods Under Review, we have not experienced any deduction on the contract value as penalty, payment of indemnity or termination of contract due to delay in delivery of our production works.

Our obligations include delivering our production works according to the technical specifications requested by the customer. In the event of failure to deliver our production works according to the agreed specification, we may be subject to a deduction of our fees as penalty based on a percentage of the corresponding production milestone stipulated in our contracts or termination of our contract. For the Financial Periods Under Review, we have not experienced any deduction on the contract value as penalty or termination of contract due to the failure in delivery of our production works according to the agreed specifications.

- **Warranty and guarantee**

We do not provide any product warranty or guarantee as our animation production business is service based. Our work is completed upon delivery of our work and acceptance by our customers as the 2D animated content that we produce are based on technical specifications agreed with customers. There is no recourse for refunds once the customer has validated and accepted our work.

### 7.3.2.2 Food services segment

Our modes of operation for the food services segment are as below:

- **Cash payments from walk-in customers**

Payments for our food services are:

- (i) immediate upon receipt of food for takeaway services; and/or
- (ii) completion of consumption of food and beverages before leaving the restaurant premises.

Payments by customers are made either by cash, credit card, debit card or e-wallet. For payments made through credit card, debit card and e-wallet, we will receive the payment from the issuing company or operator between 1 to 3 days from the date of the transaction.

## 7. BUSINESS OVERVIEW (CONT'D)

- **Service agreements with food delivery platforms**

We are registered with various food delivery platforms as a restaurant partner and provide our food services to the said platforms based on service agreements. The end consumer will order food and make payments via the food delivery platform. The food delivery platform will be entitled to a commission at a pre-determined rate of the value of sales transacted on their platform while the remaining transacted amount will be released to us within a week. Generally, the commission rate is approximately 30.00% depending on the terms negotiated with each of the food delivery platforms.

### 7.4 PRINCIPAL BUSINESS SEGMENTS AND MARKETS

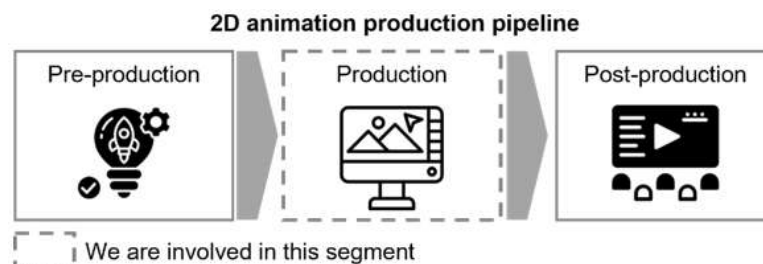
#### 7.4.1 2D animation production services

The 2D animation production business segment is our largest revenue contributor where it accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

##### 7.4.1.1 Overview

###### Production pipeline

The value chain or the production pipeline for 2D animation comprises 3 main phases as follows:



Pre-production involves the front-end of the total value chain in 2D animation production and includes the following:

- conceptualisation of the entire storyline;
- scriptwriting incorporating scenes, actions and dialogues;
- storyboarding including animatics pertaining to sequence of events, scenes, voice-over and sound; and
- character and background conceptual design and specifications.

The content owner or producer is responsible for the pre-production package which is provided to production houses, including our Group, to carry out the production process.

Once we are provided with the pre-production package, our animation production work will commence.

The animation production works will then be submitted to the content owner or producer where they will commence post-production works which mainly involve reviewing and final editing of various aspects such as sound design, music composition, colour grading and final rendering of the animated content. We are not involved in post-production works as this is not part of our core business and it requires a different skillset as compared to 2D animation production.

## 7. BUSINESS OVERVIEW (CONT'D)

### Animation

Animation involves compiling still images into a predetermined sequence to simulate moving images. We utilise digitally drawn 2D still images to create an illusion of movement to form the animated visual content which are commonly used for display on televisions, in cinemas and on electronic devices with display panels or projections. The characters are typically cartoon characters.

### 2D animation

Our business mainly focuses on 2D animation production of animated series which are mainly distributed through traditional television broadcasting or online streaming platforms.

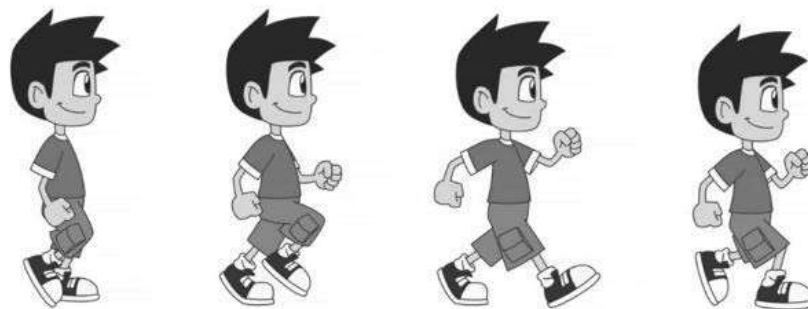
Our 2D animation production uses digitally drawn 2D still images of characters, backgrounds and other elements and compiling them into a suitable format to form the visual content and to create the illusion of motion. Each of these still images is commonly known as the frame in the context of animation production. The illusion of motion is created when the frames are arranged and played in sequence with other frames where each frame is slightly different from the previous one in terms of position, appearance and shape of the object, characters and background of the particular scene.

Digital 2D animation frame



The number of frames required to create a single second of animated content is referred to as the frame rate. Generally, our 2D animation production is based on the frame rate of 24 or 25 fps, which is typically used for smooth motion. Thus, each minute of animated content at 24 fps requires 1,440 individual frames (24 frames x 60 seconds), while animated content at 25 fps requires 1,500 individual frames (25 frames x 60 seconds).

4 individual frames of walk motion of a character



Our 2D animation production projects are based on the pre-production package provided by our customers, which typically includes the storyboard, scripts, colour keys, character design and background design. While our main focus is on the production phase, we may also assist in storyboarding to facilitate a more effective and efficient animation production process. For projects where we are involved in storyboarding, it will be stipulated as part of our scope of work in the contract with the customer, and the extra charges for storyboarding are incorporated into our fixed lump sum contracts. The pre-production package serves as a guide throughout our animation production process, providing us with detailed plans, sketches, and designs that outline the visual and technical aspects of the animated content required by the content owner or producer.

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## 7. BUSINESS OVERVIEW (CONT'D)

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### 7.4.1.2 Our scope of work

Our scope of work for 2D animation production projects involves the following:

**(a) Project management**

Project management is a continuous process throughout the contract period where our project team is responsible for supervising and managing the entire animation production process including planning, coordinating and quality control. Planning involves creating a detailed production schedule and budget, allocation of resources and monitoring progress to ensure that the project is on track and within budget. Coordinating mainly involves the allocation and coordination of the work among a large team of animators while quality control involves reviewing the works produced by the animators to ensure that they meet the quality requirements and specifications of our customers.

**(b) 2D animation production**

Our 2D animation production process comprises 4 main categories of tasks as follows:

- asset creation;
- key and in-between animation;
- compositing; and
- review and rendering.

Once our production process is completed, we will hand over the completed production materials to the customer.

**Asset creation**

Asset creation refers to the creation of all the necessary elements such as character rigs, backgrounds, special effects and others. The assets created during this phase serve as the building blocks for the subsequent framing stage.

- **Character rigging**

Animated characters are created by rigging, which refers to the process of creating a digital skeleton to control the movement of an animated character.

The rigging process involves creating a series of bones and joints that mimic the skeletal movement of a real-life human or animal. These bones or joints are then controlled by a set of digital controls, allowing the animator to manipulate the character's movements.

In addition, character rigging also involves facial rigging which is a series of controls that can be manipulated to create a range of expressions such as happy, sad, confused and anger. Eye rigging is an essential part of facial rigging and also another important aspect of the character to simulate various expressions and emotions.

Based on the rig created, the character can be animated by using specialised software to manipulate the control points, resulting in various movements and facial expressions of the character. In addition, the rig created can be stored in a library for future use. This eliminates the need to redraw each frame as the rigs created can be reused for multiple scenes, allowing consistent look and movement of the character throughout the animated content.



## 7. BUSINESS OVERVIEW (CONT'D)

### Character rigging



### - Background design

Background design refers to the creation of the visual environment and background that surrounds the character and the actions of the animation. The background sets the mood, atmosphere and tone of the scene. Background design includes natural environments such as sceneries, weather and formations like hills, rivers and seas, and built environments such as infrastructures, buildings and amenities. The background may also be used to depict the time period and location of the scene.

Background design involves creating a series of concept designs that depict the overall setting of the environment as well as detailed layouts that specify the placement of objects and characters and other elements in the scene.

The design of the animated background has to remain consistent throughout the scene including details such as the layout, position of the elements within the background, colour scheme and the lighting of the overall environment.

### Background design



### - Animation effects

We have in-house artists for animation effects which refers to the integration of visual effects and details such as lighting and shadows to create depth, texture and atmosphere in a scene. It also includes other elements such as glitter, smoke, fire, water, lightning and others to match the tone and mood of the scene, which will help to create a more immersive watching experience for the viewer.

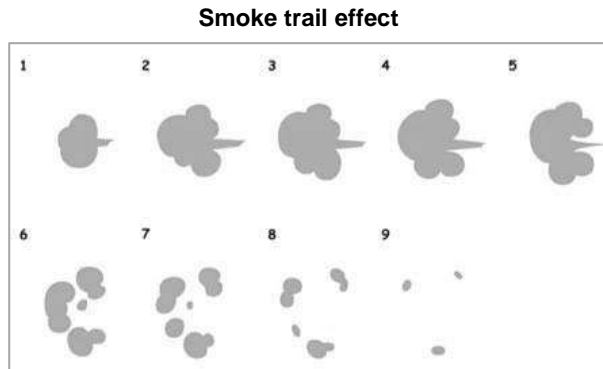
**7. BUSINESS OVERVIEW (CONT'D)**

**Key and in-between animation**

Animation involves compiling still images into a predetermined sequence to simulate moving images. It involves the following:

- **Key animation**

Key animation refers to the planning and creation of essential frames, typically the starting and ending frames that are required within a scene to convey the intended story. The key frames are created based on the storyboard and will depict the required key poses or movements of the character or the object for a particular scene.



The frames created will contain the animated characters in different movements and emotions which are designed according to their unique personality and the overall tone of the scene. Some of the details that need to be taken into consideration to create a convincing animated character include the timing and spacing of each movement, the weight and balance of the character and the facial expressions and body language that communicate the character's emotions and intentions.

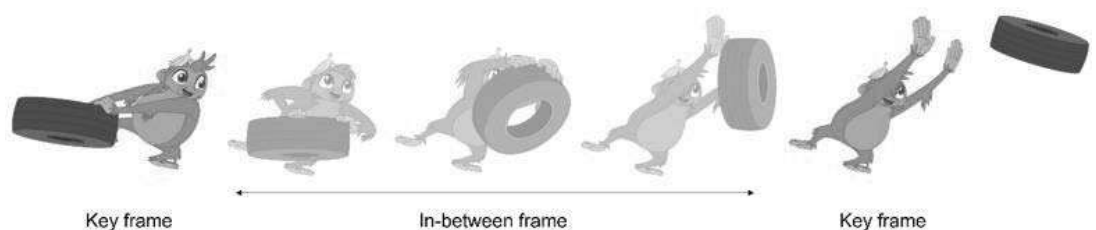
- **In-between animation**

In-between animation refers to the creation of intermediate frames that fill in the movements between the start and end frames, creating a smooth and fluid animation. The number of in-betweens is determined by the speed and the complexity of the movement being animated.

The process of creating in-betweens can be done by using animation production software which will automatically generate the in-betweens based on the keyframes and the required motion of the scene, such as linear or eased motion. The linear motion refers to the motion that moves at a constant speed from one point to another while eased motion refers to the motion that gradually accelerates and decelerates.

As for scenes with higher complexity, the in-betweens will be created manually to achieve the desired result. Generally, the in-betweens that require manual creation would involve multiple characters or objects, or animations that require unique movements that cannot be easily replicated through software.

**Key animation and in-between animation**



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## 7. BUSINESS OVERVIEW (CONT'D)

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Throughout the animation phase, it is important to ensure consistency in the design of the animated character or object throughout the scene. This includes details such as the character's proportions, colour scheme and overall appearance.

We have in-house animators to carry out key animation and in-between animation. We may also engage freelancers to carry out key animation and in-between animation under our management and supervision.

### **Compositing**

Compositing is the process of overlaying different elements such as the animated character, background, special effects and other elements on top of one another to form a final animated content. In addition, the animated content will incorporate the vocal components, such as voice-overs and sound effects supplied by the customers where we will ensure the vocal components synchronise with visual content.

The main objective of compositing is to produce a finished output that is aesthetically pleasing and unified throughout the entire animation. This includes knowledge of how to control the pace and rhythm of an animation.

### **Review and rendering**

Once the compositing process is completed, a review will be carried out before the entire animation production is exported to the display resolution and format (rendering) required by the customer.

Our production team will then review the animation and make any necessary adjustments before rendering the final output. During the review, our production team will check for details such as timing, framing, character movement, sound overlay and overall visual appeal, and correct any mistakes or make any necessary modifications.

Once the review is completed the entire animation is ready for rendering. Rendering involves converting the final composition of the animation into a high-quality video format that can be viewed by the audience. Our customers typically request for display resolutions that are classified as high definition or ultra-high definition, with a minimum resolution of 1080 pixels. The different formats that our customers typically require include Shockwave Flash (SWF), MPEG-4 (MP4), QuickTime (mov), and Adobe Flash (FLA).

### **(c) Completion and handover**

Once the animated content is exported to the required display resolution and format, we will hand over the project by uploading the completed production materials to the designated storage location provided by the customer.

Generally, the first version of the animation delivered to the customer is referred to as the "first take". The customer will review the first take and provide comments and feedback to our team for any revisions or adjustments. We are responsible for making the necessary changes and providing the customer with a revised version of the scenes, which is known as the "retakes".

There are 2 main types of retakes namely, technical retakes and creative retakes. Technical retakes involve correcting errors in the animation, such as timing or movement issues, or other technical aspects of the production. The costs of such retakes are typically covered by us as part of our obligation stipulated in the contract. In contrast, creative retakes involve making changes to the creative elements of the animation, such as changes in character design, backgrounds, or the overall aesthetics of the project. Creative retakes are often outside of the initial specifications agreed with the customer and are therefore subject to additional costs to the customer.

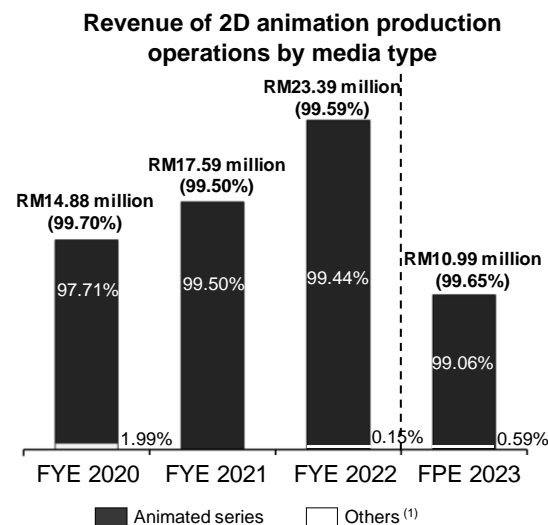
## 7. BUSINESS OVERVIEW (CONT'D)

### 7.4.1.3 Types of 2D animated content

We mainly carry out 2D animation production projects for animated series while only a small proportion of our revenue are for animated short films.

For the Financial Periods Under Review, our revenue derived from the production of animated series accounted for 97.71% (RM14.58 million), 99.50% (RM17.59 million), 99.44% (RM23.36 million) and 99.06% (RM10.92 million) of our revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Our revenue derived from the production of other content which mainly include short films, and animation test which collectively accounted for less than 2.00% of our revenue for each of the Financial Periods Under Review. Our revenue from other content accounted for RM0.30 million, RM0.04 million and RM0.06 million of our revenue for FYE 2020, FYE 2022 and FPE 2023 respectively. In FYE 2021, our revenue from other contents accounted for less than 0.01% of our total revenue.



Note: (1) Others include mainly short films and animation test projects.

#### 2D animated series

2D animated series, also known as cartoon series, refers to animated shows comprising a collection of episodes to convey a complete story. Each of the episodes represents a sub-story that contributes to the overall storyline of the season. In some animated series, each episode is a complete story. For the Financial Periods Under Review, each episode of the 2D animated series that we produced ranges between 1 and 27 minutes. It may consist of only 1 season or span over multiple seasons where each season comprises multiple episodes. The episodes of an animated series are typically produced in advance and released on a regular schedule, such as 1 episode per week or 5 episodes per week. The distribution channels for animated series include traditional television broadcasting and online streaming platforms.

For the Financial Periods Under Review and up to the LPD, we have completed 59 animation production projects with a collective contract value of RM63.22 million and a total runtime of approximately 4,617 minutes. As at the LPD, we have 8 on-going animation production projects with a collective contract value of RM44.27 million and a total runtime of approximately 1,947 minutes. As at the LPD, we have a total unbilled order book of RM23.44 million from the said on-going 2D animation projects which are expected to be completed between FYE 2023 and FYE 2024. Please refer to Section 7.4.1.4 and Section 7.4.1.5 of the Prospectus for further information on our completed and on-going 2D animation projects.

#### Other 2D animated content

We also produce other animated content mainly short films and animation test project. We produce 2D animated short films which are self-contained stories from start to end. The duration is typically shorter compared to a complete animated series or a feature film. A 2D animated short film can be serialised or non-serialised. A serialised 2D animated short film comprises multiple short films that feature the same theme, story background and recurring animated characters, but with a different self-contained storyline. The short films are produced in advance and released on a less frequent basis compared to animated series, with a single release date planned by the short film distributor. Short films are mainly for screening in festivals and events, and may also be distributed via television and streaming platforms.

## 7. BUSINESS OVERVIEW (CONT'D)

For the Financial Periods Under Review and up to the LPD, we have completed one 2D animation short film project with a total contract value of RM0.14 million.

As at the LPD, we do not have any on-going projects for 2D animation short films. Please refer to Section 7.4.1.4 and Section 7.4.1.5 of this Prospectus for further information on our completed and on-going 2D animation production projects.

Animation test project are small-scale projects mainly for evaluation purpose before our customer proceed with a larger scale production. Some of the aspects that are evaluated from the 2D animated test projects include technical considerations and production quality. We are paid for these small-scale projects.

For the Financial Periods Under Review, our revenue derived from the production of other content accounted for less than 2.00% of our annual revenue.

For the Financial Periods Under Review, some of the 2D animation production projects that we have completed include the following:

**Mao Mao Heroes of Pure Heart**



Source: Cartoon Network

**Monster Beach**



Source: Cartoon Network

**7. BUSINESS OVERVIEW (CONT'D)**

**Lamput 3**



Source: Cartoon Network

**The Harper House**



Source: Paramount+

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.4.1.4 Completed 2D animation production projects

For the Financial Periods Under Review and up to the LPD, our completed 2D animation production projects with a contract value of RM1.00 million and above are as follows:

Project name	Type of content	Our role	Customer <sup>(1)</sup>	Start <sup>(2)</sup> / Completion <sup>(3)</sup> date	Contract value <sup>(4)</sup> (RM 'million)
1. Project AP-1	Animated series	Main contractor	Customer A Group	March 2018 / August 2020	5.86
2. Project BP-1	Animated series	Main contractor	Customer B Group	August 2021 / August 2022	4.38
3. Project HP-1	Animated series	Main contractor	Customer H Group	March 2022 / January 2023	4.32
4. Project HP-2	TV series	Main contractor	Customer H Group	October 2022 / October 2023	3.84
5. Project BP-2	Animated series	Main contractor	Customer B Group	September 2021 / March 2023	3.08
6. Project DP-1	Animated series	Main contractor	Customer D	May 2020 / October 2021	2.95
7. Project AP-2	Animated series	Main contractor	Customer A Group	June 2019 / April 2021	2.78
8. Project EP-1	Animated series	Main contractor	Customer E Group	August 2019 / February 2020	1.98
9. Project BP-3	Animated series	Main contractor	Customer B Group	April 2021 / February 2022	1.94
10. Project GP-1	Animated series	Main contractor	Customer G Group	August 2021 / May 2022	1.82
11. Project CP-1	Animated series	Sub-contractor	Customer C Group	July 2021 / June 2022	1.82

**7. BUSINESS OVERVIEW (CONT'D)**

Project name	Type of content	Our role	Customer <sup>(1)</sup>	Start <sup>(2)</sup> / Completion <sup>(3)</sup> date	Contract value <sup>(4)</sup> (RM 'million)
12. Project GP-2	Animated series	Main contractor	Customer F	November 2020 / May 2021	1.79
13. Project BP-4	Animated series	Main contractor	Customer B Group	August 2020 / March 2021	1.76
14. Project CP-2	Animated series	Sub-contractor	Customer C Group	June 2020 / January 2021	1.70
15. Project GP-3	Animated series	Main contractor	Customer G Group	February 2023 / September 2023	1.62
16. Project IP-1	Animated series	Main contractor	Customer I	July 2021 / May 2022	1.52
17. Project HP-3	TV series	Main contractor	Customer H Group	October 2022 / November 2023	1.46
18. Project BP-4	Animated series	Main contractor	Customer B Group	December 2020 / August 2021	1.43
19. Project BP-5	Feature film	Main contractor	Customer B Group	July 2021 / March 2022	1.35
20. Project BP-6	Animated series	Main contractor	Customer B Group	August 2020 / June 2021	1.34
21. Project BP-7	Animated series	Main contractor	Customer B Group	December 2020 / June 2021	1.13
22. Project BP-8	Animated series	Main contractor	Customer B Group	September 2020 / April 2022	1.11
23. Project CP-3	Animated series	Sub-contractor	Customer C Group	July 2020 / June 2021	1.10



**7. BUSINESS OVERVIEW (CONT'D)****Notes:**

- (1) The customers' names have not been disclosed due to the confidentiality provisions in agreements entered with our customers.
- (2) Start date is based on the date of the respective service agreement.
- (3) Completion date is based on the date of the final invoice of the project.
- (4) Total contract value includes variation orders.

**7.4.1.5 On-going 2D animation production projects**

For the Financial Periods Under Review and up to the LPD, our on-going 2D animation production projects are as follows:

	Project name	Type of content	Our role	Customer <sup>(1)</sup>	Start date <sup>(2)</sup> / Expected completion date <sup>(3)</sup>	Approximate percentage of completion as at the LPD (%)	Contract value <sup>(4)</sup> (RM million)
1.	Project KP-1	TV series	Main contractor	Customer J	August 2022 / March 2024	32%	9.56
2.	Project BP-9	TV series	Main contractor	Customer B Group	April 2023 / April 2024	42%	8.55
3.	Project AP-3	TV series	Main contractor	Customer A Group	December 2021 / January 2024	96%	7.50
4.	Project HP-4	Animated series	Main contractor	Customer H Group	July 2023 / April 2024	16%	6.06
5.	Project HP-5	TV series	Main contractor	Customer H Group	March 2023 / March 2024	26%	5.41
6.	Project BP-10	TV series	Main contractor	Customer B Group	June 2022 / February 2024	79%	4.73
7.	Project LP-1	Animated series	Main contractor	Customer K	June 2023 / January 2024	35%	2.30
8.	Project MP-1	Animated series	Sub-contractor	Customer L	August 2023 / December 2023	69%	0.16

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**7. BUSINESS OVERVIEW (CONT'D)**

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**Notes:**

- (1) *The customers' names have not been disclosed due to the confidentiality provisions in agreements entered with our customers.*
- (2) *Start date is based on the date of the respective contract.*
- (3) *Expected completion date is based on schedule stipulated in contract or production planning.*
- (4) *Total contract value includes variation orders.*

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## 7. BUSINESS OVERVIEW (CONT'D)

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### 7.4.1.6 Content security

Our operations involve creating animated content that is yet to be released to the public and is protected under IP rights as well as confidentiality clauses stipulated in our contract for each project. As such, content security is a critical part of our business to prevent unauthorised access, publication, distribution, duplication or theft of the IP of the animation content such as the storyline, storyboard, design of the characters, background and other elements, vocal, sound and music components as well as the final animation. Some of the key content security measures we take are as follows:

- **Device security** where the devices used for the storage and handling of the data are encrypted and password protected. This ensures that even if a device is lost or stolen, the data remains secured and inaccessible to unauthorised users.
- **Network security** where our network is protected by firewalls to prevent unauthorised access. Firewalls act as a barrier between the internet and our network, analysing incoming and outgoing traffic and blocking any potential threats or intrusions.
- **Account security** where email and other software accounts used for animation production are password protected. Additionally, wherever possible, we use two-factor authentication for an additional layer of security to the accounts. This ensures that only authorised personnel have access to sensitive data.
- **Physical security** where our operational offices are only accessible to our employees or visitors authorised by our management to prevent the leakage or theft of sensitive data. Our physical security in our operations facility includes access control through Radio Frequency Identification (RFID)-based wristbands.
- **Data movement security** where all the delivery and transfer of data are conducted via a secured platform approved by our customers such as Aspera and Egnyte. This ensures that data is not intercepted or tampered with during transit.
- **Asset tracking** where we maintain a record of the person or organisation who has accessed the data. In addition, materials that are being shared outside of our production team are being watermarked for traceability purposes and to deter unauthorised distribution. This helps us to track the usage of our assets and to identify any potential leaks or unauthorised distribution.
- **Employee awareness training** where we provide training to our employees to ensure that they understand the importance of content security and comply with the relevant policies, procedures and guidelines implemented by our management.

In addition to the measures implemented above, our customer conducts occasional content security audits at our production facilities to ensure that the measures being implemented comply with their requirements. Some of our customers may have an expectation that the animation production works are being conducted within our Group's premises. While work from home arrangements are permitted when necessary, our Group encourages our employees to work in office as part of our measures to mitigate content security concerns. Nevertheless, our Group has mandated all employees to return to work in office since October 2021.

Since the commencement of our business, we have not experienced any termination of contracts, legal proceedings or penalties from our customers due to infringements concerning content security.

However, to the best of our knowledge, there were 2 incidents of unintentional exposure of unreleased works, as detailed below:

## 7. BUSINESS OVERVIEW (CONT'D)

- (i) in 2015, there was an interview session with our Executive Directors, in which the journalist captured an image during the session which showed the overall setting of our animation production facility, including a monitor display showing an unreleased new animated character during that time. The article that contained the image was subsequently published; and
- (ii) in 2015, there was an incident where one of our animator captured an image of a workstation whereby the desktop computer displayed a scene which has yet to be publicly revealed in the animated series. The image was then shared on a social media platform.

Following the above incidents, we have engaged with the affected customer and subsequent to investigations undertaken by the customer, they have provided us with some guidance on best practices to be adopted to minimise the reoccurrence of such incidents, which we have taken note and adopted. We have subsequently completed our services under the contract for the said animated series, and received the full payment under the contract without encountering any contract termination, legal proceedings, or penalties from the customer regarding the said incidents. Further, there are no express penalties provisions specified in the contract entered with the customer.

Therefore, we are of the view that the above incidents will not result in a material adverse impact on the business operations and/or financial performance of our Group.

As part of our mitigating action, we had enhanced the content security measures as set out above which include amongst others, physical security and employee awareness training.

Please refer to Section 9.1.8 of this Prospectus for further details on risk relating to content security.

### 7.4.2 Food services

We operate a restaurant that serves a variety of Western and Asian cuisines including roasts, grills, pasta, poke bowls, beverages and others. All the food and beverages on our menu are prepared to order in our kitchen within the restaurant.

As at the LPD, the normal operating hours of our restaurant is from 11 a.m. to 7 p.m. (Monday to Saturday). The restaurant has a total built-up area of 1,500 sq.ft. and has a seating capacity of up to 60 customers at any one time.

Our restaurant is located in the vicinity of our head office at Glomac Square, Petaling Jaya, and our employees are entitled to a staff discount of 20% off their total bill. The restaurant also caters to external customers including dine-in and takeaway customers as well as customers using food delivery platforms. For the Financial Periods Under Review, our revenue derived from the operations of food services outlet accounted for 0.30% (RM0.04 million), 0.50% (RM0.09 million), 0.41% (RM0.10 million) and 0.35% (RM0.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.



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**7. BUSINESS OVERVIEW (CONT'D)**

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**7.5 OUR COMPETITIVE STRENGTHS**

Our competitive strengths are important in sustaining our business and providing our Group with future growth opportunities.

**7.5.1 We have an established track record of 21 years in 2D animation production to sustain and grow our business**

We have an established track record of 21 years in the provision of 2D animation production since the commencement of our business in 2002. During the initial years of our business, the focus was on the development of our proprietary 2D animation content where we were involved in the full production pipeline from story conceptualisation and design through to production and post-production. Since then and up to the LPD, we have developed 12 proprietary 2D animation content including 9 animated series, 1 animated short film, 1 graphic novel, and 1 animated character. Our proprietary contents include 2D animated series and short film with a total runtime of approximately 1,900 minutes. For further details on our proprietary content, please refer to Section 7.12 of this Prospectus.

With the experience that we gained in the entire production process, it provides us with an understanding of the requirements and perspectives of the content owners and producers which helps us to meet their technical requirements and business objectives. Subsequently, in 2007, we transitioned the focus of our business from proprietary content creation to the provision of 2D animation production services. For the Financial Periods Under Review and up to the LPD, we have completed 59 animation production projects with a collective contract value of RM63.22 million and a total runtime of approximately 4,617 minutes. Meanwhile, as at the LPD, we have 8 on-going animation production projects with a collective contract value of RM44.27 million and a total runtime of approximately 1,947 minutes. As at the LPD, we have a total unbilled order book of RM23.44 million from the said on-going 2D animation projects which are expected to be completed between FYE 2023 and FYE 2024. Please refer to Section 7.4.1.4 and Section 7.4.1.5 of this Prospectus for further information on our completed and on-going 2D animation production projects.

Our established track record provides us with the platform to continue to grow our business by serving our existing customers and more importantly, it serves as a reference site for prospective customers.

**7.5.2 We serve customers in foreign countries where our market coverage includes certain countries from North America, Asia Pacific and Europe regions to sustain and grow our business**

We serve customers across 6 to 8 foreign countries for each of the Financial Periods Under Review, which includes the following:

- (a) USA, Canada and Mexico from North America;
- (b) Australia, Singapore, Japan and Hong Kong from Asia Pacific; and
- (c) United Kingdom, France and Netherlands from Europe.

Revenue of our 2D animation production services is entirely derived from foreign countries which collectively accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. This demonstrates our ability to tap into various foreign markets. Please refer to Section 7.3.1.2 of this Prospectus for further details on our revenue segmentation by geographical market.

**7. BUSINESS OVERVIEW (CONT'D)**

For the Financial Periods Under Review, our largest market was North America, where our revenue contributed by countries within this region represented 49.54% (RM7.39 million), 64.77% (RM11.45 million), 93.22% (RM21.89 million) and 72.91% (RM8.04 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The North America market mainly comprises customers in the USA and Canada which has a vibrant entertainment industry incorporating, amongst others, 2D animated series with a global viewership.

Our ability to serve multiple markets covering numerous foreign countries as well as the entertainment market in North America provides us with potential business opportunities to sustain and grow our business.

**7.5.3 We are involved in animation projects with a distribution network covering traditional television broadcasting and online streaming platforms to reach a global viewer base**

Our customers are internationally recognised brand names in the entertainment industry and this include owners, producers and distributors of 2D animated series for the global market. Some of our internationally recognised customers include Warner Bros. Group and Titmouse Group and the notable animated contents where we carried out 2D animation production include Monster Beach, Lamput 3, The Harper House and Mao Mao Heroes of Pure Heart. To date, many of the contents of the animated series in which we were involved in the 2D animation production are screened over various formats including traditional television broadcasting as well as online streaming platforms to reach global viewers.

Our ability to continually meet our customers' requirements is further substantiated by repeated engagements from these international brand names where 3 out of our top 5 customers in FYE 2022 have been dealing with us between 9 years and 16 years.

Depending on our customers' decision, our name may or may not be featured in the credits for the animated content in which we are involved. For the Financial Periods Under Review, the percentage of our name being featured in the credits for animated content are as follows:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Credit accorded	5	7	4	2
Total animated content involved	36	28	20	13
<b>Percentage (%)</b>	<b>13.89</b>	<b>25.00</b>	<b>20.00</b>	<b>15.38</b>

**7.5.4 We have experience and technical knowledge in managing and maintaining a large pool of skilled personnel**

For the Financial Periods Under Review, we have been managing a total of 154, 137, 175 and 214 technical and skilled staffs for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. This includes animators, background artists, compositing artists and production coordinators. Our skilled personnel involved in animation production are equipped with technical skills and knowledge, including animation techniques, background illustration and painting, as well as the expertise to transform a host of single frames into an animated video using software.

An animation project often involves working in a team comprising approximately 50 staffs per animation project and it is common that we undertake multiple projects simultaneously. In this respect, managing the team effectively is essential for our business operations to minimise interruptions and to deliver the completed production materials on time, according to the milestone schedule outlined in the contract.

Each animation production team comprises the following:

- (i) production coordinators;

## 7. BUSINESS OVERVIEW (CONT'D)

- (ii) animators including key animators, in-between animators and 2D rigging animators who are involved in the creation of necessary elements such as character rigs;
- (iii) background artists who are involved in designing environments, props or objects, as well as lighting and effects; and
- (iv) compositing artists who are involved in overlaying the different elements such as animated characters, background, effects and other elements on top of one another to form the final animated content.

Our workflow has been structured to manage and maintain a large pool of skilled staff across multiple projects. Our workflow takes into consideration, amongst others, resource allocation and planning, production schedule and budgeting as well as quality control. Our project manager will monitor the overall workflow to ensure that the project can be completed within the time and budget as agreed with the customers. We utilise a customised animation production management software to monitor and review the progress and performance of the personnel to optimise our workflow.

### 7.5.5 We have experienced directors and a management team to grow our business

We have experienced directors and a management team to grow our business.

Our Executive Director, See Chin Joo has over 21 years of experience in the 2D animation production industry. He is responsible for providing management guidance and strategic advice to the key management personnel of our Group as well as overseeing the portfolio of finance, sales and marketing, and human resources processing of our Group.

Our Executive Director, Ooi Kok Hong has over 21 years of experience in the 2D animation production industry and is responsible for providing strategic guidance and direction to the running of animation production, including talent acquisition, resource planning, process improvement, and technology development and deployment within our Group.

Our directors are also supported by our key management personnel which are set out below:

- (i) Leong Mei Cian, our Head of Planning with approximately 10 years of experience in the 2D animation production industry. She is responsible for production scheduling, resource planning and allocation, and production management and monitoring, talent acquisition, as well as overseeing and managing the planning activities of animation productions projects; and
- (ii) Mohd Faizal Bin Mohd Wazir, our Head of Animation with approximately 14 years of experience in the 2D animation production industry. He is responsible for the animation direction, providing creative supervision for animation production, quality management, as well as training and coaching talent.

For further information on the profiles of our directors and management team, please refer to Section 5.1.2 and Section 5.4.2 of this Prospectus.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.6 OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our strategies and plans are to continue with our existing business activities in 2D animation production and leverage from our core competencies to grow our business.

A summary of our business strategies and plans is depicted below:

Our Strategies and Plans	
<p>Malaysia</p> 	<p>USA</p> 
<b>Domestic expansion</b>	<b>Foreign expansion</b>
<ul style="list-style-type: none"> <li>• Set-up branch offices in Sabah and Sarawak</li> <li>• Technical resources expansion and upgrade of existing operational office in Selangor</li> </ul>	<ul style="list-style-type: none"> <li>• Set-up sales office in USA</li> </ul>

#### 7.6.1 Domestic expansion

##### 7.6.1.1 Set-up production branch offices in Sabah and Sarawak

Part of our business expansion strategy is to set-up branch offices in Sabah and Sarawak. We intend to set-up one branch office in Kota Kinabalu, Sabah with a total built-up area of 1,800 sq.ft. and one branch office in Kuching, Sarawak with a total built-up area of 3,200 sq.ft.

The branch offices in Sabah and Sarawak are expected to be able to house up to 40 and 50 employees respectively. The main intention is to diversify our operations geographically as part of our strategy to build our pool of animation production personnel. Animation production personnel represent an important component of our business operations and we intend to tap into this skilled talent pool in East Malaysia. As at the LPD, our Group is still in the process of identifying suitable locations in Kota Kinabalu, Sabah and Kuching, Sarawak for the establishment of the production branch offices.

Further, our Group is involved in preliminary discussions with universities including Universiti Malaysia Sabah (“**UMS**”) and Universiti Malaysia Sarawak (“**UNIMAS**”) as well as had entered into a non-binding memorandum of understanding with the state government agency namely Sabah Creative Economy and Innovation Centre (“**SCENIC**”) for the potential talent collaboration which may include, amongst others, providing internship opportunities to students of the universities, to collaborate in setting up remote animation studio in the universities as well as knowledge and experience sharing. The collaboration with UMS, UNIMAS and SCENIC in Sabah and Sarawak could allow us to tap into a larger talent pool for our 2D animation production operations. Pending the setting up of our branch office in Sabah, our Group is utilising a training room in SCENIC.

As at the LPD, we have 209 animation technical personnel. We intend to recruit the following personnel for the branch offices to be set-up in Sabah and Sarawak:



**7. BUSINESS OVERVIEW (CONT'D)**

	Branch office in Kota Kinabalu, Sabah	Branch office in Kuching, Sarawak
	Number of employees	Number of employees
Animation technical personnel	33	38
Admin staff	2	2
<b>Total</b>	<b>35</b>	<b>40</b>

The branch offices in Sabah and Sarawak are expected to commence operation by the second half of 2024 (“2H 2024”). The cost of setting-up the branch offices in Sabah and Sarawak is estimated at RM[●] which will be funded by the following:

	Estimated cost RM'000	Sources of funds	
		Internal funds/bank borrowings RM'000	IPO proceeds RM'000
<b>Branch office in Kota Kinabalu, Sabah</b>	[●]	-	[●]
Salaries of personnel <sup>(1)</sup>	[●]	-	[●]
Renovation and interior fit-out	[●]	-	[●]
Software subscription <sup>(2)</sup>	[●]	-	[●]
Rental of office <sup>(3)</sup>	[●]	-	[●]
Utilities	[●]	-	[●]
Others <sup>(4)</sup>	[●]	-	[●]
<b>Branch office in Kuching, Sarawak</b>	[●]	-	[●]
Salaries of personnel <sup>(1)</sup>	[●]	-	[●]
Renovation and interior fit-out	[●]	-	[●]
Software subscription <sup>(2)</sup>	[●]	-	[●]
Rental of office <sup>(3)</sup>	[●]	-	[●]
Utilities	[●]	-	[●]
Others	[●]	-	[●]
<b>Total</b>	[●]	-	[●]

**Notes:**

- (1) For Sabah branch office, it includes hiring of 35 personnel including animation technical personnel and admin staff for FYE 2024, FYE 2025 and FYE 2026. For Sarawak branch office, it includes hiring of 40 personnel including animation technical personnel and admin staff for FYE 2024, FYE 2025 and FYE 2026.
- (2) Subscription of animation production software and animation production management software which are valid for 36 months.
- (3) Rental of premise is estimated based on floor space of approximately 1,800 sq. ft. for Sabah branch office and approximately 3,200 sq. ft for Sarawak branch office. It also includes estimated utilities expenses for 1 year.
- (4) Include others such as professional fees, administrative fees and other expenses.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.6.1.2 Technical resources expansion and upgrade of existing operational office in Selangor

As at the LPD, our existing 2D animation production operational office is located in Petaling Jaya, Selangor which could house up to 420 employees including our administrative employees as well as 2D animation production personnel.

We intend to expand our technical resources by hiring additional 30 animation technical personnel to support our animation production operations. In addition, we intend to upgrade our existing operational office include refurbishment of the premise and replacement of our IT hardware by the first quarter of 2025.

The cost of the technical resource expansion and upgrade of our existing operational office is estimated at RM[●] which will be funded by the following:

	Estimated cost RM'000	Sources of funds	
		Internal funds/bank borrowings RM'000	IPO proceeds RM'000
Salaries of personnel <sup>(1)</sup>	[●]	-	[●]
Replacement of IT hardware	[●]	-	[●]
Refurbishment and upgrade of existing facilities <sup>(2)</sup>	[●]	-	[●]
Software subscription <sup>(3)</sup>	[●]	-	[●]
<b>Total</b>	<b>[●]</b>	<b>-</b>	<b>[●]</b>

**Notes:**

- (1) Hiring of 30 animation technical personnel for FYE 2024, FYE 2025 and FYE 2026.
- (2) Include refurbishment and upgrade of existing facilities including upgrading of fixtures, remodelling production layout and space, plumbing, and improving office energy usage efficiency.
- (3) Subscription of animation production software and animation production management software which are valid for 36 months.

### 7.6.2 Foreign expansion

Part of our business strategy is to establish a sales office in Los Angeles (“LA”), California in the USA by 2H 2024. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our revenue from countries within North America accounted for 49.54%, 64.77%, 93.22% and 72.91% of our total revenue respectively. Presently, although we do not have physical presence or business entity in any of the foreign countries, our Group was able to secure 2D animation production projects from customers in foreign countries including the USA. All our projects are carried out in Malaysia as all of our 2D animation production works are undertaken digitally, where we receive the pre-production package and we deliver our completed production works through the internet. Communications with our customers in the USA are mainly through e-mails and virtual meetings. In this respect, the sales office is intended to serve the following purposes:

- (i) addressing potential business opportunities with prospective customers; and
- (ii) to improve our customer service by attending promptly to our existing customers in countries within North America.

**7. BUSINESS OVERVIEW (CONT'D)**

By having a physical presence in the USA, we are able to enhance our customer service coverage efforts, increase our business development activities, have access to latest trends and insights within the industry as well as widen the channel that potential customers could reach us. We will be able to have face-to-face interactions and provides localised support to potential customers within North America.

We intend to employ 1 sales and marketing personnel and 1 business development personnel with animation experience to allow us to provide a faster response time with improved communications and interaction with existing and prospective customers. Having a physical presence in LA will enable us to serve our existing customers more efficiently and more importantly, secure new projects. Our target customers will be the owners and producers of animated series and films, as well as other 2D animation production studios. As at the LPD, our Group is still in the process of identifying a suitable location in LA for the establishment of the sales office.

The sales office in LA is expected to commence operation by 2H 2024. The cost of setting up a sales office in LA is estimated at RM[●] which will be funded as follows:

	Estimated cost RM'000	Sources of funds	
		Internal funds/bank borrowings	IPO proceeds
		RM'000	RM'000
Salaries of personnel <sup>(1)</sup>	[●]	-	[●]
Rental of office <sup>(2)</sup>	[●]	-	[●]
Business maintenance <sup>(3)</sup>	[●]	-	[●]
Administrative expenses <sup>(4)</sup>	[●]	-	[●]
Interior fit-out and furnishing	[●]	-	[●]
Software subscription <sup>(5)</sup>	[●]	-	[●]
<b>Total</b>	[●]	-	[●]

**Notes:**

- (1) Hiring of 1 sales and marketing personnel and 1 business development personnel for FYE 2024, FYE 2025 and FYE 2026.
- (2) Rental of co-working space for 1 year.
- (3) Business maintenance expenses include costs for printing, stationary, postage and employee amenities.
- (4) Include administrative fees and professional fees for setting up of the sales office.
- (5) Subscription of animation production software which are valid for 36 months.

## 7. BUSINESS OVERVIEW (CONT'D)

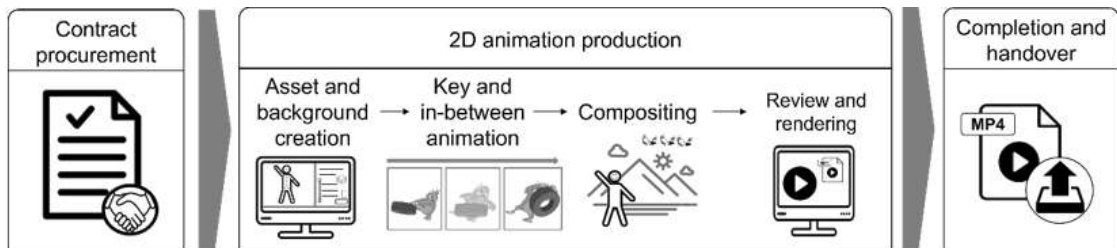
### 7.6.3 Total cost for our future plans and strategies

The total cost for our future plans and strategies is estimated at RM[●] which will be funded through the proceeds from the Public Issue is as set out as below:

	Estimated cost (RM'000)	Estimated time to commence
<b>Domestic expansion</b>	[●]	
- Set-up branch offices in Sabah and Sarawak	[●]	2H 2024
- Technical resources expansion and upgrade of existing operational office in Selangor	[●]	Q1 2025
<b>Foreign expansion</b>	[●]	
- Set-up sales office in the USA	[●]	2H 2024
<b>Total</b>	[●]	

## 7.7 OUR OPERATIONAL PROCESS

The general process flow for our 2D animation production projects is depicted in the diagram below:



### Contract procurement

The contracts for our 2D animation production projects are secured through competitive bidding including open tenders or invitations to quote from our existing and prospective customers. Upon receiving the tender document or project requirement specifications, we will conduct an internal assessment of the contract's terms, work scope, time and resource commitment requirements, project timeframe and costs before participating in the tender or providing a quotation.

If our internal assessment is positive, we will commence the preparation of our tender bid or quotation for the project. Generally, our bid documents or quotation proposals will include commercial and technical terms. Commercial terms will involve contract value, and payment terms and schedule. Technical terms will include, technical specifications such as scope of work, technological software used and output format, project scheduling and milestones, commitment of resources, as well as capabilities and experience profile of the company. We will enter into a contract once the terms and conditions are negotiated and agreed.

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**7. BUSINESS OVERVIEW (CONT'D)**

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**2D animation production**

Once the contract is secured, the pre-production package will be provided to us by our customer. We would typically discuss with our customers to ascertain their requirements as well as any clarifications on technical details. Subsequently, we will carry out the project planning which involves, amongst others, scheduling milestones, timeline, workflow, costing and financial resources as well as assigning animation production personnel for the contract. While we have our in-house personnel, we will also engage freelancers for our animation production depending on the availability of our in-house resources and the timeline required to complete the project. Generally, 2D animation production involves processes as described below:

**(a) Asset and background creation**

This process involves the creation of characters, backgrounds and other visual elements that will be used for the animation. Generally, the conceptual design of the animation characters, key background and other elements are provided by the customer in the pre-production package as a guide for our animation production. Our production team will create the assets by producing the sketches, clean line art and coloured drawings of the assets. The digitally drawn asset will be reviewed and approved by our creative supervisors before the commencement of rigging. Rigging refers to the creation of digital skeletons to control the movement as well as the facial expression of an animated character. Once the final assets including the rigs are created, they will be stored in a library in digital format and can be used across multiple scenes of the animation.

**(b) Key and in-between animation**

Subsequently, the assets created will be used as the building blocks to create the key animation which comprises the start and end frames, and the in-between animation. The key animation will be created based on the storyboard and will depict the required key poses or movements of the character or the object for the particular scene. In-between animations refer to the creation of intermediate frames that will fill in the movements between the start and end frames, thereby creating smooth and fluid animation.

**(c) Compositing**

Once the keyframes and in-between frames are created, the compositing process will commence. During this stage, the main objective is to produce a finished output where the animated character, background, special effects, voice-over and other elements are placed on each of the keyframes and in-between frames, and subsequently in sequence to form a moving animated content.

**(d) Review and rendering**

Upon the completion of the compositing process, we will carry out the reviewing process of the animated content produced. This is to ensure that the timing and pacing of the animation are correct and that any errors or issues identified can be rectified before it is handed over to the customer.

Subsequently, the rendering process will commence by converting the animated content into the agreed specification, format and resolution before it is delivered to the customer.

**Completion and handover**

Generally, the first version of the animation content delivered to the customer is subject to further revisions. Upon receiving comments and feedback from the customer, we will make the necessary adjustments requested by the customer. Once all the changes are made, the customer will approve and sign-off their acceptance of the work which marks the completion of our contract for the production work.

**7. BUSINESS OVERVIEW (CONT'D)****Typical project timeframe**

Typically, one episode of an 11-minute 2D animated series takes between 2 to 4 weeks to complete from project commencement to acceptance sign-off by our customers. The duration of each project would depend on design complexity, number of characters, runtime of the episode and whether it is a new or recurring series. A recurring series would mean we may be able to reuse existing character riggings, backgrounds and other elements stored in our library, which would speed up the production process.

**7.7.1 Operational facilities**

Our head office and operational facilities are located in Malaysia as follows:

Company	Main functions	Location
Inspidea	Head office and 2D animation production facility	G-G-01, G-01-01, G-02-01, G-G-03A, G-01-03A, G-02-03A, H-G-03A, H-1-03A, H-2-03A, H-G-3, H-1-3, H-2-3, G-G-05, -G-1-5, G-2-5, H-01-02, H-02-02, G-1-06, G-G-06 Glomac Square, Jalan SS 6/16A, 47301 Petaling Jaya, Selangor
Bowleh	Restaurant	H-G-02 Glomac Square, Jalan SS 6/16A, 47301 Petaling Jaya, Selangor

Please refer to Section 7.20.2 for further details of our operational facilities.

**7.7.2 Major machinery and equipment**

The key equipment and systems for our 2D animation production operations are as follows:

Main equipment and systems	Quantities	NBV as at 30 June 2023 (RM '000)
Personal computer	489	441
Network-attached storage server system	82	46
Uninterrupted power supply battery	333	20
Computer screen monitor	481	16
Network switches	61	8
Drawing tablets	618	*
<b>TOTAL</b>		<b>531</b>

\* Less than RM1,000.

**7.7.3 Production output, capacity and utilisation**

We are principally involved in the provision of 2D animation production services. Operational output, capacity and utilisation rate do not apply to our 2D animation production operations as the nature of our production is service based. Although we use computers as our main tool for the provision of our services, computer hardware is easily available for purchase as and when required.

## 7. BUSINESS OVERVIEW (CONT'D)

Nevertheless, the number of production employees and freelancers that we have may pose a limit to our production capacity. Our personnel comprise both full-time and contracted staff as well as freelancers. Freelancers provide us with workforce flexibility to cater to varying project workload. The engagement of freelancers is a common industry practice.

### 7.8 SALES AND MARKETING STRATEGIES

The sales and marketing activities is part of the business development portfolio headed by our Executive Directors, See Chin Joo and Ooi Kok Hong. Our marketing positioning and activities to retain existing customers, secure new customers and develop new business opportunities are focused on the following:

#### **Market positioning**

- Positioning our Group as having the established track record of 21 years in providing 2D animation production. We have been involved in 2D animation production since the commencement of our business in 2002 where our initial principal business activity was in the creation and development of proprietary content. Subsequently, we shifted focus to providing 2D animation production services. For the Financial Periods Under Review and up to the LPD, we have completed 59 animation production projects with a collective contract value of RM63.22 million and a total runtime of approximately 4,617 minutes.
- Positioning our Group as having a client base of internationally recognised brands. Some of our internationally recognised customers include Warner Bros. Group and its group of companies as well as Titmouse Inc., and the notable animated contents where we carried out 2D animation production include Monster Beach, Lamput 3, The Harper House and Mao Mao Heroes of Pure Heart. Our ability to secure contracts from these customers serves as a reference for the quality and standard of our 2D animation production services and our ability to meet the technical requirements.
- Positioning our Group as having the capacity to carry out large-scale and many simultaneous 2D animation production. Typically, our large-scale projects are projects with contract value of RM3.00 million and above as well as total runtime of 100 minutes and above. This is substantiated by the completion of 2D animation projects with a total of approximately 941 minutes, 1,160 minutes, 1,323 minutes and 476 minutes for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.
- Positioning our Group as having stringent content security measures to protect the intellectual properties of our customers. Content security measures implemented by our Group include device, network, account, data movement, asset tracking security as well as employee awareness training on content security. Please refer to Section 7.4.1.6 of this Prospectus for further details on content security.

#### **Marketing and sales activities**

We adopt a proactive approach in sales and marketing activities to maintain our existing customers and address potential opportunities. We also approach new customers through referrals from our existing customers. Our sales and marketing activities include the following:

- We proactively target and approach prospective customers for the opportunity to showcase our Group's capabilities, profile and experience as a 2D animation production service provider. Our intention with prospective customers is to be invited to submit tender bids or quotations for potential projects.
- We follow up closely with existing customers to obtain their feedback on our 2D animation production works as well as to understand their expectations, particularly for upcoming opportunities in animation projects.

**7. BUSINESS OVERVIEW (CONT'D)**

- We participate in exhibitions, animation festivals and conferences as part of our marketing programme of broadening our network and communications with prospective customers. Since 2018 and up to the LPD, the events which we have participated include the followings:

Year	Event	Location
2018	Annecy International Animation Film Festival and Market (MIFA)	France
2018	Marché International des Programmes de Communication (MIPCOM) 2018	France
2018	Licensing Expo 2018 <sup>(1)</sup>	USA
2018	Licensing Expo Japan 2018 <sup>(1)</sup>	Japan
2019	Annecy International Animation Film Festival and Market (MIFA)	France
2019	MIPCOM 2019	France
2019	Licensing Expo 2019 <sup>(1)</sup>	USA

**Note:**

- (1) *Licensing Expo is an exhibition that serves as a platform to facilitate licensing partnerships for various product categories including, amongst others, animation, art and design, gaming and others.*

**7.9 SEASONALITY**

We did not experience any seasonality in our business operations for the Financial Periods Under Review.

**7.10 TECHNOLOGY USED**

2D animation production is a technology-intensive operation which requires IT infrastructure and management system to support the production process. We rely on the technologies that are embedded in the technology infrastructure and management system for our day-to-day operations.

**(a) Technology infrastructure**

The technology infrastructure supporting our 2D animation production operations consists of hardware, networks and software.

**Hardware**

Hardware includes computers, graphic tablets, digital pens, servers, storage devices, graphic processing units and networking equipment. The hardware in our operation offices is set up to meet the specific requirements of 2D animation production to ensure that animation works carried out can be done effectively.

Our servers are linked to cloud-based data storage for project assets, animation files and audio files. We are also equipped with data redundancy to ensure that data is secured, backed up and accessible at all times. Our data storage redundancy includes mirroring where data that is saved into our primary storage device are instantly mirrored or backed up in a secondary storage device. Our centralised cloud or primary storage device is located at our head office in Selangor while our secondary storage device is located offsite. In the event of issues affecting our primary data storage, we can switch



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**7. BUSINESS OVERVIEW (CONT'D)**


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to our secondary data storage with no loss of data and our staff can continue production works with minimal interruptions.

**Network**

Our network infrastructure links all the key hardware through a combination of wired and wireless connections to facilitate the collaboration of works among our animation production personnel from various locations and devices while ensuring data security.

As content security is critical for our animation production operations, our network topology is designed to integrate our servers with firewalls and other security equipment. The firewalls and security equipment are set up at key entry points of our network, forming a barrier between our internal technology infrastructure from the external network. The firewall and security equipment that we deploy within our network are embedded with intrusion detection and prevention systems to prevent unauthorised access to our data and animation production works.

**Software**

We also have a range of software to facilitate our animation production process. Some of the main production software that we use includes the following:

- **Animation production software** is the primary tool used in our 2D animation production. This software provides a wide range of features including drawing tools, animation tools and special effects which allow our production team to create 2D animation. The animation production software that we use includes Toon Boom Harmony and Adobe Animate. The animation production software is also embedded with a function to render the final animation and export it in resolutions and formats requested by the customers such as Shockwave Flash (SWF), MPEG-4 (MP4), QuickTime and Adobe Flash (FLA), making it compatible with playback on various devices and platforms. In addition, adjustments such as colour correction and adding of final touches can also be done using animation production software.
- **Editing software** is used to assemble and edit the sequences of the animation. Our production team can adjust each frame to fine tune the animation by ensuring that the time, pacing and transitions between frames are in accordance with the intended storyline. The editing software that we use for our 2D animation production includes Adobe Premier Pro and Final Cut Pro.

Generally, the software that we use is through subscription based on the number of users and features used. The subscription basis for our software provides us with access to regular updates and new features, allowing our production team to keep up with advanced tools offered by the respective software producer.

**(b) Animation production management software**

The animation production management software we use is mainly to assist our supervisors in managing the project, production team members and resources including time and budget. The animation production management software is used for the management of animation production projects where our project managers can track the progress of the project, the amount of work completed by each of the production team members and monitor the overall workflow to ensure that the project can be completed within the time and budget as agreed with the customers. The animation production management software we use is TESSR which is charged based on the number of users and features subscribed.

**7. BUSINESS OVERVIEW (CONT'D)****7.11 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

The main types of materials and services we purchased for the Financial Periods Under Review are set out below:

Main input materials and services	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Animation production</b>	<b>1,038</b>	<b>98.02</b>	<b>1,971</b>	<b>96.71</b>	<b>2,570</b>	<b>97.68</b>	<b>1,093</b>	<b>97.42</b>
- Computer software <sup>(1)</sup>	953	89.99	1,244	61.04	1,261	47.93	686	61.14
- Subcontracted animation services	85	8.03	727	35.67	1,309	49.75	407	36.28
<b>Food services</b>	<b>21</b>	<b>1.98</b>	<b>67</b>	<b>3.29</b>	<b>61</b>	<b>2.32</b>	<b>29</b>	<b>2.58</b>
- Food ingredients	21	1.98	67	3.29	61	2.32	29	2.58
<b>Total purchases</b>	<b>1,059</b>	<b>100.00</b>	<b>2,038</b>	<b>100.00</b>	<b>2,631</b>	<b>100.00</b>	<b>1,122</b>	<b>100.00</b>

**Note:**

- (1) *Relates to IT expenses which include animation production management software subscriptions and computer software for animation production.*

For the Financial Periods Under Review, purchases of materials and services used in our animation production operations accounted for 98.02% (RM1.04 million), 96.71% (RM1.97 million), 97.68% (RM2.57 million) and 97.42% (RM1.09 million) of our purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Within animation production operations, our purchases of materials and services consist of computer software and subcontracted animation services from individual freelancers and animation production companies.

The purchases of computer software accounted for 89.99% (RM0.95 million), 61.04% (RM1.24 million), 47.93% (RM1.26 million) and 61.14% (RM0.69 million) of our total purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Our computer software is related to subscription fees for various production software to carry out the animation work as well as subscription fees for animation production management software.

For the Financial Periods Under Review, purchases of subcontracted animation services accounted for 8.03% (RM0.09 million), 35.67% (RM0.73 million), 49.75% (RM1.31 million) and 36.28% (RM0.41 million) of our total purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

As for our food services operations, purchases are mainly for food ingredients which accounted for 1.98% (RM0.02 million), 3.29% (RM0.07 million), 2.32% (RM0.06 million) and 2.58% (RM0.03 million) of our total purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

**7. BUSINESS OVERVIEW (CONT'D)**

For the Financial Periods Under Review, our purchases of local and imported materials and services are as below:

Main input materials and services	FYE 2020			FYE 2021			FYE 2022			FPE 2023		
	Purchases RM'000	Domestic (%)	Imported (%)	Purchases RM'000	Domestic (%)	Imported (%)	Purchases RM'000	Domestic (%)	Imported (%)	Purchases RM'000	Domestic (%)	Imported (%)
<b>Animation production</b>	<b>1,038</b>	<b>21.06</b>	<b>76.96</b>	<b>1,971</b>	<b>55.98</b>	<b>40.73</b>	<b>2,570</b>	<b>63.70</b>	<b>33.98</b>	<b>1,093</b>	<b>61.59</b>	<b>35.83</b>
- Computer software <sup>(1)</sup>	953	13.03	76.96	1,244	20.32	40.73	1,261	13.95	33.98	686	25.32	35.83
- Subcontracted animation services	85	8.03	-	727	35.66	-	1,309	49.75	-	407	36.27	-
<b>Food services</b>	<b>21</b>	<b>1.98</b>	<b>-</b>	<b>67</b>	<b>3.29</b>	<b>-</b>	<b>61</b>	<b>2.32</b>	<b>-</b>	<b>29</b>	<b>2.58</b>	<b>-</b>
- Food ingredients	21	1.98	-	67	3.29	-	61	2.32	-	29	2.58	-
<b>Total</b>	<b>1,059</b>	<b>23.04</b>	<b>76.96</b>	<b>2,038</b>	<b>59.27</b>	<b>40.73</b>	<b>2,631</b>	<b>66.02</b>	<b>33.98</b>	<b>1,122</b>	<b>64.17</b>	<b>35.83</b>

**Note:**

(1) Relates to IT expenses which include animation production management software subscriptions and computer software for animation production.

For the Financial Periods Under Review, our purchases of local materials and services accounted for 23.04%, 59.27%, 66.02% and 64.17% of our total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Our purchases of imported materials and services accounted for 76.96%, 40.73%, 33.98% and 35.83% of our total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The imported materials that we purchase are computer software which are based on subscription fees for the usage of animation production software.

For the Financial Periods Under Review and up to the LPD, we have not experienced any interruptions or shortages in the supply of materials and services for our business operations. As our materials and services for our 2D animation production services are not commodities, we are not subject to global price fluctuations arising from demand and supply conditions.

The materials that we purchase for our food services operations are minor and constituted less than RM100,000 per year during the Financial Periods Under Review.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.12 RESEARCH AND DEVELOPMENT

We do not carry out research and development activities for our 2D animation production operations as it is not relevant to the nature of our business. However, we were involved in proprietary content creation and development where we have developed 12 proprietary contents including 9 animated series, 1 animated short film, 1 graphic novel and 1 animated character since the commencement of our business up to the LPD.

The creation and development of our proprietary content involves the processes as follows:

- **market research** where we will conduct research and analysis to understand the trend, market preference and the market acceptance of a potential animated content.
- **conceptualisation** which involves the preliminary design of the overall storyline of the animated content. The process of market research and conceptualisation may be conducted concurrently where the conceptual design of the animated content may be enhanced based on the analysis from market research.
- **scriptwriting** which involves the planning of scenes, actions and dialogues.
- **character design** which involves the conceptual and detailed design of characters required for the animated content.
- **storyboarding** which involves animatics planning pertaining to sequence of events, scenes, voice-over and sound.
- **animation production** which transforms the concept and storyline into actual animated content; and
- **post-production** which involves reviewing and final editing of the animated content.

These processes require creativity, innovation as well as research and studies to create content that is suitable for the target audience. The proprietary contents that we have developed provide a potential monetary value in the future where we may license the animated series or character to third-parties.

Since the commencement of our business and up to the LPD, the proprietary content we developed are as follows:

	Proprietary content <sup>(4)</sup>	Year of release	Type of content	Ownership as at the LPD
1.	Johan the Young Scientist	2004	26-episode animated series with total runtime of approximately 312 minutes.	100.00%
2.	Mustang Mama Football Fever	2006	26-episode animated series with total runtime of approximately 52 minutes.	100.00%
3.	Mustang Mama Diehard Sports Fan	2007	26-episode animated series with total runtime of approximately 52 minutes.	100.00%
4.	Mustang Mama X3	2010	26-episode animated series with total runtime of approximately 52 minutes.	100.00%
5.	Happy Together	2010	52-episode animated series with total runtime of approximately 52 minutes,	100.00%
6.	Boo & Me	2010	26-episode animated series with total runtime of approximately 52 minutes.	100.00% <sup>(1)</sup>

**7. BUSINESS OVERVIEW (CONT'D)**

	<b>Proprietary content<sup>(4)</sup></b>	<b>Year of release</b>	<b>Type of content</b>	<b>Ownership as at the LPD</b>
7.	Pet Squad	2011	52-episode animated series with total runtime of approximately 572 minutes.	20.00% <sup>(2)</sup>
8.	Akis	2012	12-episode animated series with total runtime of approximately 24 minutes.	100.00%
9.	Kobushi	2012	104-episode animated series with total runtime of approximately 728 minutes.	42.50% <sup>(3)</sup>
10.	Inner Tommy	2015	A short film with total runtime of approximately 5 minutes	100.00%
11.	Osiana World	2009	A graphic novel	100.00%
12.	Terrified Sushi	2019	A sushi-like animated character	100.00%

**Notes:**

- (1) *Boo & Me* animated series was co-produced by our Group and an international children's television channel from United Kingdom, namely KidsCo Limited (a subsidiary of NBCUniversal Media LLC) where we own 100.00% ownership of the content created. NBCUniversal Media LLC is a subsidiary of Comcast Corporation Inc., an entity listed on National Association of Securities Dealers Automated Quotations ("NASDAQ") Stock Exchange in the USA.
- (2) *Pet Squad* animated series was co-produced by our Group together with 2 co-production partners from United Kingdom, namely Pet Squad Limited, and Canada, namely March Entertainment Limited, where we own 20.00% ownership of the content created.
- (3) *Kobushi* animated series was co-produced by our Group and a co-production partner from France, namely Zagtoon SARL, where we own 42.50% ownership of the content created.
- (4) For the Financial Periods Under Review and up to the LPD, there was no revenue generated from the proprietary content that we developed. Prior to the Financial Periods Under Review, the accumulated revenue generated from our proprietary content are as below:

<b>Proprietary content</b>	<b>Accumulated revenue generated prior to Financial Periods Under Review (RM '000)</b>
<i>Johan the Young Scientist</i>	414
<i>Mustang Mama Football Fever</i>	263
<i>Mustang Mama Diehard Sports Fan</i>	126
<i>Mustang Mama X3</i>	48
<i>Happy Together</i>	12
<i>Boo &amp; Me</i>	645
<i>Pet Squad</i>	(a)-
<i>Akis</i>	310
<i>Kobushi</i>	(a)-
<i>Inner Tommy</i>	(b)-
<i>Osiana World</i>	(c)-
<i>Terrified Sushi</i>	(d)-

**Notes:**

- (a) In view that the distributors for these animated series have yet to recover from their respective investments in *Kobushi* and *Pet Squad*, there has been no distribution of profit generated from these proprietary content to our Group up to and including the LPD. The expenses for the creation and development of *Pet Squad* and *Kobushi* were funded by our co-production partner as well as grant from MDEC.

**7. BUSINESS OVERVIEW (CONT'D)**

- (b) *This short film was produced by our Group for the purpose of a festival and for promotional purpose, and there has been no revenue generated from this proprietary content up to and including the LPD. The expenses for the creation and development of Inner Tommy was funded through internally generated funds.*
- (c) *This is a novel developed by our Group and there was no revenue generated from this proprietary content up to and including the LPD. The expenses for the creation and development of Osiana World were funded through internally generated funds.*
- (d) *This is a character developed by our Group that was released on social media platforms including Facebook and Instagram in 2019 to create market awareness, but it was not commercialised. As such, there has been no revenue generated from this proprietary content up to and including the LPD. The expenses for the creation and development of Terrified Sushi were funded through internally generated funds.*

The illustration of the proprietary content we have developed are as follows:

**Johan the Young Scientist**



**Mustang Mama Football Fever**



**Mustang Mama Diehard Sports Fan**



**7. BUSINESS OVERVIEW (CONT'D)**

**Mustang Mama X3**



**Happy Together**



**Boo & Me**



**Pet Squad**



7. BUSINESS OVERVIEW (CONT'D)

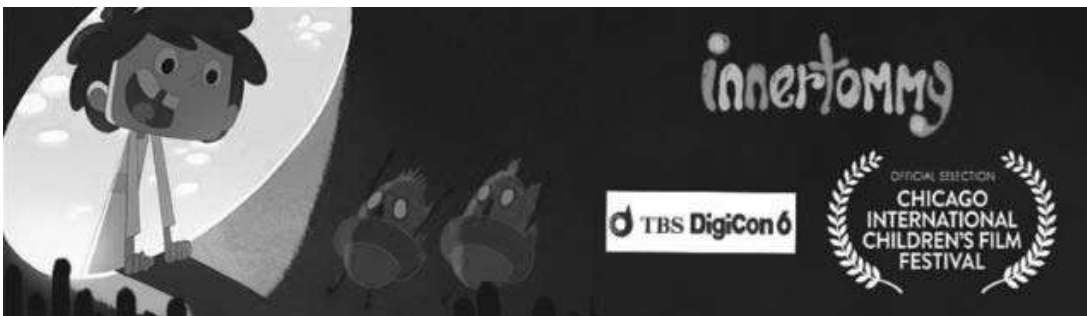
Akis



Kobushi



Inner Tommy



Osiana World





## 7. BUSINESS OVERVIEW (CONT'D)

### Terrified Sushi



We may submit a copyright voluntary notification to MyIPO in respect of the proprietary content that we developed, and such notification may serve as prima facie evidence of our ownership and the date of creation of such proprietary content that we developed. Notwithstanding that, we have not submitted such notification for any of our proprietary content as at the LPD.

For the Financial Periods Under Review and up to the LPD, the focus of our business is in 2D animation production services and there was no revenue generated from the proprietary content that we developed. As at the LPD, we are engaged in preliminary discussion with a company operating in the entertainment industry from France for the joint development of a feature film based on the one of our proprietary contents.

### 7.13 INTERRUPTIONS TO THE BUSINESS AND OPERATIONS

Save as disclosed below, our Group did not encounter any other material interruptions during the Financial Periods Under Review and up to the LPD.

#### COVID-19 conditions in Malaysia

- **Effects of COVID-19 on our business operations**

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. The Government implemented several measures to reduce and control the spread of COVID-19 in the country, commencing on 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities.

During the MCO 1 period between 18 March 2020 and 3 May 2020, our business operations at our operational office were temporarily suspended and all of our management and employees worked from home following constraints imposed for MCO 1. We also notified our customers about the temporary suspension of our business operations and the delay in the delivery of animation works due to the constraints during the said period.

Following the implementation of Conditional MCO (“**CMCO**”) on 4 May 2020, we resumed our business operations at our operational office. We continued to operate during the Recovery MCO (RMCO) period in accordance with the specified guidelines and standard operating procedure (SOP) including the specified workforce capacity.

Subsequently, following the imposition of Enhanced MCO (“**EMCO**”) in Kuala Lumpur and Selangor on 1 July 2021, our business operations at our operational office were temporarily suspended and all of our management and employees worked from home. We resumed our business operations at our operational office following the upliftment of the EMCO on 18 July 2021.

**7. BUSINESS OVERVIEW (CONT'D)**

On 1 April 2022, Malaysia began its transition into the endemic phase, and we continued to operate at full workforce capacity according to Government SOP and guidelines.

- **Impact on our financial performance**

In FYE 2020, our financial performance was impacted by the COVID-19 pandemic mainly due to lower activities for our 2D animation production operations resulting from lower headcount partly due to uncertainties caused by the COVID-19 pandemic. For information, Inspidea recorded an audited revenue of approximately RM25.90 million in FYE 2019 at the company level.

In FYE 2021, our financial performance recovered where our total revenue increased by 18.44% from RM14.92 million in FYE 2020 to RM17.68 million in FYE 2021. In FYE 2022, our total revenue continued to increase by 32.87% from RM17.68 million in FYE 2021 to RM23.49 million in FYE 2022.

**7.14 MAJOR CUSTOMERS**

Our Group's top 5 major customers and their contribution to our revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 are as follows:

**FYE 2020**

<b>Major customer</b>	<b>Country</b>	<b>Revenue contribution</b>		<b>Length of business relationship (years)</b>	<b>Main services</b>
		<b>RM'000</b>	<b>%</b>		
Customer A Group	USA, Australia	4,939	33.10	13	2D animation production
Customer B Group	Canada, USA	3,775	25.30	6	2D animation production
Customer C Group	Canada	2,386	15.99	5	2D animation production
Customer D	France	1,028	6.89	Less than 1	2D animation production
Customer E Group	USA	897	6.01	3	2D animation production
<b>Sub-total</b>		<b>13,025</b>	<b>87.29</b>		
<b>Group revenue</b>		<b>14,923</b>			

**FYE 2021**

<b>Major customer</b>	<b>Country</b>	<b>Revenue contribution</b>		<b>Length of business relationship (years)</b>	<b>Main services</b>
		<b>RM'000</b>	<b>%</b>		
Customer B Group	Canada, USA	7,886	44.62	7	2D animation production
Customer D	France	1,918	10.85	1	2D animation production
Customer F	France	1,753	9.92	7	2D animation production
Customer A Group	USA, Australia	1,479	8.37	14	2D animation production
Customer G Group	Netherlands	1,454	8.23	Less than 1	2D animation production
<b>Sub-total</b>		<b>14,490</b>	<b>81.99</b>		
<b>Group revenue</b>		<b>17,675</b>			

**7. BUSINESS OVERVIEW (CONT'D)****FYE 2022**

<b>Major customer</b>	<b>Country</b>	<b>Revenue contribution</b>		<b>Length of business relationship (years)</b>	<b>Main services</b>
		<b>RM'000</b>	<b>%</b>		
Customer B Group	USA, Canada	9,350	39.81	8	2D animation production
Customer A Group	USA, Australia	4,275	18.20	15	2D animation production
Customer H Group	Canada, UK	4,321	18.40	Less than 1	2D animation production
Customer C Group	Canada	2,459	10.47	7	2D animation production
Customer G Group	Netherlands	1,123	4.78	1	2D animation production
<b>Sub-total</b>		<b>21,528</b>	<b>91.66</b>		
<b>Group revenue</b>		<b>23,485</b>			

**FPE 2023**

<b>Major customer</b>	<b>Country</b>	<b>Revenue contribution</b>		<b>Length of business relationship (years)</b>	<b>Main services</b>
		<b>RM'000</b>	<b>%</b>		
Customer H Group	Canada, UK	3,480	31.56	1	2D animation production
Customer B Group	USA, Canada	2,993	27.14	9	2D animation production
Customer A Group	USA, Australia	2,054	18.63	16	2D animation production
Customer J	France	1,262	11.44	12	2D animation production
Customer G Group	UK	791	7.17	2	2D animation production
<b>Sub-total</b>		<b>10,580</b>	<b>95.94</b>		
<b>Group revenue</b>		<b>11,028</b>			

**Notes:**

- (1) *The customers' names have not been disclosed due to the confidentiality provisions in agreements entered with our customers. The confidentiality provisions are the conditions of our contracts placed by our customers. We have sought consent from our customers for the inclusion of their names in this Prospectus. However, our customers are unable to accede to the said request or have not responded.*
- (2) *Length of the relationship as at the respective financial period.*

None of our Directors, Promoters and substantial shareholders has any interest in, or undue influence over, any of our top 5 major customers.

## 7. BUSINESS OVERVIEW (CONT'D)

For the Financial Periods Under Review, our top 5 major customers collectively contributed 87.29%, 81.99%, 91.66% and 95.94% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

We are dependent on the following customers by virtue of their revenue contribution of more than 10.00% to our revenue for any one or more years during the Financial Periods Under Review. Our business relationships with these customers are set out below:

### (i) Customer A Group

Customer A Group have been our customer between 8 years and 16 years as at FPE 2023. The overall revenue contribution from Customer A Group accounted for 33.10% (RM4.94 million), 8.37% (RM1.48 million), 18.20% (RM4.28 million) and 18.63% (RM2.05 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We provide 2D animation production services to Customer A Group.

The revenue contribution of Customer A Group by its subsidiaries is as follows:

Customer	Year of business relationship commenced/ length of business relationship <sup>(1)</sup>	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>
Customer A1	2007 / 16 years	-	-	847	4.79	4,275	18.20	2,054	18.63
Customer A2	2015 / 8 years	4,925	33.01	351	1.99	-	-	-	-
Customer A3	2015 / 8 years	14	0.09	281	1.59	-	-	-	-
<b>Total</b>		<b>4,939</b>	<b>33.10</b>	<b>1,479</b>	<b>8.37</b>	<b>4,275</b>	<b>18.20</b>	<b>2,054</b>	<b>18.63</b>

#### Notes:

- (1) Length of business relationship as at FPE 2023.  
(2) Percentages are in proportion to our total revenue.

**7. BUSINESS OVERVIEW (CONT'D)****(ii) Customer B Group**

Customer B Group has been our customer between 4 years and 9 years as at FPE 2023 with revenue contribution of 25.30% (RM3.78 million), 44.62% (RM7.89 million), 39.81% (RM9.35 million) and 27.14% (RM2.99 million) for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We provide 2D animation production services to Customer B Group.

The revenue contribution of Customer B Group by its subsidiaries is as follows:

Customer	Year of business relationship commenced/ length of business relationship <sup>(1)</sup>	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>
Customer B1	2014 / 9 years	274	1.84	1,263	7.15	8,895	37.88	2,809	25.47
Customer B2	2019 / 4 years	3,501	23.46	6,623	37.47	455	1.93	184	1.67
<b>Total</b>		<b>3,775</b>	<b>25.30</b>	<b>7,886</b>	<b>44.62</b>	<b>9,350</b>	<b>39.81</b>	<b>2,993</b>	<b>27.14</b>

**Notes:**

(1) Length of business relationship as at FPE 2023.

(2) Percentages are in proportion to our total revenue.

**(iii) Customer C Group**

Customer C Group has been our customer for 1 and 8 years as at FPE 2023. The length of business relationship with Customer C Group commenced in 2015 where we were engaged by one of its subsidiaries for the 2D animation services. For the Financial Periods Under Review, there was no revenue from this said subsidiary. However, we continued to secure projects from other subsidiaries of Customer C Group and the revenue contribution from Customer C Group accounted for 15.99% (RM2.39 million), 7.53% (RM1.33 million) and 10.47% (RM2.46 million) for the FYE 2020, FYE 2021 and FYE 2022 respectively. There was no revenue from Customer C Group in FPE 2023. We provide 2D animation production services to Customer C Group.

## 7. BUSINESS OVERVIEW (CONT'D)

The revenue contribution of Customer C Group by its subsidiaries is as follows:

Customer	Year of business relationship commenced/ length of business relationship <sup>(1)</sup>	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>
Customer C1	2021 / 2 years	-	-	313	1.77	1,504	6.40	-	-
Customer C2	2022 / 1 year	-	-	-	-	922	3.93	-	-
Customer C3	2022 / 1 year	-	-	-	-	33	0.14	-	-
Customer C4	2020 / 3 years	358	2.39	744	4.21	-	-	-	-
Customer C5	2019 / 4 years	1,604	10.76	274	1.55	-	-	-	-
Customer C6	2019 / 4 years	424	2.84	-	-	-	-	-	-
<b>Total</b>		<b>2,386</b>	<b>15.99</b>	<b>1,331</b>	<b>7.53</b>	<b>2,459</b>	<b>10.47</b>	-	-

**Notes:**

- (1) Length of business relationship as at FPE 2023.  
(2) Percentages are in proportion to our total revenue.

**(iv) Customer D**

Customer D has been our customer for 3 years as at FPE 2023 and its revenue accounted for 6.89% (RM1.03 million) and 10.85% (RM1.92 million) for the FYE 2020 and FYE 2021 respectively. There was no revenue from Customer D in FYE 2022 and FPE 2023. We provide 2D animation production services to Customer D.

The revenue contribution of Customer D is as follows:

Customer	Year of business relationship commenced/ length of business relationship <sup>(1)</sup>	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>
Customer D	2020 / 3 years	1,028	6.89	1,918	10.85	-	-	-	-
<b>Total</b>		<b>1,028</b>	<b>6.89</b>	<b>1,918</b>	<b>10.85</b>	-	-	-	-

**7. BUSINESS OVERVIEW (CONT'D)****Notes:**

- (1) Length of business relationship as at FPE 2023.  
 (2) Percentages are in proportion to our total revenue.

**(v) Customer H Group**

Customer H Group has been our customer for 1 year as at FPE 2023 and revenue contribution from this customer accounted for 18.40% (RM4.32 million) and 31.56% (RM3.48 million) in FYE 2022 and FPE 2023 respectively. We provide 2D animation production services to Customer H Group.

The revenue contribution of Customer H Group by its subsidiaries is as follows:

Customer	Year of business relationship commenced/ length of business relationship <sup>(1)</sup>	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>
Customer D2	2022 / 1 year	-	-	-	-	285	1.22	1,985	18.00
Customer D4	2022 / 1 year	-	-	-	-	35	0.15	555	5.03
Customer D3	2022 / 1 year	-	-	-	-	69	0.29	554	5.03
Customer D1	2022 / 1 year	-	-	-	-	3,932	16.74	386	3.50
<b>Total</b>		-	-	-	-	<b>4,321</b>	<b>18.40</b>	<b>3,480</b>	<b>31.56</b>

**Notes:**

- (1) Length of business relationship as at FPE 2023.  
 (2) Percentages are in proportion to our total revenue.

**(vi) Customer J**

Customer J had been our customer for 12 years as at FPE 2023 and revenue contribution from this customer accounted for 11.44% (RM1.26 million) of our total revenue in FPE 2023. We provide 2D animation production services to Customer J.

**7. BUSINESS OVERVIEW (CONT'D)**

The revenue contribution of Customer J is as follows:

Customer	Year of business relationship commenced/ length of business relationship <sup>(1)</sup>	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>	RM'000	% <sup>(2)</sup>
Customer J	2011 / 12 years	-	-	-	-	-	-	1,262	11.44
<b>Total</b>		-	-	-	-	-	-	<b>1,262</b>	<b>11.44</b>

**Notes:**

- (1) Length of business relationship as at FPE 2023.
- (2) Percentages are in proportion to our total revenue.

Due to these customers' substantial contribution to our revenue during the Financial Periods Under Review, losing them as customers may adversely affect our financial performance. In this respect, we intend to mitigate such risk by:

- (i) maintaining close working relationships with our existing customers and ensuring our service quality meets our customers' requirements. We have an established business relationship with Customer A Group, Customer B Group, Customer C Group and Customer J where the length of our business relationship with them ranges between 8 and 16 years as at FPE 2023. Since the start of our business relationship with them, we were able to maintain a close working relationship as evidenced by the multiple projects secured from each of the customer. Similarly, we maintain a close working relationship with Customer H Group and secured multiple projects from them although our length of business relationship with them is 1 year as at FPE 2023;
- (ii) taking proactive steps to look for new project opportunities and to expand our customer base. Our Directors, with the support from our key senior management, will actively seek for new projects by engaging with stakeholders within the animation industry and continue to participate in bidding for new projects from existing as well as prospective customers. In addition, we participate in relevant exhibitions as part of our marketing strategy to secure new customers; and
- (iii) part of our business strategy is to establish a sales office in LA, California in the USA. This will enable us to address potential business opportunities as well as to improve customer service by attending promptly to our existing customers within North America. Please refer to Section 7.6 of this Prospectus for further details on our business strategies and future plans.

Our established track record of 21 years in the 2D animation production will serve as testament of our capabilities and provide us with the advantage to secure new projects from our existing and prospective customers.



**7. BUSINESS OVERVIEW (CONT'D)****7.15 MAJOR SUPPLIERS**

Our Group's top 5 major suppliers and their contribution to our total purchases of materials and services for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 are as follows:

**FYE 2020**

<b>Major suppliers<sup>(1)</sup></b>	<b>Country</b>	<b>Purchase contribution</b>		<b>Length of business relationship (years)<sup>(2)</sup></b>	<b>Products / services sourced</b>
		<b>RM'000</b>	<b>%</b>		
Arboratory Limited <sup>(3)</sup>	Hong Kong	733	69.22	1	Animation production management software
Ingram Micro Malaysia Sdn Bhd	Malaysia	131	12.37	10	Computer software
Toon Boom Animation Inc.	Canada	82	7.74	14	Computer software
Integrasi Erat Sdn Bhd	Malaysia	6	0.57	6	Computer software
<b>Sub-total</b>		<b>952</b>	<b>89.90</b>		
<b>Total purchases</b>		<b>1,059</b>			

**FYE 2021**

<b>Major suppliers</b>	<b>Country</b>	<b>Purchase contribution</b>		<b>Length of business relationship (years)<sup>(2)</sup></b>	<b>Products / services sourced</b>
		<b>RM'000</b>	<b>%</b>		
Arboratory Limited <sup>(3)</sup>	Hong Kong	763	37.44	2	Animation production management software
Ingram Micro Malaysia Sdn Bhd	Malaysia	399	19.58	11	Computer software
Lil Critter Workshop Sdn Bhd	Malaysia	211	10.35	Less than 1 year	Animation pre-production service
Tribal MNE Sdn Bhd	Malaysia	136	6.67	Less than 1 year	Animation pre-production service
Toon Boom Animation Inc.	Canada	68	3.34	15	Computer software
<b>Sub-total</b>		<b>1,577</b>	<b>77.38</b>		
<b>Total purchases</b>		<b>2,038</b>			

**7. BUSINESS OVERVIEW (CONT'D)****FYE 2022**

<b>Major suppliers</b>	<b>Country</b>	<b>Purchase contribution</b>		<b>Length of business relationship (years)<sup>(2)</sup></b>	<b>Products / services sourced</b>
		<b>RM'000</b>	<b>%</b>		
Tessereum Limited <sup>(4)</sup>	Hong Kong	790	30.03	1	Animation production management software
Lil Critter Workshop Sdn Bhd	Malaysia	615	23.38	1	Animation pre-production service
Ingram Micro Malaysia Sdn Bhd	Malaysia	326	12.39	12	Computer software
Tribal MNE Sdn Bhd	Malaysia	303	11.51	1	Animation post-production service
Toon Boom Animation Inc.	Canada	105	3.99	16	Computer software
<b>Sub-total</b>		<b>2,139</b>	<b>81.30</b>		
<b>Total purchases</b>		<b>2,631</b>			

**FPE 2023**

<b>Major suppliers<sup>(1)</sup></b>	<b>Country</b>	<b>Purchase contribution</b>		<b>Length of business relationship (years)<sup>(2)</sup></b>	<b>Products / services sourced</b>
		<b>RM'000</b>	<b>%</b>		
Tessereum Limited <sup>(4)</sup>	Hong Kong	402	35.83	2	Animation production management software
Lil Critter Workshop Sdn Bhd	Malaysia	205	18.27	2	Animation pre-production service
Ingram Micro Malaysia Sdn Bhd	Malaysia	186	16.58	13	Computer software
Tribal MNE Sdn Bhd	Malaysia	87	7.75	2	Animation post-production service
Toon Boom Animation Inc.	Canada	77	6.86	17	Computer software
<b>Sub-total</b>		<b>957</b>	<b>85.29</b>		
<b>Total purchases</b>		<b>1,122</b>			

**Notes:**

- (1) For FYE 2020, the fifth supplier was not disclosed as it is an individual freelancer who provide animation production services on a contract basis with the Group. Purchases of services from each freelancer amounted to less than RM25,000 for each of the Financial Periods Under Review.
- (2) Length of the relationship as at the respective financial period.
- (3) Please refer to Section 10.1.1 for further details on the related party transactions in relation to the services provided by Aboratory Limited to the Group.

**7. BUSINESS OVERVIEW (CONT'D)**

(4) Please refer to Section 10.1.1 for further details on the related party transactions in relation to the services provided by Tessereum Limited to the Group.

As an animation production service provider, our purchases are mainly subscription fees for the use of computer software as well as subcontracted animation production services. The computer software that we use includes software for animation creation and editing, and project management for our animation production operations.

Arboratory Limited (a related party), Tessereum Limited (a related party) and Toon Boom Animation Inc. (a non-related party) are the IP owners of their respective computer software that we use in our business operations.

(i) Arboratory Limited and Tessereum Limited

The purchases from Arboratory Limited for the supply of animation production management software customised based on our requirement, namely "Inspirator" accounted for 69.22% and 37.44% of our total purchases of materials and services FYE 2020 and FYE 2021 respectively. The animation production management software is used for the management of animation production projects where our project managers can track the progress of the project, the amount of work completed by each of the production team members and monitor the overall workflow. Our project manager will monitor the overall workflow to ensure that the project can be completed within the time and budget as agreed with the customers.

We entered into a software sublicense agreement with Tessereum Limited (a subsidiary of Arboratory Limited) on 1 January 2022 for the usage of the animation production management software, namely "TESSR". The TESSR is a similar animation production management software to Arboratory Limited. Arboratory Limited owns Tessereum Limited via 37.5% of the ordinary shares and 100% of the convertible preference shares of Tessereum Limited. For FYE 2022 and FPE 2023, the purchases from Tessereum Limited amounted to 30.03% and 35.83% of our total purchases respectively.

Please refer to Section 10.1.1 for further details of the related party transactions.

(ii) Toon Boom Animation Inc

Purchases from Toon Boom Animation Inc. for the supply of animation production software namely Toon Boom Harmony which accounted for 7.74%, 3.34%, 3.99% and 6.86% of our total purchases of materials and services for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

In addition, we have been using Adobe software for our business operations during the Financial Periods Under Review. We purchased the Adobe software from Ingram Micro Malaysia Sdn Bhd, a supplier of Adobe software in Malaysia, which accounted for 12.37%, 19.58%, 12.39% and 16.58% of our total purchases of materials and services the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

We are not dependent on the above software or supplier as we can use alternative software such as ShotGrid for animation production management or CelAction for animation production or we may purchase Adobe software from other suppliers.

We are also not dependent on our suppliers of subcontracted animation production services namely Lil Critter Workshop Sdn Bhd and Tribal MNE Sdn Bhd as these are nominated subcontractors for an animation production project by a customer during the FYE 2021 and FYE 2022 respectively.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.16 MATERIAL DEPENDENCY ON COMMERCIAL CONTRACTS, AGREEMENT AND OTHER ARRANGEMENTS

As at the LPD, our Group is not dependent on any material contracts, agreements, documents or other arrangements that could affect our Group's business or profitability.

### 7.17 EMPLOYEES

As at the LPD, we have a total workforce of 234 employees whereby 52 of our employees are permanent employees and the remaining 182 are contract / temporary employees.

The breakdown of our employees by business segment and department as at FYE 2022 is depicted as follows:

Categories	2D animation production				Food services				Total employees
	Permanent		<sup>(3)</sup> Contract / Temporary		Permanent		Contract / Temporary		
	Local	Foreign	Local	<sup>(4)</sup> Foreign	Local	Foreign	Local	Foreign	
<b>Management<sup>(1)</sup></b>	<b>15</b>	-	<b>2</b>	<b>3</b>	-	-	-	-	<b>20</b>
<b>Technical professionals<sup>(2)</sup></b>	<b>2</b>	-	<b>1</b>	-	<b>1</b>	-	<b>2</b>	-	<b>6</b>
<b>Skilled staff (Animation technical personnel)</b>	<b>38</b>	-	<b>127</b>	<b>4</b>	-	-	-	-	<b>169</b>
- Animator <sup>(3)</sup>	29	-	91	4	-	-	-	-	124
- Background artist <sup>(4)</sup>	5	-	21	-	-	-	-	-	26
- Compositing artist <sup>(5)</sup>	2	-	4	-	-	-	-	-	6
- Others <sup>(6)</sup>	2	-	11	-	-	-	-	-	13
<b>Total</b>	<b>55</b>	-	<b>130</b>	<b>7</b>	<b>1</b>	-	<b>2</b>	-	<b>195</b>

## 7. BUSINESS OVERVIEW (CONT'D)

The breakdown of our employees by business segment and department as at the LPD is depicted as follows:

Categories	2D animation production				Food services				Total employees
	Permanent		<sup>(7)</sup> Contract / Temporary		Permanent		Contract / Temporary		
	Local	Foreign	Local	<sup>(8)</sup> Foreign	Local	Foreign	Local	Foreign	
Management <sup>(1)</sup>	15	-	2	3	-	-	-	-	20
Technical professionals <sup>(2)</sup>	2	-	-	-	1	-	2	-	5
Skilled staff (Animation technical personnel)	34	-	168	7	-	-	-	-	209
- Animator <sup>(3)</sup>	23	-	128	7	-	-	-	-	158
- Background artist <sup>(4)</sup>	6	-	26	-	-	-	-	-	32
- Compositing artist <sup>(5)</sup>	3	-	4	-	-	-	-	-	7
- Others <sup>(6)</sup>	2	-	10	-	-	-	-	-	12
<b>Total</b>	<b>51</b>	<b>-</b>	<b>170</b>	<b>10</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>234</b>

### Notes:

- (1) Relates to personnel which are entrusted with managerial responsibilities within our Group.
- (2) Relates to personnel which are responsible for matters such as information technology support for 2D animation production, as well as restaurant manager and kitchen crew for the food services segment.
- (3) The role of an animator is to create character and object movements according to the requirements of the production.
- (4) The role of a background artist is to illustrate visual background and environment surrounding the animated characters and the actions of the animation.

## 7. BUSINESS OVERVIEW (CONT'D)

- (5) *The role of a compositor is to integrate elements such as animated characters, visual background and others to form the final output of an animated content.*
- (6) *Includes production coordinators and builders. The role of a production coordinator includes production planning. The role of a builder involves the process of character modelling and create digital skeletons (rigs) which enable animators to manipulate and move the characters.*
- (7) *The Group has hired more employees under contract/temporary arrangements instead of permanent arrangement in view that this will accord the Group with the flexibility and agility to promptly adapt its human capital resources in response to changing demands and to cater for specific project requirements.*

*Contract staffs are typically engaged on a fixed term basis which usually last for a duration of 2 years, and are paid a fixed salary together with project incentives and participation in bonuses. On the other hand, temporary staffs (which are the freelancers) are typically engaged on a project basis, which usually last for less than 12 months. The temporary staffs are paid based on output produced. The Group has hired a total of 16 and 48 freelancers for the FYE 2022 and as at the LPD, respectively.*

- (8) *All 10 non-Malaysians under contract employment are currently holding a valid working permit.*

None of our employees belongs to any trade unions. During the Financial Periods Under Review, there has been no major labour disputes involving our employees.

### 7.18 MAJOR APPROVALS, LICENCES AND PERMITS OBTAINED

As at the LPD, save as disclosed below and the general business approvals, licences and permits issued by local councils, there are no other major approvals, licences and permits issued to our Group in order for us to carry out our business operations:

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
Inspidea						
1.	National Film Development Corporation Malaysia (FINAS)	Licence to engage in the production of films	Licence No. PF 05/10566	Date of issuance: 17 January 2023/	(i) The licence is issued subject to the conditions prescribed in the Third Schedule to the Perbadanan Kemajuan Filem Nasional Malaysia (Licensing) Regulations 1983.	Noted

**7. BUSINESS OVERVIEW (CONT'D)**

<b>No.</b>	<b>Approving authority / issuer</b>	<b>Type of approvals / licences / permits</b>	<b>Licence / Permit / Reference no.</b>	<b>Date of issuance / Validity</b>	<b>Major conditions imposed</b>	<b>Status of compliance</b>
				Validity period: 17 January 2024 to 16 January 2025	(ii) The licence is valid for a period of one year from the date of issuance or renewal.	Noted
					(iii) Inspidea shall not transfer or assign the licence to any other person.	Complied
					(iv) Inspidea duly registered under the Companies Act 1965 shall inform FINAS of any change in the share capital or the composition of the board of directors of Inspidea. Such information shall be given not less than 14 days from the day the change take effect.	Complied
					(v) Inspidea shall not change the location of the place of business without obtaining the prior approval of FINAS.	Complied
					(vi) Inspidea shall:	
					i. inform FINAS in writing if Inspidea ceases to engage in the activity for which Inspidea is licenced and shall forthwith return the licence to FINAS for cancellation;	Noted
					ii. not engage in the activity for which Inspidea is licenced under a name different from that stated in the licence;	Complied
					iii. display the licence in a conspicuous manner at the premises specified in the licence;	Complied
					iv. inform FINAS in writing and within 14 days any change in the composition of Inspidea's officers holding	Complied

**7. BUSINESS OVERVIEW (CONT'D)**

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
					managerial or executive positions; and	
					v. not later than 6 months after the end of the financial year of Inspidea's business, submit to FINAS its audited statement of accounts and any other reports as may be required by FINAS.	Complied
2.	Malaysia Digital Economy Corporation (MDEC)	For the grant of the Multimedia Super Corridor Malaysia ("MSC") status (now known as Malaysian Digital Status) to Inspidea	Certificate No. 0954	Date of issuance: 9 June 2004 Date of expiry: Not applicable	Inspidea shall, amongst others: (i) complete business registration of the proposed entity as a locally incorporated company under the Companies Act 1965 within 1 month from 9 June 2004, commence operations of the proposed entity within 6 months from 9 June 2004, and undertake such activities specified in the company's business plan as approved by Malaysia Digital Economy Corporation Sdn Bhd (formerly known as Multimedia Development Corporation Sdn Bhd) ("MDEC") (" <b>MSC Qualifying Activities</b> "), MDEC, within 6 months from 9 June 2004, or by such dates as may be specified in the company's business plan as approved, which dates may be extended or modified with the written consent of MDEC, and thereafter continue with such business and activities unless otherwise approved by MDEC. The MSC Qualifying Activities are "development and provision of content animation production" and "provision of animation production services". Any changes proposed to the MSC Qualifying Activities must receive the prior written consent of MDEC;	Complied



**7. BUSINESS OVERVIEW (CONT'D)**

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
					(ii) locate the implementation and operation of the MSC Qualifying Activities in Cyberjaya, within 6 months from 9 June 2004 and will seek MDEC's prior written approval in the event of any changes in the location or address of Inspidea <sup>(1)</sup> ;	Complied
					(iii) ensure that at all times at least 15.00% of the total number of employees (excluding support staff) of Inspidea shall be "knowledge workers";	Complied
					"Knowledge worker" is an individual who holds one of the following:	Complied
					i. tertiary qualification from an institution of higher learning (in any field);	
					ii. diploma in information and communication technologies, engineering, technology or specialised certification plus at least 2 years' relevant experience in a field that is a heavy user of technology;	
					iii. professional, executive, management and technical work categories in information technology enabled services (e.g. information technology / information systems professionals, finance / accounting, business administration, engineering, medical or legal);	
					iv. also includes foreign workers with knowledge-based skills that are not	

**7. BUSINESS OVERVIEW (CONT'D)**

<b>No.</b>	<b>Approving authority / issuer</b>	<b>Type of approvals / licences / permits</b>	<b>Licence / Permit / Reference no.</b>	<b>Date of issuance / Validity</b>	<b>Major conditions imposed</b>	<b>Status of compliance</b>
					prevalent in Malaysia and required by Inspidea; or	
					v. workers who are utilised for their creative talent to produce value-added creative work for Inspidea;	
				(iv)	continuously comply with MDEC's environmental guidelines as determined by MDEC from time to time;	Complied
				(v)	submit to MDEC a copy of the company's annual report and audited statements in parallel with submission to the Companies Commission of Malaysia;	Complied
				(vi)	inform and obtain the prior approval of MDEC for any proposed change in the name of Inspidea;	Complied
				(vii)	inform MDEC of any change in the equity structure or shareholding structure of Inspidea, or such other changes that may affect the direction or operation of Inspidea. MDEC must be informed of any change before steps are taken to effect such change;	Complied
				(viii)	comply with all such statutory, regulatory and/or licensing requirements as may be applicable;	Complied
				(ix)	the MSC status shall not be transferable or assignable in any way whatsoever without the prior written consent of MDEC; and	Complied
				(x)	MDEC may from time to time add to, remove from or vary the conditions as set out above.	Complied

**7. BUSINESS OVERVIEW (CONT'D)**

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
					<p>In the event Inspidea:</p> <ul style="list-style-type: none"> <li>(a) fails to comply with the terms and conditions as set out above;</li> <li>(b) fails to comply with the monitoring processes and procedures as prescribed by MDEC and/or willingly refuses to provide such assistance as may be required by MDEC in its monitoring activities; or</li> <li>(c) fails to or is unable to achieve or fulfill its objectives, projections or assurances as contained in the application documents (including but not limited to the three year business development plan) and/or any subsequent update documents,</li> </ul> <p>then MDEC shall in the first instance notify Inspidea of such failure and/or non-compliance and afford an opportunity to Inspidea to explain its position to MDEC and seek a waiver or otherwise come to a mutually acceptable compromise or resolution of the matters relating to such failure and/or non-compliance. In the event that MDEC and Inspidea are unable to arrive at a mutually acceptable compromise or resolution, MDEC may at anytime thereafter notify Inspidea in writing of its intention to recommend the revocation of the grant of MSC status of Inspidea. Upon receipt of the notice, Inspidea may within thirty days, appeal to MDEC in writing stating any grounds or arguments supporting its appeal against the intended revocation, failing which, MDEC may in its discretion proceed to issue a written notice to Inspidea stating the grant of MSC status of Inspidea will be revoked.</p>	Noted

**7. BUSINESS OVERVIEW (CONT'D)**

<b>No.</b>	<b>Approving authority / issuer</b>	<b>Type of approvals / licences / permits</b>	<b>Licence / Permit / Reference no.</b>	<b>Date of issuance / Validity</b>	<b>Major conditions imposed</b>	<b>Status of compliance</b>
					<i>Note:</i>	
					(1) <i>Inspidea has an office located in Cyberjaya between 2010 – 2020. Pursuant to the announcement made by MDEC on March 2022, company with Malaysia Digital Status may operate their business in any location in Malaysia. As at the LPD, Inspidea still maintains the Malaysia Digital Status and is operating at their existing office in Selangor.</i>	
	Bowleh					
1.	Ministry of Health Malaysia	Certificate of registration for food premises to conduct restaurant business (P3 – food premises where food is prepared, processed, stored or served for sale)	FSSM032301271-0	Date of issuance: 10 March 2023  Validity period: 10 March 2023 to 10 March 2026	-	-

In the event Inspidea failed to renew the licence issued by National Film Development Corporation Malaysia (FINAS) as set out above, Inspidea will not be able to produce its own proprietary content.

Prior to 10 March 2023, Bowleh commenced restaurant operations without obtaining the certificate of registration for food premises. On 10 March 2023, Bowleh had obtained a valid certificate of registration for food premises issued by Ministry of Health Malaysia. Please refer to Section 7.21.3 of this Prospectus for further details of the said past non-compliance.

As at the LPD, our Group is not in breach of the terms and conditions of the approvals, licences and permits set out above and has not encountered any difficulties in renewing the approvals, licences and permits, where applicable, in the past.




## 7. BUSINESS OVERVIEW (CONT'D)

### 7.19 INTELLECTUAL PROPERTY RIGHTS

Our Group is not highly dependent on any of the trademarks and patents. We do not foresee any material impact to the Group's business or profitability in the event of non-approval for registration / renewal of the trademarks and patents.

#### 7.19.1 Trademarks

As at the LPD, our Group holds the following trademarks:

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Expiry Date
1.		Inspidea / 06014995	MyIPO, Malaysia	Class 41 / Education; providing of training; entertainment; or sporting and cultural activities	Registered / 23 August 2026
2.		Bowleh / TM2020012941	MyIPO, Malaysia	Class 43 / Restaurant services	Registered / 1 July 2030
3.		Bowleh / TM2020013139	MyIPO, Malaysia	Class 43/ Restaurant services	Registered / 2 July 2030

**7. BUSINESS OVERVIEW (CONT'D)**

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Expiry Date
4.	INSPIDEA	Inspidea / TMA771488	Canadian Intellectual Property Office, Canada	<p>Class 9 / Animated films, television film recordings, prerecorded video tapes featuring animation, prerecorded audio tapes featuring narrative text, prerecorded audio tapes featuring music, prerecorded compact discs featuring narrative text, prerecorded compact discs featuring music, prerecorded compact discs featuring computer games, prerecorded compact discs featuring animation, rerecorded optical discs featuring animation, downloadable video recordings featuring animated entertainment, downloadable audio recordings featuring narrative text, downloadable audio recordings featuring music, downloadable electronic publications, namely, magazines and newsletters in the field of entertainment, and downloadable computer game programs; and</p> <p>Class 41/ Production and distribution of animated films, television programs, video tape recordings, audio tape recordings, compact disc recordings, and optical disc recordings; entertainment services, namely, on-going television programs the field of animation; and entertainment services, namely, providing online computer games; and entertainment services, namely, providing downloadable videos recordings featuring animated entertainment over the Internet mobile telecommunication networks.</p>	Registered / 7 July 2025

**7. BUSINESS OVERVIEW (CONT'D)**

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Expiry Date
5.	<b>INSPIDEA</b>	Inspidea / 3586130	National Institute of Industrial Property, France	<p>Class 9 / Animation films, television film recordings, pre-recorded videotapes containing animation, pre-recorded audio cassettes containing stories, pre-recorded audio cassettes containing music, pre-recorded compact discs containing stories, pre-recorded compact discs containing music, pre-recorded compact discs containing video games, pre-recorded compact discs containing animation, pre-recorded optical discs containing animations, downloadable video recordings containing entertainment in the field of animation, downloadable audio recordings containing stories, downloadable audio recordings containing music, downloadable electronic publications in the form of magazines and newsletters in the field of entertainment, and downloadable computer game programmes.</p> <p><i>(Films d'animation, enregistrements de films télévisés, bandes 159 ideo préenregistrées contenant des animations, cassettes audio préenregistrées contenant des récits, cassettes audio préenregistrés contenant de la musique, disques compacts préenregistrés contenant des récits, disques compacts préenregistrés contenant de la musique, disques compacts préenregistrés contenant des jeux vidéos, disques compacts préenregistrés contenant des animations, disques optiques préenregistrés contenant des animations, enregistrements 159ideo téléchargeables contenant du divertissement dans le domaine de l'animation, enregistrements audio téléchargeables contenant des récits, enregistrements audio téléchargeables contenant de la musique, publications électroniques téléchargeables sous la forme de magazines et de lettres d'information dans le domaine du divertissement,</i></p>	Registered / 3 July 2028

**7. BUSINESS OVERVIEW (CONT'D)**

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Expiry Date
				<i>et programmes de jeux d'ordinateur téléchargeables.)</i>	
				<p>Class 38 / Telecommunications, telephone services, services for the transmission and reception of video images on the Internet using a computer or mobile telephone, television programmes, broadcasting and transmission of television programmes and animated films, communication via computer terminals; communication (transmission) on all multimedia media and networks including the Internet</p> <p><i>(Télécommunications, services téléphoniques, services pour la transmission et la réception d'images vidéo sur internet au moyen d'un ordinateur ou d'un téléphone mobile, programmes de télévision, diffusion et transmission de programmes de télévision et de films d'animation, communication par terminaux d'ordinateurs • communication (transmission) sur tous supports multimédia et réseaux dont internet.)</i></p>	
				<p>Class 41 / Production and distribution of animated films, television programmes, video recordings, audio recordings, compact disc recordings, optical disc recordings; entertainment services in the form of television programmes in the field of animation, and entertainment services, namely provision of on-line computer games, downloadable video recordings containing entertainment in the field of animation accessible via the Internet and wireless telecommunications networks.</p>	



**7. BUSINESS OVERVIEW (CONT'D)**

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Expiry Date
6.	I N S P I D E A	Inspidea / T0614724E	Intellectual Property Office of Singapore, Singapore	<p><i>(Production et distribution de films d'animation, de programmes de télévision, d'enregistrements vidéo, d'enregistrements audio, d'enregistrements de disques compacts, d'enregistrements de disques optiques • services de divertissement sous la forme de programmes de télévision dans le domaine de l'animation, et services de divertissement, à savoir mise à disposition de jeux d'ordinateurs en ligne, d'enregistrements vidéo téléchargeables contenant des divertissements dans le domaine de l'animation accessibles par internet et des réseaux de telecommunication sans fil.)</i></p> <p>Class 41 / Entertainment services, namely production and distribution of animation for television, mobile telecommunication networks, internet; interactive game services provided online; film production; book publications; production and reproduction of audio and video recordings on audio and/or video carriers of different kinds, especially video and audio tapes, cassettes, discs and records; all included in Class 41.</p>	Registered / 25 July 2026

**7. BUSINESS OVERVIEW (CONT'D)**

In addition, our Group has submitted applications for registration of the following trademarks which are currently pending approval:

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Validity period
1.	<b>KUCINGKO</b>	Kucingko Berhad/ TM2023035725	MyIPO, Malaysia	<p>Class 9 / Videotapes and videodiscs recorded with animation; videotapes and videodisks recorded with animation; animated cartoons; pre-recorded video cassettes featuring cartoons; prerecorded video cassettes featuring cartoons; videodiscs recorded with animated cartoons; videodisks recorded with animated cartoons; videotapes recorded with animated cartoons; augmented reality software for playing computer games; computer games programmes; computer games programs; computer games software; computer programs for video and computer games; computer software for arcade apparatus and games; downloadable computer games; downloadable computer programs for video and computer games; downloadable interactive entertainment software for playing computer games; downloadable interactive entertainment software for playing video games; games software; recorded programs for hand-held games with liquid crystal displays.</p> <p>Class 41 / Animation production services; special effects animation services for film and video.</p> <p>Class 42 / Animation and special effects design for others; animation design; animation design services; design of animations.</p> <p>Class 45 / Cartoon character licensing; licensing of advertising slogans and cartoon characters.</p>	Pending (Application submitted on 24 November 2023)

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.20 MATERIAL PROPERTIES

#### 7.20.1 Properties

As at the LPD, we do not own any properties.

#### 7.20.2 Rented Properties

As at the LPD, the details of the material properties rented by our Group are set out as follows:

Landlord	Tenant	Postal Address	Description / Existing Use	Date of CFO / CCC or equivalent	Approximate Floor Area	Tenure	Rental Per Annum (RM)
Yang Li Fu @ Yeoh Chin Choon and Yang Chong Yaw, Alan	Inspidea	G-G-01, G-1-01 and G-2-01, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor	Office	3 July 2006	5,237.25 sq.ft.	5 years Commencing from 1 January 2021 to 31 December 2025	102,000
Yang Li Fu @ Yeoh Chin Choon and Yang Chong Yaw, Alan	Inspidea	G-G-03A, G-1-03A and G-2-03A, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor	Office	3 July 2006	5,237.25 sq.ft.	5 years Commencing from 1 January 2021 to 31 December 2025	102,000
Seating Lane (M) Sdn Bhd	Inspidea	G-G-5, G-1-05, G-2-05, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301	Office	3 July 2006	5,237.25 sq.ft.	5 years Commencing from 1 June	108,000

**7. BUSINESS OVERVIEW (CONT'D)**

<u>Landlord</u>	<u>Tenant</u>	<u>Postal Address</u>	<u>Description / Existing Use</u>	<u>Date of CFO / CCC or equivalent</u>	<u>Approximate Floor Area</u>	<u>Tenure</u>	<u>Rental Per Annum (RM)</u>
		Petaling Jaya, Selangor				2022 to 31 May 2027	
Gulf Media Sdn Bhd	Inspidea	H-G-02, H-1-02, H-2-02, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor	Office	3 July 2006	5,237.25 sq.ft.	4 ½ years Commencing from 1 July 2022 to 31 December 2026	96,000
Tan Tuan Hui	Inspidea	H-G-03, H-1-03, H-2-03, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor	Office	3 July 2006	5,237.25 sq.ft.	5 years Commencing from 1 January 2022 to 31 December 2026	96,000
Spurs Industries (M) Sdn Bhd	Inspidea	H-G-03A, H-1-03A, H-2-03A, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor	Office	3 July 2006	5,237.25 sq.ft.	5 years Commencing from 1 June 2019 to 1 June 2024	108,000

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**7. BUSINESS OVERVIEW (CONT'D)**


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**7.20.3 Material plans to construct, expand or improve property, plant and equipment**

As at the LPD, our Group does not have any existing properties or plants. Save as disclosed in Sections 4.8.1 and 4.8.2 of this Prospectus, our Group has no immediate material plans to expand or improve any of our tenanted properties or existing equipment.

**7.21 GOVERNING LAWS AND REGULATIONS INCLUDING ENVIRONMENTAL CONCERNS****7.21.1 Governing Laws and Regulations**

Our business is regulated by and in some instances required to be licenced under specific laws of Malaysia. As such, the following is an overview of the material laws and regulations that are relevant to the business operations of our Group in Malaysia:

- **Perbadanan Kemajuan Filem Nasional Malaysia Act 1981 (“FINAS Act”)**

All film producers and film distributors in Malaysia are subject to the provisions contained in the FINAS Act, a legislation which was specifically enacted with the objective to promote, nurture and facilitate the development of the film industry of Malaysia. National Film Development Corporation Malaysia (FINAS) is a statutory body under the purview of the Ministry of Information, Communication and Culture and tasked with the responsibility of encouraging growth of the Malaysian film industry.

National Film Development Corporation Malaysia (FINAS) is also the licensing body empowered under the FINAS Act to issue licences for companies which carry out film/video production, film/video distribution and film/video exhibition activities. Each licence is renewable annually.

As at the LPD, Inspidea holds a valid licence issued by National Film Development Corporation Malaysia (FINAS). Please refer to Section 7.18 of this Prospectus for further details of the said licence.

The following are some of the ancillary laws and regulations in respect of our business in Malaysia:-

**(i) Employees Provident Fund Act 1991**

In the past, our subsidiary, Inspidea did not make Employees’ Provident Fund (“EPF”) deductions and employer’s contribution on project incentives paid out to employees who achieved their quota and targets.

Our Group had on its own volition consulted with EPF on 8 June 2023 to seek clarification on the requirement to make EPF deduction and employer’s contribution for the project incentives including, if necessary, payment of any penalties which may arise therefrom.

On 24 October 2023, EPF has issued a letter to inform Inspidea that the outstanding EPF contribution for the past project incentives for the affected period, being August 2020 until August 2023, amounts to RM93,337.00 and Inspidea is required to make the payment within 14 calendar days from the date of the said letter. Inspidea had made the necessary payment to EPF and as at to date, EPF has not taken any other action against Inspidea in relation to the abovementioned matter. As such, the abovementioned matter will not result in a material adverse impact on the overall business operations and/or financial performance of our Group.

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**7. BUSINESS OVERVIEW (CONT'D)**

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**(ii) Food Act 1983**

The Ministry of Health is mandated under the Food Act 1983 to protect the public against health hazards and fraud in the preparation, sale and use of food. The way food is prepared, preserved, packaged, stores, distributed or sold falls within the ambit of the Food Act 1983.

Pursuant to Regulation 3 of the Food Hygiene Regulations 2009, a subsidiary legislation under the Food Act 1983, no person shall use any food premises for the purposes of preparing, preserving, packaging, storing, distributing or sale of any food except where the premises is registered under the Food Hygiene Regulations 2009. Any person who fails to comply with the Regulation 3 of the Food Hygiene Regulations 2009 may be liable to a fine not exceeding RM10,000.00 or to imprisonment for a term not exceeding 2 years.

As at the LPD, Bowleh holds a valid certificate of registration for food premises issued by Ministry of Health Malaysia.

Please refer to Section 7.18 of this Prospectus for further details of the said certificate.

**(iii) Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990**

Section 24D(1) of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 provides that no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation, and an employer or centralised accommodation provider who contravenes Section 24D(1) of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 shall be liable on conviction to a fine not exceeding RM50,000.00.

Our subsidiary, Inspidea is required to comply with the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 as Inspidea provide accommodations to 19 of its employees, Inspidea has rented a total of 6 condominium units as accommodation for its employees, one of which has been terminated on 31 August 2023. Inspidea has submitted applications for Certificates for Accommodation to the Department of Labour of Peninsular Malaysia (Jabatan Tenaga Kerja) for the 5 condominium units on 17 August 2023. On 19 October 2023, the Department of Labour of Peninsular Malaysia (Jabatan Tenaga Kerja) has vided its 5 letters all dated 19 October 2023, rejected all 5 applications submitted by Inspidea on the basis that the accommodations did not meet certain requirements under the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990. Notwithstanding, Inspidea has vide its 5 letters all dated 14 November 2023, appealed against the decision of the Department of Labour of Peninsular Malaysia (Jabatan Tenaga Kerja). On 15 February 2024, the Department of Labour of Peninsular Malaysia (Jabatan Tenaga Kerja) has issued an approval letter to Inspidea in respect of the successful appeal of the applications, and Inspidea has obtained the Certificates for Accommodation for the 5 condominium units.

As at the LPD, Inspidea has not been penalised and has not received any penalty in relation to the accommodation provided to its employees without Certificates for Accommodation in the past.

The abovementioned matter will not result in a material adverse impact on the overall business operations and/or financial performance of our Group.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.21.2 Environmental Concerns

As at the LPD, there are no environmental issues which may materially affect our Group's business or operations and usage of properties rented by our Group.

### 7.21.3 Additional Disclosures

There are other non-compliances by our Group in the past. Example of such non-compliances include the following:

- (i) late payment of tax instalments by Inspidea and Tourific for year 2020. where the aggregate late payment penalty of RM31,113.60 has been imposed and subsequently waived by the Inland Revenue Board of Malaysia;
- (ii) underestimation of tax payable by Fulofo and Toonigami for year 2020 and 2021 where aggregate penalties of RM129.24 have been imposed by the Inland Revenue Board of Malaysia ("**Underestimation of Tax Payable**"); and
- (iii) failure to obtain certain certificates or licences such as certificate of registration for food premises and music licence (to play/broadcast music in the restaurant premises) since our restaurant commenced operations in October 2019.

In respect of the music licence, any person who fails to obtain such licence may be liable to a fine not less than RM10,000 and not more than RM50,000 or to imprisonment for a term not exceeding 5 years or to both pursuant to the Copyright Act 1987. In respect of the certificate of registration for food premises, please refer to Section 7.21.1(ii) of this Prospectus for further details on the potential penalties.

These non-compliances are mainly due to oversight on our part, and do not have any impact to the financial performance and business operations of the Group.

As at the LPD, such non-compliances have been resolved without penalties being imposed on our Group or penalties imposed but waived, save for non-compliances relating to the Underestimation of Tax Payable where penalties have been imposed on and settled by our Group. Notwithstanding, such penalties are immaterial to our Group. Further, Bowleh has also obtained the certificate of registration for food premises and music licence on 10 March 2023 and 30 April 2023 respectively.

To reduce the risk of non-compliance and improve the overall handling of the Group's compliance, our Group has put in place adequate measures/policies which include, amongst others, the following:

- (i) our Company has identified our Group's finance manager as a designated personnel within our Group to oversee our Group's compliance with the relevant law, rules and regulations, and ensure our Group's ongoing compliances moving forward;
- (ii) our Group is establishing a compliance register to facilitate the management and monitoring of applicable legal and regulatory obligations. The register will be reviewed and updated regularly to ensure that any changes or updates to the laws and regulations are reflected in the register. On a periodic basis, the compliance status of the applicable laws and regulations will be reported to our management including the development of corrective action plans to rectify any non-compliances matters identified and the status of its implementation;
- (iii) The Audit and Risk Management Committee have been established comprising entirely of Independent Non-Executive Directors. The Audit and Risk Management Committee is responsible to assist our Board in evaluating, assessing and reviewing the adequacy and effectiveness of our Group's system of risk management and internal control.

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**7. BUSINESS OVERVIEW (CONT'D)**

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Significant risks and internal control weaknesses, including any material non-compliances, will be reported to our Board. After our Listing, a statement about the state of risk management and internal control of our Group will be provided in the annual report, including the disclosure of any significant risks and material non-compliances identified during the respective financial year; and

- (iv) After our Listing, our Group will establish an internal audit function which is independent of the activities it audits and report directly to the Audit and Risk Management Committee. The internal audit function shall, amongst others, provide assessment of the adequacy and effectiveness of our Group's system of internal controls for compliance with applicable laws and regulations, and provide recommendations for improvement. Our Management is responsible to ensure the recommended corrective actions are implemented within the required time frame. The results of internal audit assessments are to be reported periodically to the Audit and Risk Management Committee.

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## 8. INDEPENDENT MARKET RESEARCH REPORT



**Vital Factor Consulting Sdn Bhd**  
Company No.: 199301012059 (266797-T)  
V Square @ PJ City Centre (VSQ)  
Block 6 Level 6, Jalan Utara  
46200 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel: (603) 7931-3188  
Fax: (603) 7931-2188  
Website: [www.vitalfactor.com](http://www.vitalfactor.com)

20 November 2023

The Board of Directors  
Kucingko Berhad  
H-G-03A Glomac Square  
Jalan SS6/16A, Kelana Jaya  
47301 Petaling Jaya  
Selangor

Dear Sirs and Madams

### **Independent Assessment of the 2D Animation Production Industry**

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, financial and industry assessments, and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

We have been engaged to provide an independent assessment of the above industry for inclusion in the prospectus of Kucingko Berhad for the listing of its shares on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and have taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, the availability of timely information and analyses based on secondary and primary market research as at the date of this report. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions, actions or inactions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include information, assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results

Yours sincerely

Wooi Tan  
Managing Director

Wooi Tan has a degree in Bachelor of Science from the University of New South Wales, Australia and a degree in Master of Business Administration from the New South Wales Institute of Technology (now known as the University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and the Institute of Managers and Leaders. He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing of their shares on Bursa Malaysia Securities Berhad.

**8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**



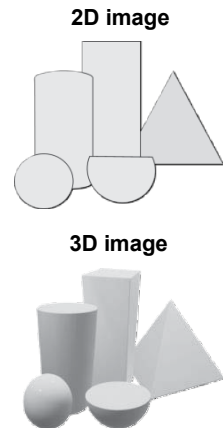
**Date of Report: 20 November 2023**

**INDEPENDENT ASSESSMENT OF THE 2D ANIMATION PRODUCTION INDUSTRY**

**1. INTRODUCTION**

- Kucingko Berhad together with its subsidiaries, (herein referred to as Kucingko Group) is mainly involved in the provision of two-dimensional (2D) animation production services serving customers mainly in the United States (US), Canada, France and Australia, which will be covered in this report.
- This report focuses on 2D animation production and it excludes gaming, unless stated otherwise. All references to gross domestic product (GDP) refer to nominal GDP unless stated otherwise, and all data and statistics are based on the latest available to the public as at the date of this report. This report primarily discusses the 3-year compound annual growth rate (CAGR) data as it represents more recent industry performance compared to the 5-year CAGR data. Nevertheless, 3-year and 5-year CAGR data are provided, where available.
- Animated content can be produced in 2D or three-dimensional (3D) formats as follows:

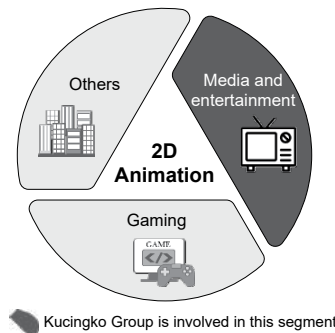
- **2D animation** refers to animation that is created by manipulating flat images or drawings in 2D space namely width and height. 2D animations have a relatively simplistic style compared to 3D animations. Kucingko Group is involved in 2D animation production.
- **3D animation** refers to animation that is created by manipulating images in 3D space namely width, height and depth. Unlike 2D animation, 3D animation is often used for creating complex and realistic animations with more dynamic and immersive visuals. In comparison to 2D animation, the production of 3D animated content is more skilled resource intensive, and subsequently more expensive to produce.



**2. OVERVIEW OF THE 2D ANIMATION PRODUCTION INDUSTRY**

- 2D animation is focused on creating motion pictures of drawn images. It involves creating a series of still images and playing them in rapid sequence to create the illusion of movement. Animated content is widely used in various sectors to convey a particular story, message or information, as well as in gaming (electronic games) as follows:

- Animation is used in the **media and entertainment** industry to produce various types of audiovisual content, including television (TV) series, short films, feature films, documentaries and music videos, which are primarily for entertainment. These animated contents can be distributed through a variety of media, including physical media such as digital versatile disks (DVD) (less common nowadays), TV, cinemas and electronic devices such as mobile phones, tablets, computers and smart TV using the internet. While the content shown on TV and in cinemas is based on a set schedule, users can access online streaming or download content whenever and wherever they want.

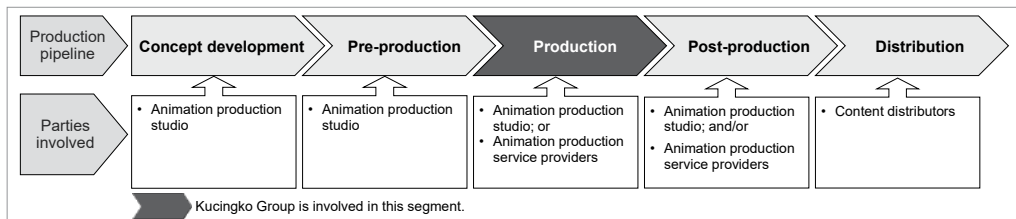


8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



- In the **gaming** sector, animation is used extensively to provide interaction between the player and the game. Animation is a fundamental component of the gaming sector as the visual elements including interactive character movements, background and special effects, are essential for an immersive and engaging experience. In addition, animation is used to tell stories and convey emotions in games, helping to create a narrative that draws the player into the game world. It can be used to create non-interactive cinematic sequences within a game, dialogue sequences and other elements that contribute to a more engaging gaming experience.
- **Other** sectors include education, government and corporate. In education, animation is used to create interactive and engaging visual content. Governments and corporations use animation to create training materials, instruction briefs, marketing content and others. Animation can be an effective tool in conveying complex or technical information in an easily digestible and engaging format, which can improve learning outcomes, increase audience engagement and enhance overall communication effectiveness.
- Kucingko Group is involved in the provision of 2D animation production services for the media and entertainment industry.

2.1 2D animation production pipeline and value chain



- The pipeline of 2D animation production begins with **concept development**, where the main idea of the animation and storyline is developed. This stage involves generating as well as developing the conceptual story structure and character design. The second phase of the 2D animation production pipeline is **pre-production**, which involves the development of detailed technical aspects of the 2D animation including the creation of concept art, storyboard, scripting, character design as well as other audio and visual elements that form the animation. This is followed by the **production** phase, which involves the actual creation of images. The 2D animation incorporating all relevant audio and visual elements will then be reviewed and undergo final editing during the **post-production** phase before it is **distributed** to the market.
- Generally, the key parties involved in the production of 2D animation are as follows:
  - **Animation production studios**, where they are responsible for the entire process of creating an animation, from initial concept development to final delivery. This includes tasks such as script writing, storyboarding, character design, layout, sound and post-production.
  - **Animation production service providers**, where they typically undertake outsourced production and post-production work for animation studios, and are responsible for transforming the concept and storyline into actual animated content. Generally, they are responsible for asset creation to prepare all the individual elements required for the animation, such as character rigging, backgrounds and other visual elements. The elements created are then used

## 8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



for the framing process. Framing involves creating keyframes that depict the essential movements and expressions required for the scene, and in-between frames that fill up the gaps between two keyframes. Subsequently, the compositing process combines all the individual elements including characters, backgrounds and special effects into a final scene. This is achieved by layering the elements on top of each other using specialised software to create a cohesive and seamless image. In addition, the vocal, sound and music elements will also be integrated into the scene at this stage to enhance the overall viewing experience.

- **Content distributors** are involved in promoting and distributing the final animation to viewers. The animated content can be distributed via various channels such as TV, cinema screening, physical media such as DVD, as well as online streaming and download platforms.
- Kucingko Group is involved in the 2D animation production segment as an animation production service provider.

### 2.2 Methods of 2D animation production

- Two of several methods to produce 2D animated content are as follows:
  - **Traditional animation**, also known as cell animation, refers to the production of animation where each frame is manually drawn by hand and photographed against a mainly static background to create a smooth and continuous illusion of motion. This animation technique involves drawing each element of the frame such as the characters, background, and other elements by hand. As each frame is slightly different from the previous one, this process can be very time-consuming.
  - **Digital animation** refers to the production of animated content using computer software. Typically, the frames of a digital animation are drawn by the animator using a digital pen and tablet, where any changes and corrections can be made easily. Unlike traditional animation, digitally created frames can be used repetitively as they can be edited and manipulated using specialised software for the desired motion of the animated elements, such as the walk cycle of a character. In addition, effects such as shadows, lighting and other special effects, as well as sound elements including special sound effects, voiceovers and music, can be integrated into the animation using computer software.

Once the frames are created, they are rendered into a video file of various qualities such as high-definition quality, as well as various file formats such as Moving Picture Experts Group-4 Part 14 (MP4) and movie file extension (.mov) for further editing and enhancement. Kucingko Group is involved in using digital animation for its 2D animated content.

## 3. DEMAND DEPENDENCIES

### 3.1 Traditional media and digital platforms

- Growth in the distribution of content through traditional media channels such as TV broadcasting and cinema screenings, and digital platforms such as internet streaming and downloads, will provide opportunities to operators in the 2D animation production industry. Demand for 2D animated content was traditionally driven by TV, which includes free-to-air broadcasting and pay-to-view channels, as well as cinemas and public screenings. The rise of digital technology and the ubiquitous use of the internet have opened up more

**8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**



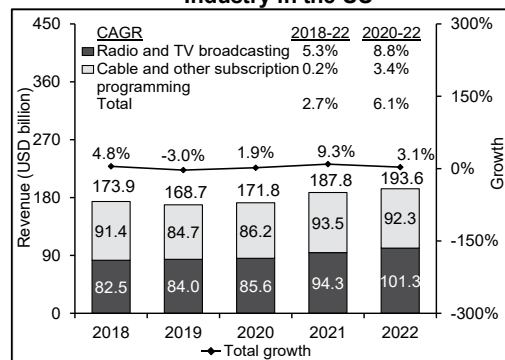
convenient and popular means to distribute 2D animated content to a global audience. As a result, the demand for 2D animated content expanded into digital platforms including streaming services such as Netflix, Amazon Prime Video, Disney+, HBO Max/Max, Tencent Video and iQIYI, online video platforms such as YouTube and Vimeo, as well as social media platforms such as Facebook, Twitter and Instagram. The shift in consumer behaviour and growth in new distribution platforms have created more opportunities for 2D animated content to be distributed promptly and consumed by a larger global audience.

- The following provides some indication of the performance of the broadcasting industry in the US, Canada, France and Australia, as Kucingko Group mainly serves customers in these countries. Among others, their 2D animated content is distributed through traditional media such as TV, and streaming platforms such as Netflix and Disney+.

**3.2 The US**

- The US is a major hub for content distribution, housing many large media and entertainment companies including major film studios, TV networks and streaming platforms. Its broadcasting industry comprises radio and TV broadcasting, as well as cable and other subscription programming.

**Revenue of the Broadcasting (except internet) Industry in the US**



(Source: US Census Bureau)

- Between 2020 and 2022, the revenue of its broadcasting industry grew at a CAGR of 6.1%. This would provide opportunities for operators in the production of 2D animated content. In the first half (H1) of 2023, revenue of the broadcasting industry in the US declined by 3.0% compared to the corresponding period in 2022, which may be attributed to the growing popularity of online streaming services.

Given the shift in consumer habits, online streaming and downloads have become increasingly important in influencing the demand for content, including 2D animated content. The large global subscriber bases of these streaming platforms would provide growth opportunities for 2D animation production service providers serving customers in the US. Some of the streaming platforms with head offices in the US include the following:

Platforms	Paid subscribers (mil) <sup>(1)</sup>	Platforms	Paid subscribers (mil) <sup>(1)</sup>
Netflix	247	Amazon Prime Video	n.a.
Disney+	113	HBO Max/Max	n.a.
Hulu	49		

mil= million; n.a.= not available. (1) As of 30 September 2023. (Source: Vital Factor analysis)

**3.3 Canada**

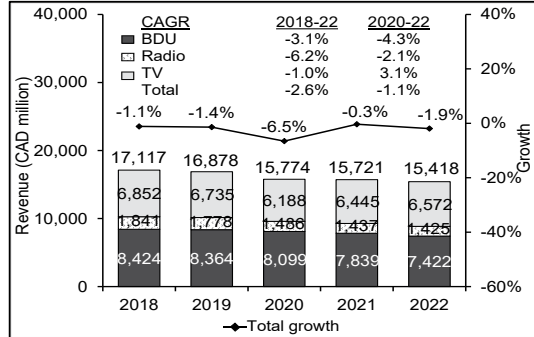
- Canada is also a major country for content distribution, where its broadcasting industry comprises broadcasting distribution undertakings (BDU), TV and radio segments. BDU encompasses cable, internet protocol TV (IPTV), direct-to-home and multipoint distribution services. Between 2020 and 2022, the revenue of the broadcasting industry in Canada declined at an average annual rate of 1.1%, mainly attributed to the BDU and radio segments.

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



- In 2022, the revenue of the TV segment grew by 2.0% mainly due to increased discretionary services, while the BDU segment declined by 5.3% partly attributed to the increasing use of online streaming services such as Netflix and Amazon Prime Video (Source: Canadian Radio-TV and Telecommunications Commission (CRTC)).

Revenue of the Broadcasting Industry\* in Canada

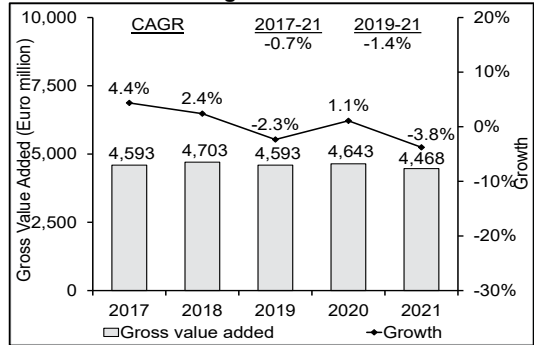


\* Excludes internet-based audio and video services. (Source: CRTC)

3.4 France

- Gross value added is a measure of a sector's contribution to the overall economy. In France, the gross value added of programming and broadcasting activities which covers radio and TV segments, declined by 3.8% in 2021 following a growth of 1.1% in 2020.

Gross Value Added of Programming and Broadcasting Activities\* in France

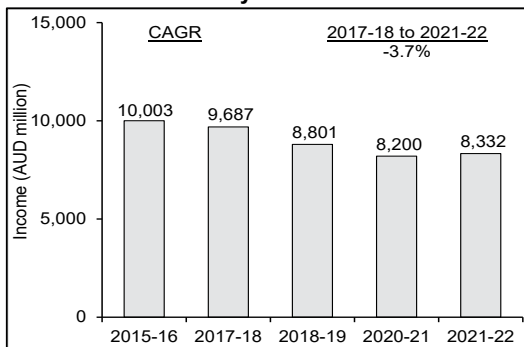


Latest available information. \* Includes internet broadcasting. (Source: The National Institute of Statistics and Economic Studies (INSEE), France)

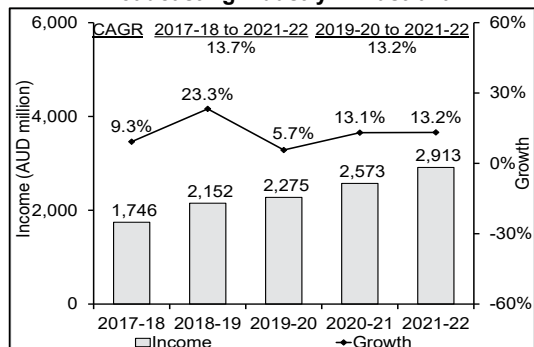
3.5 Australia

- In Australia, statistics are commonly reported based on the financial year of 1 July to 30 June. In Australia, the income of the broadcasting industry covering radio and TV segments, grew by 1.6% in the financial year ended June 2022 (2021-22). Meanwhile, the income of the internet publishing and broadcasting industry in Australia grew by 13.2% in 2021-22. This builds on the longer-term trend of Australians increasingly shifting their viewing habits to online options (Source: Australian Communications and Media Authority)

Income of the Broadcasting (except internet) Industry in Australia



Income of the Internet Publishing and Broadcasting Industry in Australia



Note: 2021-22 is the latest available data. There is no available data for 2016-17 and 2019-20 for the broadcasting industry. (Source: Australian Bureau of Statistics)

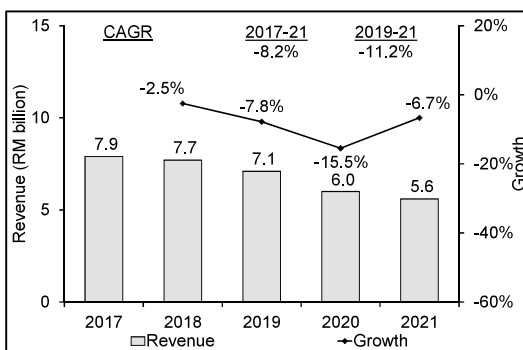
8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



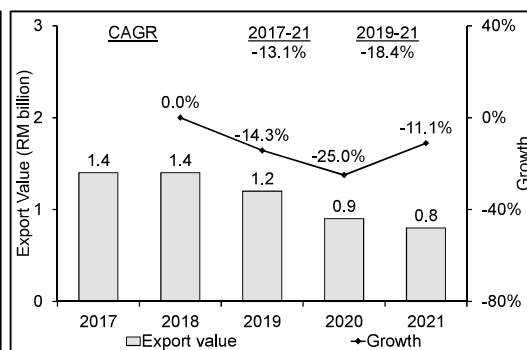
4. DIGITAL CREATIVE CONTENT INDUSTRY IN MALAYSIA

- In Malaysia, 2D animation production is part of the broader digital creative content industry, which includes companies that utilise technologies for the development, production and distribution of digital content, and complementary tools, products, services and platforms. Between 2019 and 2021, being the latest available information, the revenue and export value of digital creative content in Malaysia have been declining at an average annual rate of 11.2% and 18.4% respectively. In the first half of 2022, the revenue of the digital creative content industry in Malaysia reached RM2.8 billion, while the export value reached RM0.4 billion (Source: Malaysia Digital Economy Corporation (MDEC)).

Revenue of Digital Creative Content in Malaysia



Export Value of Digital Creative Content in Malaysia

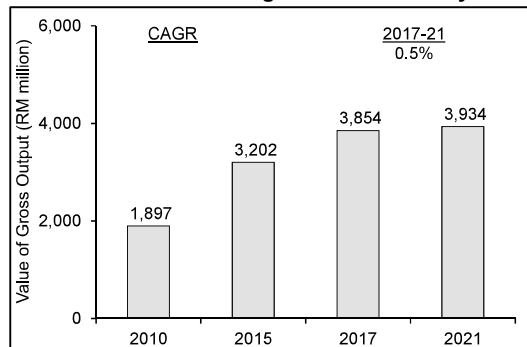


Latest available information. (Source: Malaysia Digital Economy Corporation (MDEC))

- The declining revenue was mainly due to competition from over-the-top platforms (platforms offering content directly to consumers via the internet) and an increasingly crowded broadcast market. On the export front, the declining export value was mainly due to the impact of the COVID-19 pandemic. In addition, the Children’s Online Privacy Protection Rule also impacted the distribution of content on YouTube, affecting mainly studios that cater to the children segment. (Source: MDEC)

- Motion picture, video and TV programme production encompass activities including production, distribution, projection and supporting activities such as film editing, cutting and dubbing. Sound recording and music publishing activities encompass production, release, promotion and distribution of sound recordings, which includes the acquisition and registration of copyrights for musical compositions, as well as the promotion and authorisation of their use. (Source: Department of Statistics Malaysia (DOSM))

Value of Gross Output of Motion Picture, Video and TV Programme Production, Sound Recording and Music Publishing Activities in Malaysia



Latest available information. (Source: DOSM)

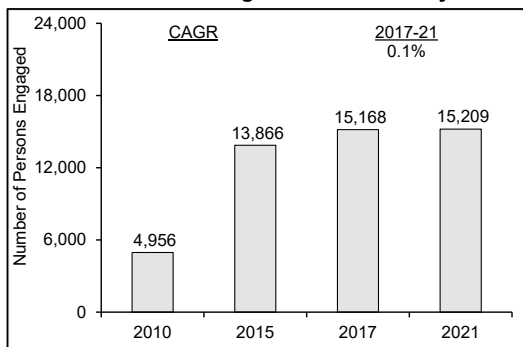
- Between 2017 and 2021, being the latest available information, the value of gross output of motion picture, video, TV programme production, sound recording and music publishing activities grew marginally at a CAGR of 0.5% to RM3.9 billion in 2021.



**8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)****5. SUPPLY DEPENDENCIES - MALAYSIA****5.1 Availability and cost of skilled talent**

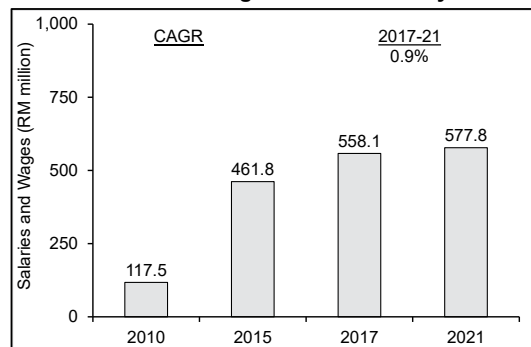
- The quality of 2D animation production largely depends on the skills and capabilities of the production staff. In addition, salaries and wages typically represent a significant proportion of the 2D animation production costs.
- Between 2017 and 2021, being the latest available information, the number of persons engaged in motion picture, video, TV programme production, sound recording and music publishing activities in Malaysia grew minimally at a CAGR of 0.1%. During the same period, salaries and wages grew at a CAGR of 0.9%. This represented a CAGR of 0.8% in terms of average salaries and wages per person engaged between 2017 and 2021 (*Source: Vital Factor analysis*).

**Persons Engaged: Motion Picture, Video, TV Programme Production, Sound Recording and Music Publishing Activities in Malaysia**



Latest available information. (*Source: DOSM*)

**Salaries and Wages: Motion Picture, Video and TV Programme Production, Sound Recording and Music Publishing Activities in Malaysia**



Latest available information. (*Source: DOSM*)

- According to the Mid-Term Review of the Twelfth Malaysia Plan (12MP), the government planned to introduce programmes aimed at increasing the awareness of creative career pathways, and enhance the industry bridging programme with local and global digital content studios. Additionally, a feasibility study on the establishment of an accreditation scheme for the creative industry will be undertaken. These efforts are expected to contribute to the development of skilled creative talent, which will benefit operators in the 2D animation production industry.

**5.2 Government initiatives and incentives**

- Government initiatives and incentives are important in building and supporting the animation industry ecosystem in respect of funding, promotion and marketing, as well as talent and infrastructure development. The following are some of the initiatives and incentives introduced by the MDEC to support the digital creative content industry:
  - **Digital Content Grant** is aimed at supporting local creative content companies in developing, producing and marketing their digital content in animation, games, comic and creative technology content through funding;
  - **Digital Creative Content Creator Studio** is an industry bridging programme that provides training allowance incentives for Malaysia-based studios to offer internship placements to Malaysian youth. In 2022, 15 companies and 124 participants were involved in the programme (*Source: Ministry of Economy*);



**8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**

- **Enterprise Development Programme (EDP)** is a continuous development programme that offers free or at-cost courses that are conducted in partnership with local and international partners offering subjects ranging from technical workshops to creative industry business management and operations;
- **Digital Content Creators Challenge (DC3)** is a competition-based initiative aimed to help content creators develop and produce world-class digital content, and increase the creation of intellectual properties. The winners will receive prize money to develop and commercialise the proposed digital creative content, with the support of industry experts through a mentorship program; and
- **'Kre8tif!'** is a business networking platform with events to connect industry players from Southeast Asia with global buyers. It also serves as a platform for sharing experiences and insights, as well as pitching ideas.

These are expected to benefit operators in the digital creative content industry, including 2D animation production service providers such as Kucingko Group.

- In addition, the introduction of the **Film in Malaysia Incentive (FIMI)** by the National Film Development Corporation Malaysia (FINAS) offers a 30% cash rebate on all qualifying Malaysian production expenditure (QMPE) for production and/or post-production activities in Malaysia. There is an additional cash rebate of up to 5% available, subject to passing the cultural test for production activities in Malaysia. FIMI applies to various formats, including feature films, TV series, feature animations, animation series and documentaries, for both domestic and foreign companies. For foreign production companies to qualify for this incentive, they must either engage in co-production or appoint a domestic service provider to carry out production and/or post-production activities, and achieve the specified minimum QMPE threshold. This provides opportunities for 2D animation production service providers in Malaysia as more foreign production companies seek to leverage the incentive to reduce their production costs.

**6. COMPETITOR LANDSCAPE****6.1 Operators in the industry**

- To provide an indication of the performance of companies in the animation production industry, the following Malaysian companies were selected based on the following criteria:
  - involved in the provision of animation production services, including 2D and/or 3D animation;
  - having operations in Malaysia; and
  - availability of relatively recent financial information.

Companies listed in descending order of revenue	FYE/ FPE <sup>(1)</sup>	Rev <sup>(2)</sup> (RM mil)	GP <sup>(2)</sup> (RM mil)	NP/(NL) <sup>(2)</sup> (RM mil)	GP <sup>(2)</sup> Margin (%)	NP/(NL) <sup>(2)</sup> Margin (%)
Lemon Sky Animation S/B <sup>(a)</sup>	FYE Dec-22	80.2	40.5	14.7	50.6	18.3
<b>Kucingko Group</b>	<b>FYE Dec-22</b>	<b>23.5</b>	<b>n.a.</b>	<b>8.0</b>	<b>n.a.</b>	<b>34.0</b>
Lil Critter Workshop S/B <sup>(b)</sup>	FYE May-23	12.9	5.5	0.1	42.6	1.0
Polygon Pictures Malaysia S/B <sup>(c)</sup>	FYE Dec-22	11.7	2.0	1.0	16.7	8.2

**8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**

Companies listed in descending order of revenue	FYE/ FPE <sup>(1)</sup>	Rev <sup>(2)</sup> (RM mil)	GP <sup>(2)</sup> (RM mil)	NP/(NL) <sup>(2)</sup> (RM mil)	GP <sup>(2)</sup> Margin (%)	NP/(NL) <sup>(2)</sup> Margin (%)
Animasia Studio S/B <sup>(d)</sup>	FYE Dec-22	9.0	n.a.	-1.0	n.a.	-11.6
Fly Studio S/B <sup>(e)</sup>	FYE Mar-23	7.9	1.0	0.1	12.7	1.4
Anima Vitae Point S/B <sup>(f)</sup>	FPE Dec-22	6.9	n.a.	1.3	n.a.	18.8
Warnakala Studios S/B <sup>(g)</sup>	FYE Jan-23	6.7	1.4	-0.2	21.4	-2.4
OLM Asia S/B <sup>(h)</sup>	FYE Mar-23	4.0	0.8	-0.6	20.5	-15.7

FYE= Financial Year Ended; FPE= Financial Period Ended; Rev= Revenue; GP= Gross Profit; NP= Net Profit; NL= Net Loss; mil= million; S/B= Sendirian Berhad; n.a.= not available; **Notes:** (1) Latest available financial information; (2) Derived from animation production services including 2D and 3D animation, as well as other business activities.

- (a) Involved in the provision of creative art, 2D and 3D animation production services, electronic gaming, as well as education and training. A subsidiary of iCandy Interactive Limited, a company incorporated in Australia and listed on the Australian Securities Exchange.
- (b) Involved in intellectual property development and creative content production for broadcast by using animation and puppetry.
- (c) Involved in the production of computer graphics animation and related support services. A subsidiary of Polygon Pictures Holdings Inc., a company incorporated in Japan.
- (d) Involved in animation production and general trading.
- (e) Involved in the production of graphic design for multimedia broadcasting and advertisement.
- (f) Involved in developing and producing computer-generated imagery for entertainment. Based on the financial period from 1 June 2022 to 31 December 2022.
- (g) Involved in creating and producing multimedia content on conventional and modern media platforms.
- (h) Involved in the development of animation graphics. A subsidiary of Imagica Group Inc., a company incorporated in Japan.

**6.2 Barriers to entry**

- There is no onerous licencing or regulatory barriers to entry into the 2D animation industry. Capital investments are relatively low mainly focused on computing hardware and software. Impediments to entry are mainly focused on track record, as well as the need for specialised skills in asset creation, animation and compositing. As such, acquiring and retaining talent with the required skills and expertise is crucial, which could pose challenges to new entrants in the industry. As an indication of the level of barriers to entry, there are 84 animation companies in Malaysia as of 2021, based on the latest available information (Source: MDEC).

**7. MARKET SIZE AND SHARE**

2021	Estimated market size in Malaysia <sup>(1)</sup>	Kucingko Group	
		Revenue <sup>(2)</sup>	Market share in Malaysia <sup>(3)</sup>
Animation industry	RM600 million	RM17.6 million	3%

**Notes:**

- (1) Latest available information. (Source: MDEC).
- (2) Kucingko Group's revenue for 2D animation production services for the financial year ended 31 December 2021 (Source: Kucingko Group).
- (3) (Kucingko Group's revenue divided by Malaysia's estimated animation industry market size) x 100%.

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**8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**


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**8. INDUSTRY CONSIDERATION FACTORS**
**Drivers of growth and opportunities**

- **Digitalisation and growth in the distribution of content** will provide opportunities to operators in the 2D animation production industry. Viewer demand for 2D animated content, which drives the demand for 2D animation production services, is largely dependent on content providers and their distribution networks. Distribution networks are crucial for reaching viewers. The digitalisation of content, widespread internet usage for downloads and streaming, as well as the increased use of mobile devices for content consumption have expanded the reach of traditional distribution channels such as TV and cinemas, as well as enabled new distribution channels including online download and streaming platforms such as Netflix, Amazon Prime Video, Disney+, HBO Max/Max, Tencent Video and iQIYI, which have a global reach.
- The prospects of the 2D animation production industry in Malaysia are dependent upon, among others, **government initiatives and incentives** that support and develop the industry ecosystem. According to the Malaysia Digital Economy Blueprint, the Government of Malaysia aims to establish Malaysia as a regional hub for digital content including animation, games and visual effects, and set out to achieve a CAGR of 8% in digital content export from 2021 to 2025. Based on the Mid-Term Review of the 12MP, the government planned to undertake a study to strengthen the ecosystem of the creative industry and establish a creative industry satellite account to facilitate better policy planning and monitoring. Under Budget 2024, a total of RM160 million has been allocated to implement various initiatives in the creative industry, comprising RM60 million for the digital content fund, RM90 million for FIMI and RM10 million for the MyCreative Matching Grant Scheme to support artists in the production of creative projects.

**Threats and challenges**

- 2D animation faces **competition from 3D animation**, as some customers may prefer the visual depth and realism offered by 3D animation over 2D animation. Although 3D animation production is typically more expensive than 2D animation production, technological advancements may lead to cost reductions, which could make 3D animation more competitive with 2D animation. The shift in the cost dynamics could influence the choices made by animation studios when deciding on animation styles for their projects.
- Recent **advances in generative artificial intelligence (AI) tools** have demonstrated their capability to create digital animated content. As a result, generative AI tools have the potential of reducing the labour required in animation production thus reducing the overall cost of an animation project. Lower animation project value may result in lower revenue for operators in the animation production industry. Potentially, some animation production studios may decide to carry out the animation production in-house which would reduce the demand for animation production services.
- As 2D animation production is a digital technology-based service, the production process can be carried out remotely and delivered from anywhere in the world with an internet connection. As such, **competition is global in nature**. Global competition to Malaysia will include countries like the Philippines, India, South Korea, China and others.
- The animation industry may be affected by related **strikes and work stoppages**. An example is the recent strike by the Writers Guild of America (WGA) and the Screen Actors Guild - American Federation of TV and Radio Artists (SAG-AFTRA), resulting in a stoppage of work from its members. This caused interruptions to film and TV production, including among others, animation projects.

## 9. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS WHICH MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND FUTURE PERFORMANCE, TOGETHER WITH INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

### 9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

#### 9.1.1 We are dependent on certain major customers

Our revenue is based on contracts secured from customers from time to time. We are dependent on certain major customers, namely Customer A Group, Customer B Group, Customer C Group, Customer D, Customer H Group and Customer J where each of these customers accounted for more than 10.00% of our total revenue for at least one of the Financial Periods Under Review as set out below:

Customer <sup>(1)</sup>	Length of relationship (years) <sup>(2)</sup>	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Customer A Group	16	4,939	33.10	1,479	8.37	4,275	18.20	2,054	18.63
Customer B Group	9	3,775	25.30	7,886	44.62	9,350	39.81	2,993	27.14
Customer C Group	8	2,386	15.99	1,331	7.53	2,459	10.47	(3)_	(3)_
Customer D	3	1,028	6.89	1,918	10.85	(3)_	(3)_	(3)_	(3)_
Customer H Group	1	(3)_	(3)_	(3)_	(3)_	4,321	18.40	3,480	31.56
Customer J	12	(3)_	(3)_	(3)_	(3)_	(3)_	(3)_	1,262	11.44
<b>Subtotal</b>		<b>12,128</b>	<b>81.28</b>	<b>12,614</b>	<b>71.37</b>	<b>20,405</b>	<b>86.88</b>	<b>9,789</b>	<b>88.77</b>
<b>Total revenue</b>		<b>14,923</b>		<b>17,675</b>		<b>23,485</b>		<b>11,028</b>	

**Notes:**

(1) For further details on our customers, please refer to Section 7.14 of this Prospectus.

(2) The length of the relationship is as at FPE 2023.

(3) There was no revenue contribution from these major customers during the respective Financial Periods Under Review.

The revenue contribution from the above major customers collectively accounted for 81.28%, 71.37%, 86.88% and 88.77% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. As the above major customers collectively accounted for a significant portion of our total revenue, the loss of any one or a few of these major customers, if they are not replaced promptly either at comparable or higher contract values, could adversely affect our business operations and financial performance. We will continue to participate in competitive bidding to secure contracts from these customers. Moving forward, our dependency on these major customers will be based on our ability to secure contracts from these customers as well as other new and existing customers.

Our ability to continue securing new contracts from these major customers are dependent on several factors which include, amongst others, our ability to fulfil these customers' specifications and requirements, competitive pricing and timely delivery of our 2D animation production projects. There is no assurance that we would be able to continue to retain these customers, or that the value of their contracts will not vary significantly from year to year.

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**9. RISK FACTORS (CONT'D)**

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**9.1.2 Our financial performance is dependent on our ability to continually secure new and sizeable projects/contracts to sustain and grow our business**

The nature of our business is project-based and we do not have contracts that provide us with recurrent revenue. The financial performance of our Group is dependent on our ability to continually secure new and sizeable projects/contracts to sustain and/or grow our business. As 2D animation production projects are typically awarded based on competitive bidding mainly through open tenders and invitations to quote, we have to continue to bid or submit quotations for new projects.

As at the LPD, we have 8 on-going animation production projects with each of the contract value ranging between RM0.16 million to RM9.56 million. Furthermore, the contract period for our 8 on-going animation production projects ranges from 4 months up to 24 months. As at the LPD, our total unbilled order book amounted to RM23.44 million from these 8 on-going animation production projects which are expected to complete between FYE 2023 and FYE 2024. Further details on the order book are set out in Section 12.11 of this Prospectus.

In the event we are unable to continuously secure sufficient new and sizable projects, our order book will deplete over time. This may adversely affect our business sustainability and financial performance in the future. For further details of our on-going projects, please refer to Section 7.4.1.5 of this Prospectus.

For the Financial Periods Under Review, our customer base decreased from 23 individual customers (18 groups of customer) for FYE 2020 to 15 individual customers (9 groups of customer) in FYE 2022. Nevertheless, our revenue continued to increase at a CAGR of 25.38% between FYE 2020 and FYE 2022. In FPE 2023, we have 12 individual customers (8 groups of customers). For the Financial Periods Under Review, we have worked with over 28 customer groups and secured repeated engagements with 15 of our customer groups. While we will take proactive steps to seek for new project opportunities and to expand our customer base, there is no assurance that we will be able to continue to secure new and sizeable projects as well as maintain our revenue growth in the future.

**9.1.3 Our business may be affected by the increasing popularity of free self-made live-action content or other free content broadcasted over social media platforms**

As a 2D animation production service provider, our business may be affected by the performance of our customers' business in the entertainment industry which distribute content through conventional media such as television, pay-per-view and subscription-based streaming platforms such as Netflix, Amazon, Apple and Disney+.

Our customers' business may lose viewership arising from the increasing popularity of free self-made short live-action content or other free content broadcasted over various social media platforms such as YouTube, TikTok, Instagram, Twitter and Facebook. If these competing contents grow in popularity at the expense of 2D animated content broadcasted over conventional media, it may adversely affect our customers' business and subsequently the demand for our services.

As we have no control over the prospects and business strategies of our customers, our financial performance may be adversely affected in the event they allocate lower financial resources for the development of 2D animation content as part of their business strategy, or if they lose market share to other competing content which is broadcasted over various social media platforms.

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**9. RISK FACTORS (CONT'D)**

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**9.1.4 Our business may be affected if the demand for 3D animation content increases at the expense of 2D animation content**

As a producer of 2D animated content, our business competes with 3D animated content. There is a risk that the increasing demand for 3D animated content may grow at the expense of 2D animated content which would adversely affect our business operations and financial conditions.

3D animated content provides viewers with a different viewing experience compared to 2D animated content arising from its more life-like depiction of characters, background and other elements in the content. Nevertheless, the cost of production of 3D animated content is currently substantially higher compared to 2D animated content. Nevertheless, innovations and improvements in technology may reduce the cost of 3D animation production which would increase the cost competitive pressure against 2D animation production. Such technological innovations include the use of generative AI tools to produce 3D animated content which may significantly reduce the overall cost of production for 3D animated content.

Our Group will continue to monitor the development of 3D technologies and evaluate on ways to integrate such technologies into the 2D animation production pipeline, in view that both 2D animation and 3D animation may share similar animation production techniques such as using 3D background and 3D models in complex scenes while maintaining 2D aesthetics. As such, with the evolution of technology, the methodologies employed in the 3D animation production may be effectively adopted for the creation of 2D animation, and vice versa.

We have been specialising in 2D animation production and it is evident that we are able to sustain our business by placing our focus on 2D animation production based on the historical financial performance of our Group. Hence, we remain committed to expanding our business horizon in the 2D animation industry but will not discount venturing into 3D animation in the future. Our Group will train our animation production personnel to expand on skill sets that include the knowledge of 3D animation production. This could make our Group more versatile in animation production that leverage on hybrid model of 2D and 3D animation. Nevertheless, there is no assurance that the demand for our 2D animation production services may not be adversely affected by the increase in popularity of 3D animated content.

**9.1.5 We are dependent on skilled manpower supply of animation production personnel**

The execution of 2D animation production projects relies on creative and skilled animation production personnel. Notwithstanding that we have our in-house animation production personnel, we also subcontract some of our 2D animation production work to individual freelancers to ensure timely project completion as and when necessary.

Our in-house animation production personnel usually hold degrees, diplomas or certificates in animation or similar fields. We also consider other factors while engaging individual freelancers such as experience, technical proficiency, creativity, attention to detail and ability to work collaboratively within a team. In addition, we employ individual freelancers with a background in 2D animation production to support our 2D animation production services.

During the Financial Periods Under Review and up to the LPD, we have engaged up to 65 individual freelancers. While we have access to a large pool of animation freelancers, there is no assurance that we will continue to have access to this talent pool. Any shortages in the supply of skilled manpower, either as potential employees or freelancers, or inability of our Group to train and retain current employees as well as the inability to replace the loss in headcounts, could adversely affect the quality standards and timely delivery of our 2D animation production projects, which in turn may adversely affect our reputation, business operations and financial performance.

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**9. RISK FACTORS (CONT'D)**


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**9.1.6 We are subject to the risk of negative publicity and allegations including forced labour practices which may affect our reputation and business operation**

The nature of our business in 2D animation production is labour-intensive and we are dependent on a large pool of personnel for our 2D animation production projects. For each of the years within the Financial Periods Under Review and up to the LPD, we have between 133 and 212 animation production personnel who are either employed as full-time employees or contract employees. In addition, during the Financial Periods Under Review and up to the LPD, we have engaged up to 65 individual freelancers to complement our full-time and contract employees.

In 2020, certain allegations of unethical labour practices were made against our Group, including allegation relating to employees' provident fund contribution, unrealistic quota system that unfairly assessed employee performance, unpaid wages, inadequate workforce allocation resulting in penalisation by customers and excessively long working hours. These allegations were publicly discussed on various public platforms. There is no corroborating evidence has emerged to support these allegations and our internal control reviewers have conducted thorough investigations to verify these allegations, and they came to the conclusion that there is no evidence to substantiate the validity of such allegations made for the period from 1 January 2020 to 31 December 2022. Notwithstanding these allegations are unsubstantiated, it may potentially generate negative publicity on our Group which could impact our customers' willingness to engage our services and may adversely affect our Group's business operations and financial conditions.

As at the LPD, we have not faced any legal proceedings, official disputes or actions related to allegations of unethical labour practices. However, there can be no assurance that we will not face allegations or disputes related to labour practices in the future which may harm our reputation, business operations and financial performance.

**9.1.7 Our business and financial performance may be affected in the event of project delays, termination or suspension of contracts**

Our 2D animation production projects are based on fixed contract value and agreed milestones as stipulated in the contracts. Although we closely monitor and manage our projects to adhere to the project schedule, there is a risk that we may not be able to complete our projects on time. The timely completion of our projects are dependent on many external factors including, amongst others, unanticipated delays during project planning, shortage of workers and global pandemics. In addition, our scope of work includes retakes to make corrections or adjustments to particular scenes based on customers' feedback which may potentially delay our project.

In the event of any delays in the timing of our deliverables, we may be subject to a deduction based on a percentage of the value of the corresponding production milestone as stipulated in our contracts or we may be subject to termination. If the delay is caused by the customer, we may negotiate with the customer to request for variation orders for the additional cost incurred as a result of the delay. For the Financial Periods Under Review and up to the LPD, we have not experienced any deduction on the contract value or termination of contract or any claims and/or penalties from customers due to delay in the delivery of our production works.

Nevertheless, there can be no assurance that we will be able to continue to complete projects on time and within budget in the future. In the event of we are unable to complete projects on time and within budget, our business operation and financial performance may be adversely affected.

We are also subject to the risk of early contract termination or suspension of projects resulting from, amongst others, changes in our customers' business strategy, requirements, financial circumstances or market conditions affecting our customers, or failure to meet our contractual obligations. There can be no assurance that our customers will not terminate or suspend our contracts as these factors may be beyond our control. For the Financial Periods Under Review and up to the LPD, 3 of our contracts were terminated or suspended by our customers as set out below:

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**9. RISK FACTORS (CONT'D)**


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- (i) in January 2020, we secured a contract from a customer in Mexico for 2D animation production service for an animated content of approximately 16 minutes. However, the customer only provided us with a portion of the pre-production package which only allowed us to provide our animation production service for 4 minutes of animated content. In FYE 2020, we recognised RM0.01 million revenue for the partial work completed of the said project.
- (ii) in May 2020, we secured a contract from a customer in USA for 2D animation production service for an animated content of approximately 440 minutes. However, the project was subsequently suspended by the customer due to internal restructuring of the customer. We have recognised RM0.02 million revenue in FYE 2020 and FYE 2021 respectively, for the partial work completed of the said project; and
- (iii) in December 2020, we secured a contract from a customer in USA for 2D animation production service for an animated content of approximately 60 minutes. Subsequently, the contract was mutually terminated due to disagreement in workflow of the project. In FYE 2020, we recognised RM0.17 million revenue for the partial work completed of the said project.

There can be no assurance that we will not experience any early termination or suspension of projects in the future which may adversely affect our business operation and financial performance.

**9.1.8 We are liable to content security risk where unauthorised disclosure, distribution of confidential information, breach of IP rights or other terms and conditions may lead to the termination of our contracts or legal proceedings against our Group**

Our 2D animation production projects are based on the pre-production package provided by our customers which typically includes the storyboard, character and background design as well as information that are sensitive, confidential and/or protected under IP rights. Our production process also includes transmitting, receiving and storing work-in-progress as well as completed projects before these are uploaded to our customers' designated storage location. Under the terms of contract with our customers, we are required to keep all such information, data and contents strictly confidential and secured.

Our electronic infrastructure and systems comprise, amongst others, the following devices:

- (i) servers, computers and mobile devices that either receive, process, store or transmit data;
- (ii) data centres for storage of data and information; and
- (iii) communications infrastructure including local area network and the internet to facilitate transmission and reception of data,

which are potentially vulnerable to physical or electronic intrusions, eavesdropping, cyber-attacks, malicious codes, ransomware or other destructive or disruptive actions. As with all electronic infrastructure and systems, we face the risk of, amongst others, sabotage, theft, destruction and/or loss of data, information and systems. Furthermore, we may be vulnerable to internal threats, such as unauthorised access by employees, or third-party subcontractors and individual freelancers who have access to this information.

Despite the implementation of various security measures, there is a risk that our security measures may be inadequate and we may be exposed to security breach intentionally or unintentionally by internal as well as external parties.



**9. RISK FACTORS (CONT'D)**

Since the commencement of our business, we have not experienced any termination of contracts, legal proceedings or penalties from our customers due to infringements concerning content security. Nevertheless, we may not be able to anticipate or implement adequate preventive measures against all security breaches and/or damage to our systems and/or human errors or careless actions from our employees or freelancers, any of which would adversely affect our reputation, business operations and financial performance.

**9.1.9 We are dependent on technology and computer systems for our 2D animation production projects**

The 2D animation production is a computer and technology-intensive operation which requires technology infrastructure including hardware, networks and software, as well as management systems to support the production process. In view of this, any errors or defects in the software, failure in hardware or networks, or failure of back-up facilities will affect the delivery of our 2D animation production works which could adversely affect our reputation and financial performance.

For the Financial Periods Under Review and up to the LPD, we have not experienced any material interruptions or failures in our technology infrastructure and management system which resulted in delays or failure to complete our 2D animation production projects. However, there can be no assurance that we will not experience any disruptions in our technology infrastructure and/or management system which could adversely affect our business operations and financial performance in the future.

**9.1.10 We are subject to foreign exchange fluctuation risks which may impact our competitive position and profitability**

Our business is exposed to risk of foreign exchange fluctuations where 99.69%, 99.20%, 99.60% and 99.64% of our revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively were transacted mainly in foreign currencies including USD and CAD, and to a lesser extent, EUR and AUD. Meanwhile, our purchases of materials and services for the Financial Periods Under Review were transacted in RM, HKD and USD.

For the Financial Periods Under Review, our revenue transactions and purchases in various currencies are as follows:

Revenue	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
USD	10,459	70.09	11,724	66.33	20,625	87.83	9,385	85.10
EUR	1,667	11.17	4,282	24.23	161	0.68	1,262	11.44
AUD	96	0.64	-	-	146	0.62	277	2.51
SGD	-	-	-	-	-	-	65	0.59
RM	46	0.31	141	0.80	94	0.40	39	0.36
CAD	2,417	16.20	1,528	8.64	2,459	10.47	-	-
HKD	238	1.59	-	-	-	-	-	-
<b>Group revenue</b>	<b>14,923</b>	<b>100.00</b>	<b>17,675</b>	<b>100.00</b>	<b>23,485</b>	<b>100.00</b>	<b>11,028</b>	<b>100.00</b>

**9. RISK FACTORS (CONT'D)**

Purchases	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	244	23.06	1,208	59.25	1,736	66.02	720	64.17
HKD	-	-	762	37.43	790	30.01	402	35.83
USD	815	76.94	68	3.32	105	3.97	-	-
<b>Group purchases</b>	<b>1,059</b>	<b>100.00</b>	<b>2,038</b>	<b>100.00</b>	<b>2,631</b>	<b>100.00</b>	<b>1,122</b>	<b>100.00</b>

For further details on the impact of foreign exchange fluctuation on our financial performance during the Financial Periods Under Review, please refer to Section 12.3.1 (viii) of this Prospectus. Our financial performance may be adversely affected if there are any strong unfavourable movements in exchange rates between RM and USD, CAD or other foreign currencies.

As at the LPD, we have foreign currency forward hedging facilities which may be utilised in the future depending on business operation's requirements. However, we do not have a formal hedging policy with respect to foreign exchange exposure. Rather, we monitor foreign exchange exposure on an ongoing basis and endeavour to keep net exposures to an acceptable level. Nevertheless, there is no assurance that any future fluctuations in foreign exchange rates will not materially and adversely affect our financial performance.

**9.1.11 We may not be able to effectively execute our business strategies and plans promptly**

Our business strategies and plans are to continue with our existing business activities in 2D animation production and leverage on our core competencies to grow our business. Our business strategies and future plans include domestic expansion in Malaysia by setting up branch offices in Sabah and Sarawak, expanding our technical resources and upgrading of existing operational office in Selangor as well as foreign expansion by setting up a sales office in the USA. For further information on our business strategies and future plans, please refer to Section 7.6 of this Prospectus. The prospects and future growth of our business is dependent on our ability to implement these strategies effectively and promptly.

There is no assurance that we will be successful in executing our business strategies and plans within the planned timeframe nor that we will be able to anticipate, minimise or mitigate all the business, financial and operational risks arising from the implementation of our business strategies and plans. In addition, we may experience delays in the implementation of our strategies and future plans due to amongst others, availability of skilled human resources, global and domestic economic conditions, regulatory changes and competition.

**9.1.12 We are dependent on our Executive Directors and key senior management for the continuing success of our Group**

Our business operations are dependent on the experience, knowledge and skills of our Executive Directors and key senior management.

Our Executive Director, See Chin Joo has over 20 years of experience in 2D animation production industry. He is responsible for providing management guidance, and strategic advice to the key management and personnel of our Group as well as overseeing the portfolio of finance, sales and marketing, and human resources processing of our Group.

Our Executive Director, Ooi Kok Hong has over 20 years of experience in 2D animation production industry and is responsible for providing strategic guidance and direction to the running of animation production, including talent acquisition, resource planning, process improvement, and technology development and deployment within our Group.

## 9. RISK FACTORS (CONT'D)

They are supported by our other key senior management with relevant experience in their respective field of works. The profiles of our Executive Directors and other key senior management are set out in Sections 5.1.2 and 5.4.2 of this Prospectus.

We recognise that our Group's future growth and continuing success depend, to a significant extent, on the capabilities and continuing efforts of our Executive Directors and key senior management. The loss of any of our Executive Directors or key senior management without any suitable and timely replacement may adversely affect our business operations and financial performance. Further, there is no assurance that we would be able to retain our Executive Directors or any of our key senior management or ensure a smooth transition should there be any material changes in key personnel in the future.

### 9.2 RISKS RELATING TO OUR INDUSTRY

#### 9.2.1 We are subject to risks and uncertainties associated with technological changes and innovations

Our business operations involve extensive usage of technology in the production of 2D animation content. As such, any changes and innovations in such technology may affect our business. Certain technologies may be disruptive and may adversely affect our business operations. One such disruptive technology, amongst others, is generative AI, which is similar to ChatGPT.

Recent advancement in generative AI have demonstrated that it is capable of creating digital animation content. However, the conceptualisation, storyline and specific character personification, design and specification will still require human input. Workforce cost is a major component of the overall production cost in animation content. Generative AI has the potential to automate various aspects of the animation production process such as:

- (i) asset creation, which involves the creation of digitally drawn series of images that simulate movements;
- (ii) compositing, which involves the overlaying of various still images onto each frame of the animation content; and
- (iii) animatics, incorporating all the production work and sound overlay into the required sequence and proper timing.

While generative AI tools are still at its early developmental stage, the technology may have the potential of reducing the cost of producing animation content by replacing some of the workforce. As animation production is a global industry, the reduction in the cost of production will invariably place pressure on the contract selling price of the animated content due to competitive forces. In the event the animation production companies have to reduce their contract selling price, this may affect the prospects of operators in the animation production industry.

Although AI generative tools can be used to generate new creative assets, the ownership of such assets is still a subject of legal ambiguity at this stage. The creative assets generated by AI may be subject to copyright protection, and ownership issues. This poses a challenge to the animation industry for the adoption of generative AI in the production of animated contents, which animation studios may perceive generative AI as a sensitive subject given the potential lawsuits that may arise from the use of unauthorised work. In 2023, we had also secured contract for 2D animation production that prohibit the adoption of generative AI in our production work. From this perspective, the creative assets generated by AI tools may not have any material commercial value. There is no assurance that the creative assets that are generated from AI tools will not have any commercial value in the future.

## 9. RISK FACTORS (CONT'D)

In addition, we cannot provide any assurance that the use of AI-generated content would not adversely affect the demand for traditionally created content including 2D animation. We will continue to monitor the development of technologies and evaluate on ways to integrate such technologies into the 2D animation production pipeline. This could mean adoption of AI for labour intensive tasks such as inbetweening and colouring. Furthermore, we will provide training to our animation production personnel to expand on skill sets that include the knowledge of AI. This could make our Group more versatile in animation production that leverage on the strength of AI. Nevertheless, in the event we fail to adopt innovative technologies like generative AI as abovementioned, we may be exposed to the risk of losing our competitiveness to technological advancement which may adversely affect our business operations and financial performance.

### 9.2.2 We are subject to domestic and foreign competition in the animation production industry

We operate in a competitive industry and we face competition from domestic and foreign industry players in terms of, amongst others, pricing, service product offerings, production capabilities and timely delivery of our 2D animation production projects. As the 2D animation production is a digital technology based service, the production process can be carried out remotely and delivered to the customer via the internet. From this perspective, competition for the 2D animation production industry is global in nature. Global competitors would include operators in countries such as Philippines, India, South Korea, Japan and China. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential domestic and foreign competitors, and this could adversely affect our financial performance.

### 9.2.3 We are subject to political, economic, social, market and regulatory considerations and the occurrence of force majeure events such as pandemic risk

Any adverse developments in the political, economic, social, market and regulatory conditions in Malaysia or our export markets could adversely affect our business operations and financial performance. Such developments include, amongst others, changes in audience' preference, strikes and work stoppages affecting the animation and entertainment industries, changes in political leadership, geopolitical events, general economic and business conditions, fluctuations in foreign exchange rates, interest rates, acts of terrorism, riots, wars, sanctions, expropriation, nationalisation, fiscal and monetary policies, inflation, deflation, methods of taxation, tax policies, foreign worker levy, exchange control measures, unemployment trends, deterioration of international bilateral relationships, the outbreak of diseases or pandemics and other matters that influence consumer and business confidence and spending.

Increasing volatility in financial markets may also cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia and our export markets may materially and adversely affect our business operations, financial performance and prospects.

## 9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

### 9.3.1 There is no prior market for our Shares and it is uncertain whether a sustainable market will ever develop

Prior to the IPO, there has been no public trading for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, that such a market will be sustainable. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the selling prices at which holders would be able to obtain for our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and that the market price of our Shares will not decline below the IPO Price.

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**9. RISK FACTORS (CONT'D)**


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**9.3.2 Our Share price and trading volume may be volatile**

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global stock market and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes in capital market, thus adding risks to the market price of our listed Shares. Nevertheless, the profitability of our Group is not dependent on the performance of the capital market as the business activities of our Group have no direct correlation with the performance of securities listed in the capital market.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:

- (i) variation in our results and operations;
- (ii) success or failure in our management team in implementing business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events and factors;
- (v) additions or departures of our key management personnel;
- (vi) fluctuations in stock market prices and volumes; or
- (vii) involvement in litigation.

In addition, many of the risks described herein could materially and adversely affect the market price of our Shares. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated. Accordingly, there can be no assurance that our Shares will not trade lower than the IPO Price.

**9.3.3 Delay in or cancellation of our Listing**

- (i) The occurrence of certain events, including the following, may cause a delay in or termination of our Listing:
  - (a) our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations under such agreement;
  - (b) our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25.00% of the total number of our Shares for which our Listing is sought being in the hands of at least 200 public shareholders holding at least 100 Shares each at the point of our Listing; or
  - (c) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.
- (ii) Where prior to the issuance and allotment of our IPO Shares:
  - (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall repay all monies paid in respect of the applications for our Issue Shares within

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**9. RISK FACTORS (CONT'D)**

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- 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any of our Issue Shares, all monies paid in respect of all applications for our Issue Shares will be refunded free of interest within 14 days.
- (iii) Where subsequent to the issuance and allotment of our IPO Shares:
- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our Issue Shares shall be redeemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (b) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules to the extent that our Issue Shares form part of our share capital. Such cancellation can be implemented by either:
- (aa) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
- (bb) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

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## 10. RELATED PARTY TRANSACTIONS

### 10.1 RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a “related party transaction” is a transaction entered into by a listed issuer or its subsidiary, which involves the interest, direct or indirect, of a related party. A “related party” is defined as a director, major shareholder or person connected with such director or major shareholder (including director or major shareholder within the preceding 6 months before the transaction was entered into). “Major shareholder” means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

#### 10.1.1 Our Group’s related party transactions

Save as disclosed below, there are no other related party transactions, existing and/or potential, entered or to be entered into by our Group which involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the Financial Periods Under Review and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 July 2023 up to the LPD
				FYE 2020 (RM)	FYE 2021 (RM)	FYE 2022 (RM)	FPE 2023 (RM)	
1.	Inspidea and Arboratory Limited	<u>Interested Director and major shareholder</u> (i) Ooi Kok Hong <sup>(1)</sup> (ii) See Chin Joo <sup>(2)</sup>  <u>Interested major shareholder</u> Koo Hong @ Ku Hong Hai <sup>(3)</sup> Ku Chia Loon <sup>(4)</sup>	Payment of licence fees pursuant to the software licence agreement dated 1 December 2020 and software licence agreement dated 31 January 2021, both between Inspidea and Arboratory Limited in respect of the usage of the animation production management software titled “ <i>Inspirator</i> ” <sup>(5)</sup>  Disposal of Tapestream Pte Ltd <sup>(6)</sup>	<sup>(10)</sup> 732,780 (represents 19.93% of our PAT)	<sup>(10)</sup> 762,840 (represents 11.76% of our PAT)	-	-	-
				-	-	96,625 (represents 1.21% of our PAT)	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	of Nature of transaction	Transaction value				Between 1 July 2023 up to the LPD (RM)
				FYE 2020 (RM)	FYE 2021 (RM)	FYE 2022 (RM)	FPE 2023 (RM)	
			Disposal of TSSRM Sdn Bhd <sup>(6)</sup>	-	-	391,203 (represents 4.90% of our PAT)	-	-
2.	Inspidea and Tessereum Limited	<u>Interested Director and major shareholder</u> (i) Ooi Kok Hong <sup>(1)</sup> (ii) See Chin Joo <sup>(2)</sup>  <u>Interested major shareholder</u> Koo Hong @ Ku Hong Hai <sup>(3)</sup>  Ku Chia Loon <sup>(4)</sup>	Payment of licence fees pursuant to the software sublicense agreement dated 1 January 2022 and software sublicense agreement dated 1 January 2023, both between Inspidea and Tessereum Limited in respect of the usage of the animation production management software titled "Inspirator" <sup>(7)</sup>	-	-	<sup>(11)</sup> 789,551 (represents 9.89% of our PAT)	401,602 (represents 13.29% of our PAT)	469,427
3.	Inspidea and TSSRM Sdn Bhd	<u>Interested Director and major shareholder</u> (i) Ooi Kok Hong <sup>(1)</sup> (ii) See Chin Joo <sup>(2)</sup>	Back charge of staff costs by Inspidea to TSSRM Sdn Bhd <sup>(8)</sup>	-	-	<sup>(12)</sup> 417,953 (represents 5.24% of our PAT)	88,089 (represents 2.92% of our PAT)	12,524



10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 July 2023 up to the LPD (RM)
				FYE 2020 (RM)	FYE 2021 (RM)	FYE 2022 (RM)	FPE 2023 (RM)	
		<u>Interested major shareholder</u> Koo Hong @ Ku Hong Hai <sup>(3)</sup>						
		Ku Chia Loon <sup>(4)</sup>						
4.	Inspidea and TSSRM	<u>Interested Director and major shareholder</u> (i) Ooi Kok Hong <sup>(1)</sup> (ii) See Chin Joo <sup>(2)</sup>	Cash advances by Inspidea to TSSRM Sdn Bhd for working capital expenditure purposes <sup>(9)</sup>	(12)5,000 (represents 0.14% of our PAT)	(12)7,350 (represents 0.11% of our PAT)	(12)9,500 (represents 0.12% of our PAT)	90,000 (represents 2.98% of our PAT)	-
		<u>Interested major shareholder</u> Koo Hong @ Ku Hong Hai <sup>(3)</sup>						
		Ku Chia Loon <sup>(4)</sup>						

**Notes:**

(1) Ooi Kok Hong is our Executive Director and major shareholder through Cat Ching.

*In respect of his interest in Arboratory Limited*

*He is also a director and indirect major shareholder of Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.*

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**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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In respect of his interest in Tessereum Limited

He is also a director and major shareholder of Tessereum Limited by virtue of his direct shareholdings and indirect shareholdings through Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.

In respect of his interest in TSSRM Sdn Bhd

He is also a director and indirect major shareholder of TSSRM Sdn Bhd through Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.

- (2) See Chin Joo is our Executive Director and major shareholder through Cat Ching.

In respect of his interest in Arboratory Limited

He is also a director and indirect major shareholder of Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.

In respect of his interest in Tessereum Limited

He is also an indirect major shareholder of Tessereum Limited through Arboratory Limited by virtue of his shareholding in Defyx Sdn Bhd.

In respect of his interest in TSSRM Sdn Bhd

He is also a director and indirect major shareholder of TSSRM Sdn Bhd through Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.

- (3) Koo Hong @ Ku Hong Hai is our major shareholder.

In respect of his interest in Arboratory Limited

He is also an indirect major shareholder of Arboratory Limited by virtue of his shareholdings in Netval Ventures.

In respect of his interest in Tessereum Limited

He is also an indirect major shareholder of Tessereum Limited through Arboratory Limited by virtue of his shareholdings in Netval Ventures.

In respect of his interest in TSSRM Sdn Bhd

He is also an indirect major shareholder of TSSRM Sdn Bhd through Arboratory Limited by virtue of his shareholdings in Netval Ventures.

- (4) Ku Chia Loon is our Non-Independent Non-Executive Director, and the son of our major shareholder, Koo Hong @ Ku Hong Hai. Notwithstanding, Ku Chia Loon is not deemed to be an interested Director by virtue of Koo Hong @ Ku Hong Hai's shareholdings in Netval Ventures given that Ku Chia Loon is not a Director (i.e. related party) when the transactions were entered.

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

- (5) *The transaction was carried out on arm's length basis and on normal commercial terms which are not detrimental to the non-interested shareholders, after taking into consideration other alternative animation production management software with similar characteristics and priced within similar range as the Inspirator software used by our Group. On 1 December 2021, Arboratory Limited has sublicenced the animation production management software titled "Inspirator" to its subsidiary, Tessereum Limited and we have entered into a software sublicense agreement with Tessereum Limited in respect of the usage of the animation production management software titled "Inspirator". For further details, please refer to No. 2 of the table above. As such, we will not continue with the software licencing agreement with Arboratory Limited in respect of the usage of the animation production management software titled "Inspirator" moving forward.*
- (6) *The transactions were carried out on arm's length basis as the respective disposal considerations were based on the net assets of Tapestreum Pte Ltd and TSSRM Sdn Bhd respectively. The transactions were one-off and will not be repeated.*
- (7) *The transaction was carried out on arm's length basis and on normal commercial terms which are not detrimental to the non-interested shareholders, after taking into consideration other alternative animation production management software with similar characteristics and priced within similar range as the TESSR software (formerly known as Inspirator) used by our Group. Notwithstanding the software sublicense agreement is a material transaction, the software sublicense agreement is replaceable without significant cost incurred in the event Kucingko decides to discontinue the agreement. Moving forward, the Group will continue to carry out this transaction as a recurrent related party transaction on arm's length basis.*
- (8) *The payment of back charge of staff costs may not have been carried out on an arm's length basis and normal commercial terms as they are interest-free. However, such payments on behalf have been fully settled by the related party as at FPE 2023. Moving forward, TSSRM Sdn Bhd will make payment to Inspidea in respect of the staff costs on a monthly basis.*
- (9) *The cash advances by Inspidea to TSSRM Sdn Bhd may not have been carried out on an arm's length basis and normal commercial terms as they are interest-free. However, such cash advances have been fully settled by TSSRM Sdn Bhd as at FPE 2023. Moving forward, Inspidea will not make any cash advances to TSSRM Sdn Bhd.*
- (10) *Arboratory Limited is a wholly-owned subsidiary of Inspidea prior to its disposal on 30 June 2022. This transaction has been disclosed as a related party transaction in the Accountant's Report as it was prepared on the basis that our Group has excluded all business and activity that will not form part of Kucingko Group. Arboratory Limited was disposed from our Group on 30 June 2022 due to, amongst others, its core business of developing and commercialising software-as-a-service over the cloud infrastructure is different from the core business of our Group, which is in relation to animation production services. By separating Arboratory Limited from our Group, this will allow our Group to concentrate efforts and resources on our core business of animation production services.*
- (11) *Arboratory Limited owns Tessereum Limited via 37.5% of the ordinary shares and 100.00% of the convertible preference shares of Tessereum Limited. Upon full conversion of the convertible preference shares, Arboratory Limited will hold 96.56% ordinary shares of Tessereum Limited. Arboratory Limited in turn is a wholly-owned subsidiary of Inspidea prior to its disposal on 30 June 2022. This transaction has been disclosed as a related party transaction in the Accountant's Report as it was prepared on the basis that our Group has excluded all business and activity that will not form part of Kucingko Group.*
- (12) *TSSRM Sdn Bhd is a wholly-owned subsidiary of Inspidea prior to its disposal on 31 December 2022. This transaction has been disclosed as a related party transaction in the Accountant's Report as it was prepared on the basis that our Group has excluded all business and activity that will not form part of Kucingko Group.*

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**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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The transactions with TSSRM Sdn Bhd for the payment of back charge of staff costs and cash advances for working capital expenditure purposes may not have been carried out on an arm's length basis. However, such payments on behalf and cash advances have been fully settled by the related party as at the date of this Prospectus and moving forward, we will no longer pay on behalf and provide cash advances for our related parties.

Save for the related party transactions mentioned in the paragraph above, our Directors (save for the interested Directors) are of the opinion that the other related party transactions were carried out on an arm's length basis and on normal commercial terms which are not detrimental to the non-interested shareholders.

Our Directors also confirm that there are no other related party transactions that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but not yet effected up to the date of this Prospectus.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek our shareholders' approval each time we enter into a material related party transaction. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate.

For any proposed related party transactions that involve the interest, direct or indirect, of the Directors, the interested Director shall:

- (i) disclose their interest to our Board, of the nature and extent of their interest; and
- (ii) abstain from any Board deliberation and voting on the relevant resolution in respect of such proposed related party transaction.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, the Directors and major shareholders, and/or persons connected with them which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Director and/or major shareholders will also undertake to ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will review the terms of the related party transactions to ensure that related party transactions are carried out on an arms' length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and not unfavourable to our Group, and are not detrimental to the non-interested shareholders. Our Audit and Risk Management Committee will also, amongst others, supervise and monitor any related party transactions and the terms thereof and report to our Board for further action. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

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## **10. RELATED PARTY TRANSACTIONS (CONT'D)**

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### **10.1.2 Related party transactions entered into that are unusual in their nature or conditions**

There were no related party transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which our Company or any of our Subsidiaries were a party to in respect of the Financial Periods Under Review and up to the LPD.

### **10.1.3 Loans or financial assistance made to or for the benefit of related parties**

There are no outstanding loans or financial assistance (including guarantees of any kind) made by our Group to or for the benefit of any related parties during the Financial Periods Under Review and up to the LPD.

## **10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS**

### **10.2.1 Audit and Risk Management Committee review**

Our Audit and Risk Management Committee reviews related party transactions to ensure no conflicts of interest arise within our Company or our Group. The Audit and Risk Management Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conducts. In reviewing the related party transactions, the following, amongst other things will be considered:

- (i) the rationale and the cost/benefit to our Company is first considered;
- (ii) where possible, comparative quotes will be taken into consideration;
- (iii) that the transactions are carried out in the best interest of our Group and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to the detriment of our Group; and
- (iv) that the transactions are not detrimental to our Company's non-interested shareholders.

All reviews by the Audit and Risk Management Committee are reported to our Board for its further action.

### **10.2.2 Our Group's policy on related party transactions**

As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions shall be reviewed by the Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Group, on arm's length basis and are based on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to the detriment of our Group.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and the Malaysian Code on Corporate Governance upon our Listing. The procedures which may form part of the framework include, amongst others, the following:

- (i) our Board shall ensure that majority of our Board members are independent directors and will undertake an annual assessment of our Independent Directors;

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**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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- (ii) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and
  
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

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## 11. CONFLICT OF INTEREST

### 11.1 INTEREST IN ENTITIES WHICH CARRY ON A SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE OUR CUSTOMERS OR SUPPLIERS

#### 11.1.1 Interest in businesses or corporations that carry on a similar trade as that of our Group

As at the LPD, none of our Directors and substantial shareholders have any interest, whether direct or indirect, in other businesses or corporations that carry on a similar trade to that of our Group.

#### 11.1.2 Interest in the business of our customers and/or suppliers

As at the LPD, none of our Directors and substantial shareholders have any interest, whether direct or indirect, in any entity which is a customer and/or supplier of our Group, save as disclosed below:

<u>No.</u>	<u>Company name</u>	<u>Principal activity</u>	<u>Nature</u>	<u>Interested Director / substantial shareholder</u>	<u>Nature of interest</u>
1.	Tessereum Limited	Developer for web based and mobile based software application	Tessereum Limited is related to our Directors and substantial shareholders.  Tessereum Limited is our supplier for FYE 2022. The purchases from Tessereum Limited for FYE 2022 amounted to approximately RM789,551, accounting for 30.03% of our total purchases.	Ooi Kok Hong and See Chin Joo, our Executive Directors and substantial shareholders.  Ku Chia Loon, our Non-Independent Non-Executive Director.  Koo Hong @ Ku Hong Hai, our substantial shareholder.	37.5% of the ordinary shares and 100% of the convertible preference shares <sup>(1)</sup> of Tessereum Limited is held by Arboratory Limited, which is in turn held by Defyx Sdn Bhd (43.22%) and Netval Ventures (56.78%).  Ooi Kok Hong is the director and major shareholder of Tessereum Limited by virtue of his direct shareholdings (31.25% of the ordinary shares held in Tessereum Limited) and indirect shareholdings through Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.  See Chin Joo is the indirect major shareholder of Tessereum Limited through Arboratory Limited by virtue of his direct shareholdings in Defyx Sdn Bhd.

**11. CONFLICT OF INTEREST (CONT'D)**

<u>No.</u>	<u>Company Name</u>	<u>Principal Activity</u>	<u>Nature</u>	<u>Interested Director / Substantial Shareholder</u>	<u>Nature of Interest</u>
					<p>Ku Chia Loon is the son of Koo Hong @ Ku Hong Hai, who is an indirect major shareholder of Tessereum Limited through Arboratory Limited by virtue of his direct shareholdings in Netval Ventures.</p> <p>Koo Hong @ Ku Hong Hai is the indirect major shareholder of Tessereum Limited through Arboratory Limited by virtue of his direct shareholdings in Netval Ventures.</p>

**Note:**

(1) Upon full conversion of the convertible preference shares, Arboratory Limited will hold 96.56% ordinary shares of Tessereum Limited.

Our Board (save for the interested Directors namely Ooi Kok Hong, See Chin Joo and Ku Chia Loon) is of the view that the interests of Ooi Kok Hong, See Chin Joo and Ku Chia Loon (through his father, Koo Hong @ Ku Hong Hai) and Koo Hong @ Ku Hong Hai in Tessereum Limited do not give rise to a conflict of interest situation due to the following:

- (i) Tessereum Limited's business is not competing with our Group and our Group does not develop any animation production management software;
- (ii) the transactions between our Group and Tessereum Limited were carried out on arm's length basis and normal commercial terms which are not detrimental to the non-interested shareholders, after taking into consideration other alternative animation production management software with similar characteristics and priced within similar range as the TESSR software used by our Group; and
- (iii) our Group is not dependent on Tessereum Limited, in which the software sublicense agreement is replaceable without significant cost incurred in the event that that our Company decides to discontinue the agreement.

Moving forward, following our Listing, our Audit and Risk Management Committee will continue to review and assess the financial risk and matters in relation to any related party transactions and potential conflict of interest situations that may arise to ensure that transactions are carried out in the best interest of our Group. These matters may include any transaction, procedure or course of conduct within our Group that raise questions of management integrity.



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## **11. CONFLICT OF INTEREST (CONT'D)**

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### **11.2 MONITORING AND OVERSIGHT OF CONFLICT OF INTEREST**

Upon Listing, the Audit and Risk Management Committee will assess the financial risk and matters relating to any potential conflict of interest situation that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management integrity, to ensure that transactions are carried out on terms that are not detrimental and in the best interest of our Group. Any future dealings with parties in which the Directors and substantial shareholders of our Company have interest, direct or indirect, will be based on established procedures for related party transactions to ensure that they are carried out on an arms' length basis.

Notwithstanding the above, the interests that are held by our Directors and substantial shareholders and the interests that may be held by our Directors and substantial shareholders in the future in other businesses or corporations which are carrying on a similar trade as our Group and/or our customers or suppliers may give rise to a conflict of interest situation with our business. Where such interests give rise to a conflict of interest situation, our Directors and substantial shareholders and persons connected to them shall abstain from deliberating and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interest. Such transactions will be carried out on arm's length basis and on normal commercial terms.

### **11.3 DECLARATION BY THE ADVISERS ON CONFLICT OF INTEREST**

#### **11.3.1 Declaration by Kenanga IB**

Kenanga IB confirms that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO.

#### **11.3.2 Declaration by Foong & Partners**

Foong & Partners confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors as to Malaysian law in respect of our IPO.

#### **11.3.3 Declaration by Russell Bedford**

Russell Bedford confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our IPO.

#### **11.3.4 Declaration by Vital Factor**

Vital Factor confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our IPO.

## 12. FINANCIAL INFORMATION

### 12.1 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

Registration No. 202301011068 (1504989-A)



Date: 24 November 2023

The Board of Directors  
**KUCINGKO BERHAD**  
 (Formerly known as Kucingo Sdn Bhd)  
 H-G-03A, Glomac Square  
 Jalan SS6/16A  
 Kelana Jaya  
 47301 Petaling Jaya

**Russell Bedford LC PLT**

(LLP0030621-LCA & AF1237)

**Chartered Accountants**

**羅瑞貝德特許會計師事務所**

Suite 37, Level 21, Mercu 3

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W: [www.russellbedford.com.my](http://www.russellbedford.com.my)

Dear Sirs

#### REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 OF KUCINGKO BERHAD (FORMERLY KNOWN AS KUCINGO SDN BHD)

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of Kucingko Berhad (formerly known as Kucingo Sdn Bhd) ("Kucingko" or the "Company") and its subsidiaries (collectively referred to as the "Group") for which the Directors of the Company are solely responsible.

The pro forma combined statements of financial position consist of the pro forma combined statements of financial position as at 30 June 2023 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Directors of the Company have compiled the pro forma combined statements of financial position are as described in Note 2 to the pro forma combined statements of financial position and in accordance with the requirements of the Prospectus Guidelines as issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The pro forma combined statements of financial position of the Group have been compiled by the Directors of the Company, for illustrative purposes only, solely to illustrate the impact of the events or transactions as set out in notes thereon to the pro forma combined statements of financial position as if the events have occurred or the transactions have been effected on 30 June 2023. As part of this process, information about the Group's pro forma combined statements of financial position have been extracted by the Directors of the Company from the Group's audited combined statements of financial position as at 30 June 2023, set out in the Accountants' Report of the Company.

#### Responsibilities of the directors for the pro forma combined statements of financial position

The Directors of the Company are responsible for compiling the pro forma combined statements of financial position based on the Prospectus Guidelines.

#### Reporting accountants' quality management and independence

We are independent of the Group in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA 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 MIA By-Laws and the IESBA Code.

Our firm applies the International Standard on Quality Management 1, Quality Management for Firms that Performs Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**12. FINANCIAL INFORMATION (CONT'D)**

Registration No. 202301011068 (1504989-A)

**Responsibilities of reporting accountants**

Our responsibility is to express an opinion, on whether the pro forma combined statements of financial position have been compiled, in all material respects, by the Directors of the Company on the basis set out in the notes and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of the Company have compiled, in all material respects, the pro forma combined statements of financial position on the basis set out in the notes and in accordance with the requirements of the Prospectus Guidelines.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical information used in compiling the pro forma combined statements of financial position, nor have we, in the course of the engagement, performed an audit or review of the financial information used in compiling the pro forma combined statements of financial position.

The purpose of the pro forma combined statements of financial position included in the Prospectus is solely to illustrate the impact of significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes for the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position have been compiled, in all material respects, on the basis as set out in the notes and based on the Prospectus Guidelines performing procedures to assess whether the applicable criteria used by the Directors of the Company in the compilation of the pro forma combined statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma combined statements of financial position of the Group reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma combined statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

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

## 12. FINANCIAL INFORMATION (CONT'D)

Registration No. 202301011068 (1504989-A)



### Opinion

In our opinion, the pro forma combined statements of financial position have been properly compiled, in all material respects, on the basis set out in the notes thereon to the pro forma combined statements of financial position and in accordance with the requirements of the Prospectus Guidelines.

### Restriction on distribution and use

This report is made solely for the inclusion in the prospectus to be issued in connection with the admission of Kucingko to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and for no other purposes and should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully

RUSSELL BEDFORD LC PLT  
LLP0030621-LCA & AF 1237  
CHARTERED ACCOUNTANTS

LEW CHUI HOONG  
03481/01/2024 J  
CHARTERED ACCOUNTANT

Kuala Lumpur

**12. FINANCIAL INFORMATION (CONT'D)**

Registration No. 202301011068 (1504989-A)

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

STAMPED FOR THE PURPOSE OF  
IDENTIFICATION ONLY  
Russell Bedford LC PLT  
(LLP0030621-LCA & AF1237)  
Chartered Accountants

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2023**

	Note	Audited as at 30 June 2023 RM	Adjustment for subsequent event RM	Pro Forma I Acquisition RM	Pro Forma II After Pro Forma I and the Proposed IPO RM	Pro Forma III After Pro Forma II and the utilisation of proceeds of RM
<b>Non current assets</b>						
Plant and equipment		1,481,530	1,481,530	1,481,530	1,481,530	1,481,530
Right of use assets		2,826,206	2,826,206	2,826,206	2,826,206	2,826,206
Goodwill		62,819	62,819	62,819	62,819	62,819
Deferred tax assets		12,500	12,500	12,500	12,500	12,500
		<u>4,383,055</u>	<u>4,383,055</u>	<u>4,383,055</u>	<u>4,383,055</u>	<u>4,383,055</u>
<b>Current assets</b>						
Inventories		4,390	4,390	4,390	4,390	4,390
Trade receivables		4,282,821	4,282,821	4,282,821	4,282,821	4,282,821
Other receivables, deposits and prepayments		739,012	739,012	739,012	739,012	739,012
Contract assets		629,775	629,775	629,775	629,775	629,775
Fixed deposits with licensed banks		7,175,000	7,175,000	7,175,000	7,175,000	7,175,000
Cash and bank balances	6(a)	1,750,643	1,750,644	1,750,644	[•]	[•]
		<u>14,581,641</u>	<u>14,581,642</u>	<u>14,581,642</u>	<u>[•]</u>	<u>[•]</u>
<b>Total assets</b>		<u>18,964,696</u>	<u>18,964,697</u>	<u>18,964,697</u>	<u>[•]</u>	<u>[•]</u>

**12. FINANCIAL INFORMATION (CONT'D)**

Registration No. 202301011068 (1504989-A)

**KUCINGKO BERHAD**  
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**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2023 (continued)**

	Note	Audited as at 30 June 2023 RM	Adjustment for subsequent event RM	Pro Forma I Acquisition RM	Pro Forma II After Pro Forma I and the Proposed IPO RM	Pro Forma III After Pro Forma II and the utilisation of proceeds RM
<b>Equity</b>						
Share capital	6(b)	2	3	9,560,003	[•]	[•]
Invested equity	6(c)	6,611,427	6,611,427	-	-	-
Merger reserve	6(d)	-	-	(2,948,573)	(2,948,573)	(2,948,573)
Retained earnings	6(e)	5,991,915	5,991,915	5,991,915	5,991,915	[•]
<b>Total equity</b>		<b>12,603,344</b>	<b>12,603,345</b>	<b>12,603,345</b>	<b>[•]</b>	<b>[•]</b>
<b>Non current liabilities</b>						
Borrowings		394,985	394,985	394,985	394,985	394,985
Lease liabilities		2,382,039	2,382,039	2,382,039	2,382,039	2,382,039
		<b>2,777,024</b>	<b>2,777,024</b>	<b>2,777,024</b>	<b>2,777,024</b>	<b>2,777,024</b>
<b>Current liabilities</b>						
Trade payables		116,352	116,352	116,352	116,352	116,352
Other payable and accruals		2,156,557	2,156,557	2,156,557	2,156,557	2,156,557
Contract liabilities		108,675	108,675	108,675	108,675	108,675
Borrowings		204,435	204,435	204,435	204,435	204,435
Lease liabilities		533,311	533,311	533,311	533,311	533,311
Tax payable		464,998	464,998	464,998	464,998	464,998
		<b>3,584,328</b>	<b>3,584,328</b>	<b>3,584,328</b>	<b>3,584,328</b>	<b>3,584,328</b>
<b>Total liabilities</b>		<b>6,361,352</b>	<b>6,361,352</b>	<b>6,361,352</b>	<b>6,361,352</b>	<b>6,361,352</b>
<b>Total equity and liabilities</b>		<b>18,964,696</b>	<b>18,964,697</b>	<b>18,964,697</b>	<b>[•]</b>	<b>[•]</b>

**12. FINANCIAL INFORMATION (CONT'D)**

Registration No. 202301011068 (1504989-A)

**KUCINGKO BERHAD**  
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Chartered Accountants

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2023 (continued)**

	Note	Audited as at 30 June 2023 RM	Adjustment for subsequent event RM	Pro Forma I Acquisition RM	Pro Forma II After Pro Forma I and the Proposed IPO RM	Pro Forma III After Pro Forma II and the utilisation of proceeds RM
Number of ordinary shares in issue		2	3	400,000,000	500,000,000	500,000,000
Net assets		12,603,344	12,603,345	12,603,345	[•]	[•]
Net assets per ordinary shares		6,301,672	4,201,115	0.03	[•]	[•]
Gearing ratio (times)		0.28	0.28	0.28	[•]	[•]

## 12. FINANCIAL INFORMATION (CONT'D)

### KUCINGKO BERHAD

(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

### NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

#### 1. Introduction

The Company was incorporated on 23 March 2023 under the Companies Act 2016 as a private limited liability company under the name of Kucingo Sdn Bhd. The Company was incorporated for the purpose of being an investment holding company and listing vehicle for the Group pursuant to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities Malaysia Berhad ("Listing"). On 24 July 2023, the Company changed its name to Kucingko Sdn Bhd. On 11 September 2023, the Company was converted to a public limited company and assumed its current name of Kucingko Berhad.

The registered office of the Company is located at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur.

The principal place of business of the Company is located at H-G-03A, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor.

The pro forma combined statements of financial position of the Group as at 30 June 2023 together with the notes thereon, for which the Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the inclusion in the prospectus of the Company pursuant to the Listing.

#### 2. Basis of preparation of the Pro Forma Combined Statements of Financial Position

The applicable criteria on the basis of which the Directors of the Company have compiled the pro forma combined statements of financial position are as described below. The pro forma combined statements of financial position are prepared in accordance with the requirements of the Prospectus Guidelines as issued by the Securities Commission Malaysia.

The pro forma combined statements of financial position have been prepared based on the audited combined statements of financial position of the Group as at 30 June 2023, which is prepared in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the Accountants' Report and accounting policies of the Group. The Accountants' Report used in the preparation of the pro forma combined statements of financial position were not subject to any audit qualification.

The pro forma combined statements of financial position are presented in Ringgit Malaysia ("RM").

The pro forma combined statements of financial position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 4 to the pro forma combined statements of financial position had the events or transactions been undertaken on 30 June 2023. The pro forma combined statements of financial position are not necessary indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates. Further, such information does not purport to predict the future financial position of the Group. Material and appropriate adjustments have been made in preparation of the pro forma combined statements of financial position of the Company.

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Chartered Accountants



## 12. FINANCIAL INFORMATION (CONT'D)

### KUCINGKO BERHAD

(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

#### 2.1 Merger accounting

The acquisition of Inspidea Sdn Bhd ("Inspidea") as described in Note 4.1 is accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve.

Acquisition of entities under common control does not result in any changes in economic substance. Accordingly, the Group is a continuation of the acquired entities and is accounted for as follows:

- the assets and liabilities of the acquired entities are recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquire entities immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the difference arising from the change in equity structure of the Group will be accounted for in merger reserve.

#### 3. Subsequent event

On 15 September 2023, the issued and paid up share capital of the Company was increased from RM2 to RM3 through the issue and allotment of 1 ordinary share for RM1.

#### 4. Listing scheme

The following proposals were undertaken in conjunction with, and as an integral part of the listing.

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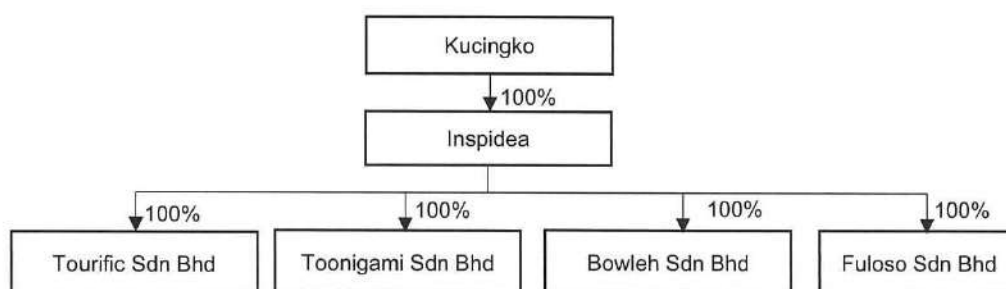
**12. FINANCIAL INFORMATION (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**4.1 Acquisition of Inspidea ("Acquisition")**

On 21 November 2023, the Company had entered into a conditional share sale agreement with the shareholders of Inspidea to acquire the entire equity interest in Inspidea comprising 4,910,703 (including the issuance of 2,578,842 ordinary shares in Inspidea as a result of the conversion of 88,509 convertible preference shares) for a total purchase consideration of approximately RM9,560,000. The purchase consideration is to be satisfied by the issuance of 399,999,997 new ordinary shares in Kucingko Berhad (formerly known as Kucingo Sdn Bhd) ("Kucingko") ("Kucingko Shares") to parties nominated by the shareholders of Inspidea at an issue price of RM0.0239 per Share.

The corporate structure of Kucingko Berhad and its subsidiaries (following the completion of the Acquisition) is as follows:



As disclosed in Note 2.1, the Group has applied the merger method of accounting for the acquisition of the combining entities. Under the merger method of accounting, the difference between the cost of investment recorded by the Company (i.e. the consideration paid for the Acquisition) and the share capital of Inspidea are accounted for as merger reserve as follows:

	RM
Consideration paid for the Acquisition	9,560,000
Less: Issued and paid-up share capital of Inspidea as at 30 June 2023	(6,611,427)
Merger reserve	<u>2,948,573</u>

**4.2 Proposed Initial Public Offering****(a) Public Issue**

The public issue of 100,000,000 new Kucingko Shares, representing 20% of the enlarged share capital of the Company at an issue price of RM[●] per Kucingko Share, to be allocated in the following manner:

- (i) 25,000,000 new Kucingko Shares available for application by the Malaysian Public, to be allocated as follows:
  - 12,500,000 Kucingko Shares made available to Bumiputera investors; and
  - 12,500,000 Kucingko Shares made available to non-Bumiputera investors.
- (ii) 10,000,000 Kucingko Shares made available for application by the eligible Directors and employees as well as persons who have contributed to the Group's success.
- (iii) 65,000,000 new Kucingko Shares by way of private placement to selected institutional/selected investors;

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## 12. FINANCIAL INFORMATION (CONT'D)

### KUCINGKO BERHAD

(Formerly known as Kucingo Sdn Bhd)  
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#### 4.2 Proposed Initial Public Offering (continued)

##### (b) Offer for Sale

Offer for sale of 100,000,000 existing Kucingko Shares ("Offer Shares"), representing 20% of the enlarged share capital of the Company at an issue price of RM[●] per Offer Share, by way of private placement to selected investors.

##### (c) Listing

Subsequent to the above, the Company's entire enlarged share capital of RM[●] comprising 500,000,000 ordinary shares will be listed on the ACE Market of Bursa Malaysia Securities Berhad.

#### 4.3 Long-term incentive plan ("LTIP") comprising Employees' Share Option Scheme ("ESOS") and Employees' Share Grant Scheme ("ESGS")

In conjunction with the Listing, the Company will establish a LTIP of up to 10% of the total number of issued Shares of the Company, comprising ESOS and ESGS, to be granted to the eligible persons.

The LTIP is intended to provide the Company with the flexibility to determine the most appropriate instrument or combination of instruments to reward and retain eligible persons whose services are vital to the continued growth and performance of the Group. It is also intended to incentivise the eligible persons for their commitment, dedication and loyalty towards attainment of higher performance.

The LTIP will be administered by the LTIP Committee and governed by the By-Laws.

The LTIP is not illustrated in the Pro Forma Combined Statements of Financial Position as the LTIP have yet to be granted as of the date of this report.

#### 5. Pro forma adjustments to the Pro Forma Combined Statements of Financial Position as at 30 June 2023

The pro forma combined statements of financial position of the Group as at 30 June 2023 has been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they had been effected on 30 June 2023.

##### 5.1 Pro Forma I

Pro Forma I incorporates the effect of the Acquisition of Inspidea as set out in Note 4.1 above.

##### 5.2 Pro Forma II

Pro Forma II incorporates the effects of the Pro Forma I and the effects of the public issue as set out in Note 4.2(a) above.

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Chartered Accountants

**12. FINANCIAL INFORMATION (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
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**5.3 Pro Forma III**

Pro Forma III incorporates the cumulative effects of Pro Forma II and utilisation of the proceeds from the public issue as set out in Note 4.2(a) above. The proceeds from the public issue will be utilised in the following manner:

Purpose	Estimated timeframe for utilisation upon listing	Amount of proceeds	
		RM	%
Capacity expansion <sup>(1)</sup>	Within 36 months	[•]	[•]
USA sales office <sup>(1)</sup>	Within 36 months	[•]	[•]
Working capital	Within 12 months	[•]	[•]
Listing expenses <sup>(2)</sup>	Immediate	[•]	[•]
		[•]	[•]
		[•]	[•]

**Notes:**

- (1) As at the latest practicable date, the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the business expansion and capital expenditure. Accordingly, the utilisation of the proceeds earmarked for the aforementioned purposes are not reflected in the pro forma combined statements of financial position.
- (2) The estimated listing expenses of [•] directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of [•] that is attributable to the Listing will be expensed off to the profit or loss. As of 30 June 2023, [•] (31 December 2022: [•]) has been paid and charged to the profit or loss account of the Group.

**6. Effects on the Pro Forma Combined Statements of Financial Position****(a) Cash and bank balances**

	<b>RM</b>
At 30 June 2023	1,750,643
Arising from subsequent event	1
	1,750,644
Adjusted for subsequent event/ As per Pro Forma I Arising from IPO	[•]
	[•]
As per Pro Forma II Arising from defrayment of estimated listing expenses	[•]
	[•]
As per Pro Forma III	[•]

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Chartered Accountants

**12. FINANCIAL INFORMATION (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**6. Effects on the Pro Forma Combined Statements of Financial Position (continued)****(b) Share capital**

	No. of shares	RM
At 30 June 2023	2	2
Arising from subsequent event	1	1
Adjusted for subsequent event	3	3
Arising from Acquisition	399,999,997	9,560,000
As per Pro Forma I	400,000,000	9,560,003
Arising from IPO	100,000,000	[•]
As per Pro Forma II	500,000,000	[•]
Arising from defrayment of estimated listing expenses	-	[•]
As per Pro Forma III	500,000,000	[•]

**(c) Invested equity**

	No. of convertible preference share	No. of ordinary shares	RM
At 30 June 2023	88,509	2,331,861	6,611,427
Acquisition	(88,509)	(2,331,861)	(6,611,427)
As per Pro Forma I, II and III	-	-	-

**(d) Merger reserve**

	RM
At 30 June 2023	-
Arising from Acquisition	(2,948,573)
As per Pro Forma I, II and III	(2,948,573)

**(e) Retained earnings**

	RM
At 30 June 2023/ As Pro Forma I and II	5,991,915
Arising from defrayment of estimated listing expenses	[•]
As per Pro Forma III	[•]

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**12. FINANCIAL INFORMATION (CONT'D)**

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**KUCINGKO BERHAD**  
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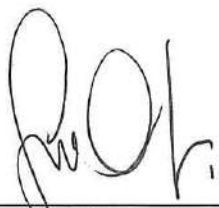
**APPROVAL BY THE BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors of the Company in accordance with a resolution dated

**24 NOV 2023**

On behalf of the Board of Directors

  
\_\_\_\_\_  
OOI KOK HONG

  
\_\_\_\_\_  
SEE CHIN JOO

**12. FINANCIAL INFORMATION (CONT'D)****12.2 HISTORICAL FINANCIAL INFORMATION**

Our historical financial information throughout the Financial Periods Under Review have been prepared in accordance with the MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows. It should be read with the "Management's Discussion and Analysis of Results of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.3 and 13 of this Prospectus respectively.

**12.2.1 Combined statements of comprehensive income**

The following table sets out a summary of our audited combined statements of comprehensive income for Financial Periods Under Review which have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	14,923	17,675	23,485	12,483	11,028
GP <sup>(1)</sup>	-	-	-	-	-
Other operating income	697	783	948	855	411
Changes in inventories	(21)	(66)	(60)	(31)	(29)
Staff costs	(7,376)	(7,712)	(9,405)	(4,457)	(5,072)
Depreciation	(1,319)	(1,045)	(1,030)	(527)	(520)
Allowance for expected credit loss, net of recovery	-	1,288	-	-	-
Other operating expenses	(2,012)	(2,824)	(4,545)	(1,756)	(2,042)
<b>Profit from operations</b>	<b>4,892</b>	<b>8,099</b>	<b>9,393</b>	<b>6,567</b>	<b>3,776</b>
Finance income	111	169	185	71	107
Finance costs	(113)	(117)	(144)	(56)	(76)
Net finance income/(costs)	(2)	52	41	15	31
<b>PBT</b>	<b>4,890</b>	<b>8,151</b>	<b>9,434</b>	<b>6,582</b>	<b>3,807</b>
Income tax expense	(1,213)	(1,667)	(1,455)	(603)	(786)
<b>PAT/Total comprehensive income for the year/period</b>	<b>3,677</b>	<b>6,484</b>	<b>7,979</b>	<b>5,979</b>	<b>3,021</b>
<b>Net profit/(loss)/Total comprehensive income/(loss) attributable to:</b>					
Owners of our Company	3,680	6,487	7,979	5,979	3,021
Non-controlling interest	(3)	(3)	-	-	-
	<b>3,677</b>	<b>6,484</b>	<b>7,979</b>	<b>5,979</b>	<b>3,021</b>
EBITDA <sup>(2)</sup>	6,211	9,144	10,423	7,094	4,296
PBT margin (%) <sup>(3)</sup>	32.77	46.12	40.17	52.73	34.52
PAT margin (%) <sup>(4)</sup>	24.64	36.68	33.97	47.90	27.39
Basic EPS (sen) <sup>(5)</sup>	0.92	1.62	1.99	1.49	0.76
Diluted EPS (sen) <sup>(6)</sup>	0.74	1.30	1.60	1.20	0.60

**12. FINANCIAL INFORMATION (CONT'D)****Notes:**

- (1) The revenue and cost associated with the food services business is negligible relative to the animation production business. There has been no cost of sales incurred since the commencement of our Group's business due to the nature of the animation business as a service based animation production company. Thus, there is no GP and GP margin recorded in our Group.

Our Group's presentation of expenses by nature is based on MFRS 101 paragraph 102 issued by the Malaysian Accounting Standards Board.

Our Group has chosen the presentation of expenses by nature as it only has one main function (i.e. animation services) and hence, such presentation reflects the better nature of our Group's business.

The presentation of expenses by nature is also consistent with their organisational structure and our Group is able to show how their business is managed.

- (2) Computed as follows:

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	3,677	6,484	7,979	5,979	3,021
Add: Finance costs	113	117	144	56	76
Income tax expense	1,213	1,667	1,455	603	786
Depreciation	1,319	1,045	1,030	527	520
Less: Finance income	(111)	(169)	(185)	(71)	(107)
<b>EBITDA</b>	<b>6,211</b>	<b>9,144</b>	<b>10,423</b>	<b>7,094</b>	<b>4,296</b>

- (3) Computed based on PBT divided by revenue.
- (4) Computed based on PAT divided by revenue.
- (5) Computed based on PAT over the total number of 400,000,000 Shares after the completion of the Acquisition but before our IPO.
- (6) Computed based on PAT over the enlarged total number of 500,000,000 Shares after our IPO.

**12.2.2 Combined statements of financial position**

The following table sets out the combined statements of financial position of our Group as at 31 December 2020, 2021 and 2022, as well as 30 June 2023 which have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited as at			
	31 December			30 June
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Plant and equipment	1,283	902	1,061	1,481
Right of use assets	2,189	1,576	2,884	2,826
Investment in subsidiaries	5	5	-	-
Goodwill	63	63	63	63
Deferred tax assets	63	13	13	13
<b>Total non-current assets</b>	<b>3,603</b>	<b>2,559</b>	<b>4,021</b>	<b>4,383</b>



**12. FINANCIAL INFORMATION (CONT'D)**

	Audited as at			
	31 December			30 June
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>Current assets</b>				
Inventories	-	3	4	4
Trade receivables	1,241	2,924	1,976	4,283
Other receivables, deposits and prepayments	1,788	1,783	974	739
Contract assets	-	-	760	630
Tax recoverable	1	1	-	-
Fixed deposits with licensed banks	7,647	9,760	9,675	7,175
Cash and bank balances	6,600	2,109	5,826	1,751
<b>Total current assets</b>	<b>17,277</b>	<b>16,580</b>	<b>19,215</b>	<b>14,582</b>
<b>TOTAL ASSETS</b>	<b>20,880</b>	<b>19,139</b>	<b>23,236</b>	<b>18,965</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	-	-	-	*
Invested equity	2,959	6,611	6,611	6,611
Retained earnings	12,080	7,907	9,175	5,992
<b>Equity attributable to owners of our Group</b>	<b>15,039</b>	<b>14,518</b>	<b>15,786</b>	<b>12,603</b>
Non-controlling interests	25	22	-	-
<b>Total equity</b>	<b>15,064</b>	<b>14,540</b>	<b>15,786</b>	<b>12,603</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	874	680	498	395
Lease liabilities	1,640	1,090	2,458	2,382
<b>Total non-current liabilities</b>	<b>2,514</b>	<b>1,770</b>	<b>2,956</b>	<b>2,777</b>
<b>Current liabilities</b>				
Trade payables	31	2	5	117
Other payables and accruals	2,160	1,506	2,606	2,157
Contract liabilities	-	170	922	108
Borrowings	126	194	201	205
Lease liabilities	591	550	497	533
Tax payable	394	407	263	465
<b>Total current liabilities</b>	<b>3,302</b>	<b>2,829</b>	<b>4,494</b>	<b>3,585</b>
<b>TOTAL LIABILITIES</b>	<b>5,816</b>	<b>4,599</b>	<b>7,450</b>	<b>6,362</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>20,880</b>	<b>19,139</b>	<b>23,236</b>	<b>18,965</b>

\* Less than RM1,000.

**12. FINANCIAL INFORMATION (CONT'D)**
**12.2.3 Combined statements of cash flows**

The following table sets out the combined statements of cash flows of our Group for the Financial Periods Under Review, which have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from/(used in) operating activities</b>					
Profit before tax	4,890	8,151	9,434	6,582	3,807
Adjustments for:					
Bad debts recovered	-	(1,288)	-	-	-
Deposits written off	1	-	-	-	-
Depreciation	1,319	1,045	1,030	527	520
Dividend income	-	-	(279)	(279)	-
Gain on					
- derecognition of lease liabilities	-	-	(24)	(24)	-
- disposal of plant and equipment	(5)	(4)	(13)	(11)	(3)
- disposal of subsidiaries	-	-	(6)	-	-
Interest expense	113	117	144	56	76
Interest income	(111)	(169)	(185)	(71)	(107)
<b>Operating profit before working capital changes</b>	<b>6,207</b>	<b>7,852</b>	<b>10,101</b>	<b>6,780</b>	<b>4,293</b>
Increase in inventories	-	(3)	*	(1)	(1)
Decrease/(Increase) in trade and other receivables	760	(383)	941	628	(2,115)
Changes in contract assets/liabilities	-	170	(8)	(170)	(682)
Increase/(Decrease) in trade and other payables	740	(683)	1,104	382	(412)
Cash generated from operating activities	<b>7,707</b>	<b>6,953</b>	<b>12,138</b>	<b>7,619</b>	<b>1,083</b>
Income tax paid	(3,539)	(1,603)	(1,600)	(719)	(584)
Income tax refunded	-	-	1	1	-
<b>Net cash from operating activities</b>	<b>4,168</b>	<b>5,350</b>	<b>10,539</b>	<b>6,901</b>	<b>499</b>
<b>Cash flows from/(used in) investing activities</b>					
Purchase of plant and equipment	(60)	(51)	(566)	(219)	(638)
Subscription of shares in a subsidiary	-	-	(30)	(30)	-
Advances to subsidiaries of Inspidea	(16)	(7)	-	-	-
(Advances to)/Repayments from a company in which the directors have interest	-	-	(427)	(183)	44
(Increase)/Decrease in fixed deposits with maturity/pledged of more than 3 months	-	(1,500)	150	150	-

**12. FINANCIAL INFORMATION (CONT'D)**

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Decrease in fixed deposits pledged	-	-	220	220	-
Dividend received	-	-	279	279	-
Proceeds from disposal of plant and equipment	5	3	13	11	3
Interest received	111	169	185	71	107
<b>Net cash from/(used in) investing activities</b>	<b>40</b>	<b>(1,386)</b>	<b>(176)</b>	<b>299</b>	<b>(484)</b>
<b>Cash flows from/(used in) financing activities</b>					
Dividends paid	(1,716)	(10,660)	(5,450)	(3,000)	(6,204)
Proceeds from issuance of shares	-	3,652	-	-	*
Proceeds from borrowings	1,000	-	-	-	-
Repayments of borrowings	-	(126)	(175)	(79)	(100)
Repayments of lease liabilities	(571)	(591)	(592)	(316)	(284)
Advances from/(Repayments to) a director	*	-	-	-	74
Interest paid	(113)	(117)	(144)	(56)	(76)
<b>Net cash used in financing activities</b>	<b>(1,400)</b>	<b>(7,842)</b>	<b>(6,361)</b>	<b>(3,451)</b>	<b>(6,590)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,808</b>	<b>(3,878)</b>	<b>4,002</b>	<b>3,749</b>	<b>(6,575)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>10,469</b>	<b>13,277</b>	<b>9,399</b>	<b>9,399</b>	<b>13,401</b>
<b>Cash and cash equivalents at end of year</b>	<b>13,277</b>	<b>9,399</b>	<b>13,401</b>	<b>13,148</b>	<b>6,826</b>
<b>Cash and cash equivalents comprise:</b>					
Cash and bank balances	6,600	2,109	5,826	4,573	1,751
Fixed deposits with licensed banks	7,647	9,760	9,675	10,675	7,175
	14,247	11,869	15,501	15,248	8,926
Less: Fixed deposits pledged with licensed bank	(970)	(970)	(750)	(750)	(750)
Less: Fixed deposits with initial maturity of more than 3 months	-	(1,500)	(1,350)	(1,350)	(1,350)
	<b>13,277</b>	<b>9,399</b>	<b>13,401</b>	<b>13,148</b>	<b>6,826</b>

\* Less than RM1,000

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**12. FINANCIAL INFORMATION (CONT'D)**

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**12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following management's discussion and analysis of our Group's financial conditions and results of operations for the Financial Periods Under Review should be read in conjunction with the combined financial statements of our Group and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus.

There are no accounting policies which are peculiar to our Group because of the nature of the business or industry which we are involved in. For further details on the accounting policies of our Group, please see Note 2 of the Accountants' Report which is set out in Section 13 of this Prospectus.

**12.3.1 Overview of our business**

We are primarily involved in 2D animation production services. Generally, our 2D animation production services utilise digitally drawn 2D images that create the illusion of movements to form visual content mainly for animated series. A small proportion of our revenue is contributed by the provision of food services.

Please refer to Section 7 of this Prospectus for further details on our business operations.

**Significant factors materially affecting our operations and financial results**

The significant factors affecting our business are set out below:

**(i) Dependency on certain major customers**

Our revenue is based on contracts secured from customers from time to time. We are dependent on certain major customers, namely Customer A Group, Customer B Group, Customer C Group, Customer D, Customer H Group and Customer J, where each of these customers accounted for more than 10.00% of our total revenue for at least one of the Financial Periods Under Review. In addition, the revenue contribution from the said major customers collectively accounted for 81.28%, 71.37%, 86.88% and 88.77% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. As the above major customers collectively accounted for a significant portion of our total revenue, the loss of any one or a few of these major customers, if they are not replaced promptly either at comparable or higher contract values, could adversely affect our business operations and financial performance.

**(ii) Ability to continually secure new and sizeable projects to sustain and grow our business**

The nature of our business is project-based. We do not have contracts that provide us with recurrent revenue. Our financial performance is dependent on our ability to continually secure new and sizable projects/contracts to sustain and grow our business. Our 2D animation projects are typically awarded based on competitive bidding through invitation to quote, in which we have to continue to submit proposals to bid for new projects. The success rates for projects which we were involved in competitive bidding were approximately 76%, 83%, 73% and 64% for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

As at the LPD, we have a total unbilled order book of RM23.44 million from 8 on-going 2D animation projects which are expected to be completed between FYE 2023 and FYE 2024. In this respect, our business sustainability and growth are dependent on our ability to secure new projects to continually build our order book. Please refer to Section 9.1.2 of this Prospectus for further details.

**12. FINANCIAL INFORMATION (CONT'D)**

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**(iii) Our business and financial performance may be affected in the event of project delays, termination or suspension of contracts**

Our 2D animation projects are based on fixed contract value and agreed-upon milestones which are stipulated in the contracts. Some of the potential contributing factors to project delays include, amongst others, unanticipated delays during project planning, shortage of workforce and global pandemics which could interrupt our business operations.

In the event of any delays in the timing of our deliverables, we may be subject to a deduction based on a percentage of the value of the corresponding production milestone as stipulated in our contracts or we may be subject to termination. If the delay is caused by the customer, we may negotiate with the customers to request for variation orders for the additional cost incurred as a result of the delay.

We are also subject to the risk of early contract termination or suspension of projects resulting from, amongst others, changes in our customers' business strategy, requirements, financial circumstances or market conditions that affect our customer, or failure to meet our contractual obligations. There can be no assurance that our customers will not terminate or suspend our contracts as some of these factors are beyond our control. For the Financial Periods Under Review and up to the LPD, customers terminated or suspended 3 of our contracts. Please refer to Section 9.1.7 of this Prospectus for further details.

**(iv) We face domestic and global competition in the animation production industry**

We face competition from domestic and foreign industry players in terms of, amongst others, pricing, service offerings, production capabilities and timely delivery of our 2D animation production projects. 2D animation production is a digital technology-based service which can be remotely carried out and delivered to customers via the internet. From this perspective, competition for the 2D animation production industry is global in nature. Global competitors would include operators in countries such as Philippines, India, South Korea, Japan, and China. Therefore, we are exposed to the risk that we may not be able to compete effectively against our existing or potential domestic and foreign competitors, which would adversely affect our business operations and financial performance. Please refer to Section 9.2.2 of this Prospectus for further details.

**(v) Our business may be affected by the increasing popularity of free self-made life-action content or other free content that is distributed through social media platforms**

As a 2D animation production service provider, our business may be affected by the performance of our customers' business in the entertainment industry which distributes content through conventional media. Our customers' business may lose viewership arising from the increasing popularity of free self-made short live-action content or other free content broadcasted over various social media platforms such as YouTube, TikTok, Instagram, Twitter and Facebook. If these competing contents grow in popularity at the expense of 2D animated content that are broadcasted over conventional media, it may adversely affect our customers' business and subsequently the demand for our services.

As we have no control over the prospects and business strategies of our customers' business, our financial performance may be adversely affected in the event they allocate lower financial resources for the development of 2D animated content as part of their business strategy or if they lose market share to other competing content which is broadcasted in various social media platforms. Please refer to Section 9.1.3 of this Prospectus for further details.

**12. FINANCIAL INFORMATION (CONT'D)****(vi) Our business may be affected if demand for 3D animated content increases at the expense of 2D animated content**

As a producer of 2D animated content, our business competes with 3D animated content. There is a risk that increasing demand for 3D animated content at the expense of 2D animated content would adversely affect our business operations and financial conditions. There is no assurance that the demand for our 2D animation production services would not be affected by the increase in the popularity of 3D animated content. Please refer to Section 9.1.4 of this Prospectus for further details.

**(vii) Our business is subject to risks and uncertainties associated with technological changes and innovations**

Our business operations involve extensive usage of technology in the production of 2D animation content. As such, any changes and innovations in technology may affect our business. While most technologies are beneficial to our business, some technologies may be disruptive and may adversely affect our business operations. One such disruptive technology, amongst others, is generative AI, which is similar to ChatGPT.

Recent advancement in generative AI have demonstrated that it is capable of creating digital animation content. However, the conceptualisation, storyline and specific character personification, design and specification will still require human input. Workforce cost is a major component of the overall production cost in animation content. While generative AI tools are still at its early developmental stage, the technology may have the potential of reducing the cost of producing animation content by replacing some of the workforce. As animation production is a global industry, the reduction in the cost of production will invariably place pressure on the contract selling price of the animated content due to competitive forces. In the event the animation production companies have to reduce their contract selling price, this may affect the prospects of operators in the animation production industry.

Although AI generative tools can be used to generate new creative assets, the ownership of such assets is still a subject of legal ambiguity at this stage. From this perspective, the creative assets generated by AI tools may not have any material commercial value. There is no assurance that the creative assets that are generated from AI tools will not have any commercial value in the future.

In addition, we cannot provide any assurance that the use of AI-generated content would not adversely affect the demand for traditionally created content including 2D animation. In the event we fail to adopt innovative technologies like generative AI as abovementioned, we may be exposed to the risk of losing our competitiveness to technological advancement which may adversely affect our business operations and financial performance. Please refer to Section 9.2.1 of this Prospectus for further details.

**(viii) Impact of foreign exchange**

We are exposed to the risk of foreign exchange fluctuations as most of our revenue is transacted in foreign currencies. For the Financial Periods Under Review, our revenue transacted in foreign currencies accounted for 99.69%, 99.20%, 99.60% and 99.64% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. This mainly includes foreign currencies such as USD, EUR, and to a lesser extent, AUD, SGD, RM, CAD and HKD. Meanwhile, our purchases were transacted in RM, HKD and USD. For further details on our revenue and purchases transactions in various currencies please refer to Section 9.1.10 of this Prospectus. Our financial performance may be adversely affected if there are any unfavourable fluctuations in the USD, CAD or other foreign currencies against RM. There is no assurance that any future fluctuations in foreign exchange rates will not materially and adversely affect our financial performance.

**12. FINANCIAL INFORMATION (CONT'D)**

The impact of foreign exchange fluctuation on our financial performance during the Financial Periods Under Review are as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Net gain / (loss) on foreign exchange <sup>(1)</sup> (RM'000)	54	53	(23)	76
As a percentage of PBT <sup>(2)</sup> (%)	1.10	0.65	(0.24)	2.00

**Notes:**

- (1) Computed based on the difference between realised gain and realised loss on foreign exchange for the Financial Periods Under Review.
- (2) Computed based on net gain or loss on foreign exchange divided by PBT for the Financial Periods Under Review.

For the Financial Periods Under Review, we have not incurred any material losses arising from foreign currency translation. As at the LPD, we have foreign currency forward hedging facilities that have yet to be utilised.

**(ix) Impact of interest rate**

We are not subject to interest rate increase as our borrowing from a financial institution is on a fixed interest rate basis. As at 30 June 2023, our borrowing of term loan amounted to approximately RM0.60 million which is interest-bearing and based on fixed interest rate. Our finance cost increased from approximately RM0.11 million for FYE 2020 to RM0.12 million in FYE 2021 and RM0.14 million in FYE 2022. In FPE 2023, our finance cost was RM0.08 million. Nevertheless, there can be no assurance that we will not be subjected to interest rate risk in the future.

**(x) Impact of inflation**

Our financial performance for the Financial Periods Under Review was not materially affected by the impact of inflation. However, there is no assurance that our business and financial performance would not be affected by inflation in the future.

**(xi) Changes in political, economic, social, market and regulatory considerations and the occurrence of force majeure events**

Our business is subject to developments in the political, economic, social, market and regulatory conditions in Malaysia or foreign markets that we served which could adversely affect our business operations and financial performance. Increasing volatility in financial markets may also cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia and/or the foreign markets that we serve may materially and adversely affect our business operations, financial performance and prospects. Please refer to Section 9.2.3 of this Prospectus for further details.

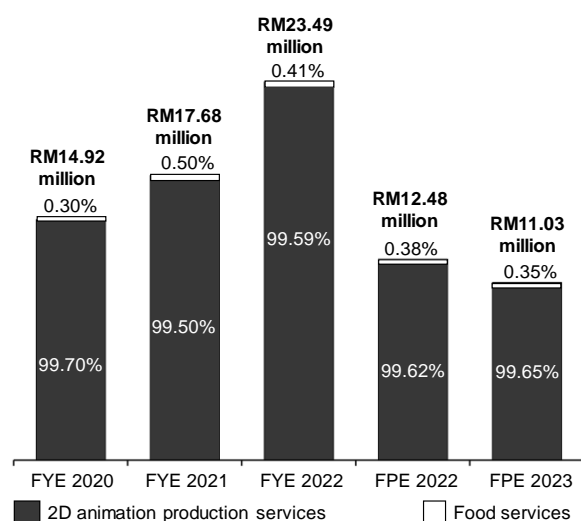
## 12. FINANCIAL INFORMATION (CONT'D)

### 12.3.2 Overview of our results of operations

For the Financial Periods Under Review, our revenue was mainly derived from 2D animation production services which accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The remaining of our revenue was derived from the provision of food services which accounted for 0.30% (RM0.04 million), 0.50% (RM0.09 million), 0.41% (RM0.10 million) and 0.35% (RM0.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

The revenue recognition of our services is as follows:

- **2D animation production services:** Revenue generated from the 2D animation production services is recognised over time or at a point in time based on performance obligations stated in the contracts when the control of the goods or services has been transferred to and accepted by the customer.
- **Provision of food services:** Revenue generated from the provision of food services is recognised at a point in time when the control of food has been transferred to and delivery of the food is accepted by the customer.



	Financial Year Ended			Financial Period Ended	
	2020 RM'000	2021 RM'000	2022 RM'000	2022 RM'000	2023 RM'000
2D animation production	14,878	17,587	23,390	12,435	10,989
Food services	45	88	95	48	39
<b>Total Revenue</b>	<b>14,923</b>	<b>17,675</b>	<b>23,485</b>	<b>12,483</b>	<b>11,028</b>

Between FYE 2020 and FYE 2022, revenue from our 2D animation production segment increased at a CAGR of 25.38% from RM14.88 million in FYE 2020 to RM23.39 million in FYE 2022. Between FYE 2020 and FPE 2023, revenue from the 2D animation production segment accounted for over 99.00% of our total revenue for each of the Financial Periods Under Review respectively. The remainder of our revenue was generated from the food services segment which accounted for less than 1.00% of our total revenue for each of the Financial Periods Under Review.

We principally operate in Malaysia and serve customers in certain countries within the North America, Asia Pacific and European regions. Our customers from countries within North America region is our top revenue contributor which accounted for 49.54%, 64.77%, 93.22% and 72.91% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Our customers from countries within Asia Pacific region accounted for 36.64%, 2.78%, 1.03% and 3.45%, while the customers from countries within European region accounted for 13.82%, 32.45%, 5.75% and 23.64% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.



**12. FINANCIAL INFORMATION (CONT'D)****12.3.3 Revenue****(i) Revenue segmentation by business segments**

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
<b>Revenue by business segments</b>						
2D animation production services	14,878	99.70	17,587	99.50	23,390	99.59
Food services	45	0.30	88	0.50	95	0.41
<b>Total revenue</b>	<b>14,923</b>	<b>100.00</b>	<b>17,675</b>	<b>100.00</b>	<b>23,485</b>	<b>100.00</b>

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
<b>Revenue by business segments</b>				
2D animation production services	12,435	99.62	10,989	99.65
Food services	48	0.38	39	0.35
<b>Total revenue</b>	<b>12,483</b>	<b>100.00</b>	<b>11,028</b>	<b>100.00</b>

**(ii) Revenue segmentation by geographical market**

Revenue by geographical markets	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
<b>North America</b>	<b>7,393</b>	<b>49.54</b>	<b>11,447</b>	<b>64.77</b>	<b>21,893</b>	<b>93.22</b>
USA	1,495	10.02	3,494	19.77	14,727	62.71
Canada	5,887	39.45	7,953	45.00	7,166	30.51
Mexico	11	0.07	-	-	-	-
<b>Europe</b>	<b>2,062</b>	<b>13.82</b>	<b>5,736</b>	<b>32.45</b>	<b>1,351</b>	<b>5.75</b>
Netherlands	-	-	1,454	8.23	1,123	4.78
France	1,700	11.39	4,282	24.22	160	0.68
United Kingdom	362	2.43	-	-	68	0.29
<b>Asia Pacific</b>	<b>5,468</b>	<b>36.64</b>	<b>492</b>	<b>2.78</b>	<b>241</b>	<b>1.03</b>
Australia	5,062	33.93	351	1.99	146	0.62
Malaysia <sup>(1)</sup>	45	0.30	88	0.50	95	0.41
Japan	-	-	53	0.29	-	-
Hong Kong	238	1.59	-	-	-	-
Singapore	123	0.82	-	-	-	-
<b>Total revenue</b>	<b>14,923</b>	<b>100.00</b>	<b>17,675</b>	<b>100.00</b>	<b>23,485</b>	<b>100.00</b>

**12. FINANCIAL INFORMATION (CONT'D)**

Revenue by geographical markets	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
<b>North America</b>	<b>11,095</b>	<b>88.88</b>	<b>8,040</b>	<b>72.91</b>
USA	7,867	63.02	4,930	44.70
Canada	3,228	25.86	3,110	28.21
<b>Europe</b>	<b>1,194</b>	<b>9.57</b>	<b>2,607</b>	<b>23.64</b>
United Kingdom	-	-	1,345	12.20
France	71	0.57	1,262	11.44
Netherlands	1,123	9.00	-	-
<b>Asia Pacific</b>	<b>194</b>	<b>1.55</b>	<b>381</b>	<b>3.45</b>
Australia	146	1.17	277	2.51
Singapore	-	-	65	0.59
Malaysia <sup>(1)</sup>	48	0.38	39	0.35
<b>Total revenue</b>	<b>12,483</b>	<b>100.00</b>	<b>11,028</b>	<b>100.00</b>

**Note:**

- (1) Revenue contributions from Malaysia were in relation to our food services segment for the Financial Periods Under Review.

**(a) FYE 2021 compared to FYE 2020**

Our total revenue increased by RM2.75 million or 18.44% to RM17.68 million in FYE 2021 (FYE 2020: RM14.92 million). This was mainly attributed to the increase in revenue from our 2D animation production segment by RM2.71 million or 18.21% to RM17.59 million in FYE 2021 (FYE 2020: RM14.88 million) on animated series.

North America region

Revenue from the countries within North America region increased by RM4.05 million or 54.84% to RM11.45 million in FYE 2021 (FYE 2020: RM7.39 million). This was mainly driven by higher revenue on animated series from Canada and USA as set out below:

- revenue contribution from the commencement of 10 animation projects which collectively amounted to RM5.37 million as follows:
  - (aa) 6 animation projects from subsidiaries of Customer B Group (Canada/USA) which commenced in FYE 2021 and collectively amounted to RM3.36 million; and
  - (bb) the remaining RM2.01 million was contributed by 4 other animation projects which commenced in FYE 2021, including 2 animation projects from subsidiaries of Customer A Group (USA), as well as 1 animation project each from Customer I (USA) and a subsidiary of Customer C Group (Canada).
- the increase in revenue was also partly contributed by higher revenue from 4 animation projects that were completed in FYE 2021, which collectively increased our revenue by RM3.15 million or 686.93% to RM3.61 million in FYE 2021 (FYE 2020: RM0.46 million). The 4 animation projects include:
  - (aa) 2 animation projects from subsidiaries of Customer B Group (Canada);

**12. FINANCIAL INFORMATION (CONT'D)**

- (bb) 1 animation project each from a subsidiary of Customer E Group (USA); and
- (cc) 1 animation from Customer C Group (Canada).

The increase in revenue from the North America region was partially offset by the decrease in revenue arising from 14 completed animation projects which collectively decreased by RM4.77 million or 75.04% to RM1.58 million in FYE 2021 (FYE 2020: RM6.35 million). This included 3 projects which were completed in 2021 and 11 projects completed prior to 2021.

European region

Revenue from the countries within European region increased by RM3.67 million or 178.18% to RM5.74 million in FYE 2021 (FYE 2020: RM2.06 million). This was mainly attributed to the following:

- higher revenue from 3 animation projects which were completed in FYE 2021 which collectively increased our revenue by RM3.14 million or 274.63% to RM4.28 million in FYE 2021 (FYE 2020: RM1.14 million), mainly contributed by 1 animation project from Customer F (France) and 1 other project from Customer D (France).
- revenue contribution from the commencement of 2 animation projects from Customer G (Netherlands), which accounted for RM1.45 million in FYE 2021.

The increase in revenue from the countries within European region was partially offset by the decrease in revenue from the completion of the following 3 animation projects:

- (aa) 2 animation projects from a customer in France; and
- (bb) 1 animation project from a customer in UK.

Asia Pacific region

The increase in revenue from the countries within North America and European regions was partially offset by the decrease in revenue from the countries within Asia Pacific region by RM4.98 million or 91.00% to RM0.49 million in FYE 2021 (FYE 2020: RM5.47 million).

The decrease was mainly attributed to the completion of 3 animation projects which collectively decreased the revenue by RM4.67 million or 93.01% to RM0.35 million in FYE 2021 (FYE 2020: RM5.02 million). This includes 2 animation projects from a subsidiary of Customer A Group (Australia) and 1 animation project from a customer in Australia.

The decrease was partially moderated by the revenue contribution from the commencement of 1 animation project from a customer in Japan in FYE 2021 which accounted for RM0.05 million.

**12. FINANCIAL INFORMATION (CONT'D)****(b) FYE 2022 compared to FYE 2021**

Our total revenue increased by RM5.81 million or 32.87% to RM23.49 million in FYE 2022 (FYE 2021: RM17.68 million). This was mainly attributed to the increase in revenue from the 2D animation production segment by RM5.80 million or 32.99% to RM23.39 million (FYE 2021: RM17.59 million) as set out below:

North America region

Revenue from the countries within North America region increased by RM10.45 million or 91.26% to RM21.89 million in FYE 2022 (FYE 2021: RM11.45 million), mainly due to the following:

- Revenue contribution from the commencement of 8 animation projects which collectively amounted to RM7.73 million in FYE 2022. The main revenue contribution was from:
  - (aa) 2 animation projects from Customer H Group (Canada) which collectively amounted to RM4.22 million;
  - (bb) 3 animation projects from Customer B Group (USA/Canada) which collectively amounted to RM1.95 million; and
  - (cc) the remaining RM1.56 million was contributed by 3 other animation projects comprising 2 animation projects from Customer C Group (Canada) (RM0.95 million) and 1 other animation project (RM0.61 million) from Customer E Group (USA) in FYE 2022.

In addition, there was an increase in revenue by RM5.81 million to RM6.76 million in FYE 2022 (FYE 2021: RM0.95 million), attributed to 2 animation projects secured from a subsidiary of Customer A Group (USA) and Customer B Group (USA). These animation projects commenced in the second half of 2021.

- The increase in revenue was also partly contributed by higher revenue from the completion of 4 animation projects in FYE 2022, which collectively increased our revenue by RM5.27 million or 276.87% to RM7.17 million in FYE 2022 (FYE 2021: RM1.90 million). This included the completion of 2 animation projects from Customer B Group (USA) which collectively increased our revenue by RM3.70 million, 1 animation project from Customer C Group (Canada) which increased our revenue by RM1.19 million as well as 1 project from Customer I which increased our revenue by RM0.37 million. Revenue from these completed animation projects increased mainly arising from the bulk of production works which were performed in 2022.

The increase in revenue was partially offset by the decrease in revenue by RM8.38 million or 97.69% to RM0.20 million in FYE 2022 (FYE 2021: RM8.57 million), mainly attributed to the completion of 16 animation projects from this region.

Asia Pacific region

The increase in revenue from the countries within North America region was partially offset by the decrease in revenue from the countries within Asia Pacific region by RM0.25 million or 51.02% to RM0.24 million in FYE 2022 (FYE 2021: RM0.49 million). This was mainly attributed to the completion of 2 animation projects from a subsidiary of Customer A Group (Australia), and customer in Japan, where there was no revenue recorded from the said projects in FYE 2022 compared to RM0.40 million in FYE 2021.

**12. FINANCIAL INFORMATION (CONT'D)**

The decrease was partially offset by the increase in revenue from the commencement of 1 animation project from a customer in Australia amounting to RM0.15 million in FYE 2022.

European region

The increase in revenue from the countries within North America was also partially offset by the decrease in revenue from the countries within European region, which decreased by RM4.39 million or 76.45% to RM1.35 million in FYE 2022 (FYE 2021: RM5.74 million). This was due to the decrease in revenue from the completion of 4 animation projects between FYE 2021 and FYE 2022, including 3 animation projects for Customer D (France) and Customer F (France) and Customer G (Netherlands). The revenue of the 4 animation projects collectively decreased by RM4.62 million or 86.18% to RM0.74 million in FYE 2022 (FYE 2021: RM5.36 million).

The decrease was partially moderated by the revenue contribution from a new animation project secured from a customer in France amounting to RM0.16 million, where the project was completed in the first half of FYE 2022. In addition, there was a new animation project secured from Customer H Group (UK) amounting to approximately RM0.07 million following the commencement of the project in FYE 2022.

**(c) FPE 2023 compared to FPE 2022**

Our total revenue decreased by RM1.46 million or 11.66% to RM11.03 million in FPE 2023 (FPE 2022: RM12.48 million). This was mainly attributed to the decrease in revenue from the 2D animation production segment by RM1.45 million or 11.63% to RM10.99 million (FPE 2022: RM12.44 million) as set out below:

North America region

Revenue from the countries within North America region decreased by RM3.06 million or 27.53% to RM8.04 million in FPE 2023 (FPE 2022: RM11.10 million). This was mainly attributed to the completion of 9 animation projects in FPE 2023 or earlier, which collectively decreased revenue by RM8.44 million. This included:

- (aa) 4 animation projects from the subsidiaries of Customer B Group (USA/Canada);
- (bb) 3 animation projects from the subsidiaries of Customer C Group (Canada); and
- (cc) an animation project each from a subsidiary of Customer Group H (Canada) and Customer I (USA).

The decrease was partially moderated by the higher revenue for 3 animation projects from a subsidiary of Customer H Group (Canada), Customer B Group (USA) and Customer A Group (USA), which collectively increased by RM3.25 million.

In addition, the commencement of 2 animation projects from a subsidiary of Customer B Group (USA) and Customer H Group (Canada) in FPE 2023 contributed to revenue of RM1.88 million.

**12. FINANCIAL INFORMATION (CONT'D)**European region

The decrease in revenue from the countries within North America region was partially offset by the increase in revenue from the countries within European region, which increased by RM1.41 million or 118.34% to RM2.61 million in FPE 2023 (FPE 2022: RM1.19 million). This was mainly attributed to the higher revenue for 2 animation projects from a subsidiary of Customer H Group (UK) and a customer in France, which collectively increased by RM1.82 million. In addition, there was revenue contribution of RM0.79 million from the commencement of an animation project from Customer G (UK).

The increase was partially offset by the decrease in revenue of RM1.19 million, due to the completion of 3 animation projects in FPE 2022. This included 2 animation projects from Customer G (Netherlands) and an animation project from a customer in France.

Asia Pacific region

The revenue from the countries within Asia Pacific region increased by RM0.19 million or 96.39% to RM0.38 million in FPE 2023 (FPE 2022: RM0.19 million). This was mainly attributed to the completion of an animation project from a customer in Australia in FPE 2023, which increased our revenue by RM0.13 million. In addition, there was revenue contribution of RM0.06 million from a customer in Singapore for a new animation project secured and this project was completed in FPE 2023.

**12.3.4 Other operating income**

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
<b>Other operating income</b>						
Wage subsidy/grants from the government <sup>(1)</sup>	568	81.49	584	28.20	543	57.28
Dividend received	-	-	-	-	279	29.43
Others <sup>(2)</sup>	129	18.51	199	9.61	126	13.29
<b>Sub-total</b>	<b>697</b>	<b>100.00</b>	<b>783</b>	<b>37.81</b>	<b>948</b>	<b>100.00</b>
Net allowance for expected credit loss, net of recovery	-	-	1,288	62.19	-	-
<b>Total</b>	<b>697</b>	<b>100.00</b>	<b>2,071</b>	<b>100.00</b>	<b>948</b>	<b>100.00</b>

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
<b>Other operating income</b>				
Wage subsidy/grants from the government <sup>(1)</sup>	396	46.32	270	65.69
Dividend received	279	32.63	-	-
Others <sup>(2)</sup>	180	21.05	141	34.31
<b>Sub-total</b>	<b>855</b>	<b>100.00</b>	<b>411</b>	<b>100.00</b>
Net allowance for expected credit loss, net of recovery	-	-	-	-

**12. FINANCIAL INFORMATION (CONT'D)**

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
<b>Total</b>	<b>855</b>	<b>100.00</b>	<b>411</b>	<b>100.00</b>

**Notes:**

(1) Includes wage subsidy pertaining to the Wage Subsidy Program for FYE 2020, FYE 2021, FYE 2022 and FPE 2023. In FYE 2022, it also includes a government grant of approximately RM0.02 million from the MDEC. In FPE 2023, it also includes government incentive from the Social Security Organisation of Malaysia under the Dana Kerjaya Programme.

(2) Include rental income, rental discount received, waiver of bank charges, payment in lieu as well as gains from the derecognition of lease liabilities, disposal of subsidiaries, disposal of plant and equipment and foreign currency exchange.

**(a) FYE 2021 compared to FYE 2020**

Other operating income increased by RM1.37 million or 197.13% to RM2.07 million in FYE 2021 (FYE 2020: RM0.70 million), mainly attributed to the recovery of bad debt amounting to RM1.29 million.

**(b) FYE 2022 compared to FYE 2021**

Other operating income decreased by RM1.12 million or 54.23% to RM0.95 million in FYE 2022 (FYE 2021: RM2.07 million), mainly attributed to the one-off recovery of bad debt in FYE 2021 as discussed above. The decrease in other income was partially offset by the dividend income of RM0.28 million received from Tapestream Pte Ltd.

**(c) FPE 2023 compared to FPE 2022**

Other operating income decreased by RM0.44 million or 51.93% to RM0.41 million in FPE 2023 (FPE 2022: RM0.86 million), mainly due to no dividend income, and lower grants received from the Government in FPE 2023.

**12.3.5 Changes in inventories**

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
<b>Changes in inventories</b>						
Food ingredients	21	100.00	66	100.00	60	100.00
<b>Total</b>	<b>21</b>	<b>100.00</b>	<b>66</b>	<b>100.00</b>	<b>60</b>	<b>100.00</b>

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
<b>Changes in inventories</b>				
Food ingredients	31	100.00	29	100.00
<b>Total</b>	<b>31</b>	<b>100.00</b>	<b>29</b>	<b>100.00</b>

For the Financial Periods Under Review, the inventories were for our food services segment.

**12. FINANCIAL INFORMATION (CONT'D)****(a) FYE 2021 compared to FYE 2020**

Changes in inventories increased by RM0.05 million or 219.05% to RM0.07 million in FYE 2021 (FYE 2020: RM0.02 million), attributed to the increase in inventory of food ingredients for our food services segment.

**(b) FYE 2022 compared to FYE 2021**

Changes in inventories decreased by RM0.01 million or 9.09% to RM0.06 million in FYE 2022 (FYE 2021: RM0.07 million), attributed to the lower inventory of food ingredients for our food services segment.

**(c) FPE 2023 compared to FPE 2022**

Changes in inventories decreased by approximately RM2,000 to RM0.03 million in FPE 2023 (FPE 2022: RM0.03 million), attributed to the lower inventory of food ingredients for our food services segment.

**12.3.6 Operating expenses**

Operating expenses	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Staff costs <sup>(1)</sup>	7,376	68.89	7,713	66.59	9,404	62.78
Depreciation <sup>(2)</sup>	1,319	12.32	1,045	9.02	1,030	6.88
Other operating expenses	2,012	18.79	2,824	24.39	4,545	30.34
- IT Expenses	1,030	9.62	1,410	12.17	1,328	8.87
- Subcontractor costs	89	0.83	727	6.28	1,317	8.79
- Professional fees	153	1.43	150	1.30	498	3.32
- Company event expenses	7	0.07	6	0.05	458	3.06
- Others <sup>(3)</sup>	733	6.84	531	4.59	944	6.30
<b>Total</b>	<b>10,707</b>	<b>100.00</b>	<b>11,582</b>	<b>100.00</b>	<b>14,979</b>	<b>100.00</b>

Operating expenses	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Staff costs <sup>(1)</sup>	4,457	66.13	5,071	66.44
Depreciation <sup>(2)</sup>	527	7.82	520	6.81
Other operating expenses	1,756	26.05	2,042	26.75
- IT Expenses	642	9.53	695	9.10
- Subcontractor costs	744	11.04	422	5.53
- Professional fees	19	0.28	490	6.42
- Company event expenses	36	0.53	(33)	-0.43
- Others <sup>(3)</sup>	315	4.67	468	6.13
<b>Total</b>	<b>6,740</b>	<b>100.00</b>	<b>7,633</b>	<b>100.00</b>

**Notes:**

- (1) Includes salaries, allowances, bonuses, statutory contributions and other employee-related expenses.



**12. FINANCIAL INFORMATION (CONT'D)**

- (2) *Includes the depreciation of right-of-use assets, computer and office equipment, renovation as well as furniture and fittings.*
- (3) *Include utilities as well as expenses for travel and accommodation, marketing, recruitment, communication and other office-related expenses.*

**(a) FYE 2021 compared to FYE 2020**

Operating expenses increased by RM0.88 million or 8.17% to RM11.58 million in FYE 2021 (FYE 2020: RM10.71 million), mainly attributed to the increase in other operating expenses by RM0.81 million arising mainly from higher subcontractor costs for 2D animation production and IT expenses relating to the subscription for software and project management system licensing. In addition, there was an increase of RM0.34 million in staff costs, mainly attributed to salary increments in FYE 2021.

The increase was partially offset by the decrease in depreciation expenses by RM0.27 million mainly attributed to the computer and related equipment as many of them have been fully depreciated.

**(b) FYE 2022 compared to FYE 2021**

Operating expenses increased by RM3.40 million or 29.33% to RM14.98 million in FYE 2022 (FYE 2021: RM11.58 million), mainly attributed to the increase in other operating expenses by RM1.72 million arising mainly from the following:

- increase in subcontractor costs by RM0.59 million pertaining to pre-production storyboard works and post-production audio works where these subcontractors were nominated by the customer;
- increase in expenses for company events by RM0.45 million mainly for our 20<sup>th</sup> anniversary celebration;
- increase in professional fees by RM[●] mainly attributed to expenses for our Listing; and
- other increases in expenses by RM0.41 million mainly attributed to travel and accommodation for business development activities following the ease of containment measures as well as marketing expenses.

In addition, staff costs increased by RM1.69 million or 21.92% to RM9.40 million in FYE 2022 (FYE 2021: RM7.71 million), mainly attributed to the increase in salaries, allowances and bonuses mainly due to the increase in our total number of employees as well as interns and TVET personnel from 172 in FYE 2021 to 224 in FYE 2022.

**(c) FPE 2023 compared to FPE 2022**

Operating expenses increased by RM0.89 million or 13.26% to RM7.63 million in FPE 2023 (FPE 2022: RM6.74 million), mainly contributed by the increase in staff costs by RM0.61 million or 13.78% to RM5.07 million in FPE 2023 (FPE 2022: RM4.46 million). This was mainly attributed to salary increment in FPE 2023.

In addition, other operating expenses increased by RM0.29 million arising mainly from the increase in professional fees by RM[●] mainly attributed to expenses for our Listing, and the increase in other expenses by RM0.15 million mainly attributed to travel and accommodation for business development activities. This was partially offset by the decrease in subcontractor costs by RM0.32 million due to lesser requirements for pre-production storyboard and post-production audio works.

**12. FINANCIAL INFORMATION (CONT'D)****12.3.7 Finance income**

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Finance income						
Interest income from fixed deposits	111	100.00	169	100.00	185	100.00
<b>Total</b>	<b>111</b>	<b>100.00</b>	<b>169</b>	<b>100.00</b>	<b>185</b>	<b>100.00</b>

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Finance income				
Interest income from fixed deposits	71	100.00	107	100.00
<b>Total</b>	<b>71</b>	<b>100.00</b>	<b>107</b>	<b>100.00</b>

**(a) FYE 2021 compared to FYE 2020**

Our finance income was entirely contributed by the interest income from fixed deposits. Our interest income from fixed deposits increased by RM0.06 million or 52.25% to RM0.17 million in FYE 2021 (FYE 2020: RM0.11 million). This was mainly attributed to the increase in fixed deposits by RM2.11 million or 27.63% to RM9.76 million in FYE 2021 (FYE 2020: RM7.65 million).

**(b) FYE 2022 compared to FYE 2021**

Our interest income from fixed deposits increased by RM0.02 million or 9.47% to RM0.19 million in FYE 2022 (FYE 2021: RM0.17 million) attributed to higher interest rates from the bank.

**(c) FPE 2023 compared to FPE 2022**

Our interest income from fixed deposits increased by RM0.04 million or 50.70% to RM0.11 million in FPE 2023 (FPE 2022: RM0.07 million). This was mainly attributed to the higher interest rates from the bank.

**12.3.8 Finance costs**

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Finance cost						
Interest expense on:						
Lease liabilities <sup>(1)</sup>	107	94.69	82	70.09	116	80.56
Term loan	6	5.31	35	29.91	28	19.44
<b>Total</b>	<b>113</b>	<b>100.00</b>	<b>117</b>	<b>100.00</b>	<b>144</b>	<b>100.00</b>

**12. FINANCIAL INFORMATION (CONT'D)**

Finance costs	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Interest expense on:				
Lease liabilities <sup>(1)</sup>	42	73.68	65	85.53
Term loan	15	26.32	11	14.47
<b>Total</b>	<b>57</b>	<b>100.00</b>	<b>76</b>	<b>100.00</b>

**Note:**

- (1) *The interest expense on lease liabilities refers to the weighted average effective interest rate per annum implicit in the lease liabilities under the MFRS 16 pertaining to the rental of office and staff accommodation.*

**(a) FYE 2021 compared to FYE 2020**

Finance cost increased by 3.54% to RM0.12 million in FYE 2021 (FYE 2020: RM0.11 million). This was mainly attributed to the increase in interest expense on term loan attributed to full year recognition of interest expense in FYE 2021 as the term loan was drawn down in October 2020.

The increase was partially offset by the decrease in interest expense on lease liabilities pertaining to the lower rental of our offices and staff accommodation due to rental discounts received arising from the COVID-19 pandemic conditions.

**(b) FYE 2022 compared to FYE 2021**

Finance cost increased by RM0.03 million or 23.08% to RM0.14 million in FYE 2022 (FYE 2021: RM0.12 million), mainly attributed to the increase in interest expense on lease liabilities pertaining to the higher rental of offices and staff accommodation arising from the additional office space rented. In addition, no rental discount was provided in FYE 2022.

**(c) FPE 2023 compared to FPE 2022**

Finance costs increased by RM0.02 million or 33.33% to RM0.08 million in FPE 2023 (FPE 2022: RM0.06 million), mainly attributed to the increase in interest expense on lease liabilities pertaining to the higher rental of offices and staff accommodation arising from the additional office space rented.

**12. FINANCIAL INFORMATION (CONT'D)****12.3.9 Operating Profit, PBT, PAT and effective tax rate**

PBT, PAT and effective tax rate	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE2022	FPE2023
PBT (RM'000)	4,890	8,151	9,434	6,582	3,807
PBT margin (%)	32.77	46.12	40.17	52.73	34.52
Operating profit (RM'000) <sup>(1)</sup>	4,193	6,080	8,486	5,727	3,396
Operating profit margin (%)	28.10	34.40	36.13	45.88	30.80
Total taxation (RM'000)	1,213	1,667	1,455	603	786
Effective tax rate (%)	24.81	20.45	15.42	9.16	20.65
PAT (RM'000)	3,677	6,484	7,979	5,979	3,021
PAT margin (%)	24.64	36.68	33.97	47.90	27.39

**Note:**

(1) Excludes other operating income and allowance for expected credit loss, net of recovery.

**(a) FYE 2021 compared to FYE 2020**

Our PBT increased by RM3.26 million or 66.69% to RM8.15 million in FYE 2021 (FYE 2020: RM4.89 million). This was mainly attributed to our revenue growth of RM2.75 million or 18.44% in FYE 2021 which was driven by our 2D animation production segment. The growth in PBT was also partly contributed by the increase in other operating income by RM1.37 million or 197.13% mainly attributed to the recovery of bad debt of RM1.29 million.

Please refer to Sections 12.3.3 and 12.3.4 of this Prospectus for further details on our revenue growth and other operating income respectively.

Our PBT margin improved from 32.77% in FYE 2020 to 46.12% in FYE 2021 and this was mainly attributed to the recovery of bad debt amounting to RM1.29 million under other operating income. In addition, the increase in PBT margin was also attributed to the operational efficiency as reflected in the lower proportion of operating expenses against the revenue which decreased from 71.75% in FYE 2020 to 65.53% in FYE 2021.

In addition, this was also reflected in the improvement of our operating profit margin (excluding other operating income) which increased from 28.10% in FYE 2020 to 34.40% in FYE 2021 due to the operational efficiency as mentioned above.

For FYE 2020, our effective tax rate was 24.81% which was higher than the statutory tax rate of 24.00% mainly attributed to the under provision of current tax expenses in prior year by the Group. As for FYE 2021, our effective tax rate was 20.45%, which was lower than the statutory tax rate of 24.00% which was mainly attributed to tax incentives.

Our PAT increased by RM2.81 million or 76.34% to RM6.48 million in FYE 2021 (FYE 2020: RM3.68 million) and this was mainly attributed to the higher operating income arising from the recovery of bad debt and higher revenue contribution as discussed earlier. Our PAT margin improved from 24.64% in FYE 2020 to 36.68% in FYE 2021, mainly attributed to a lower proportion of operating expenses against revenue as well as the recovery of bad debt as mentioned above.

**12. FINANCIAL INFORMATION (CONT'D)****(b) FYE 2022 compared to FYE 2021**

Our PBT increased by RM1.28 million or 15.74% to RM9.43 million in FYE 2022 (FYE 2021: RM8.15 million). This was mainly due to our revenue growth of RM5.81 million or 32.87% in FYE 2022 which was driven by our 2D animation production segment. Please refer to Section 12.3.3 of this Prospectus for further details on our revenue growth.

Our PBT margin declined from 46.12% in FYE 2021 to 40.17% in FYE 2022 and this was mainly due to the one-off recovery of bad debt under other operating income in FYE 2021 as mentioned above. With the exclusion of other operating income, we recorded a higher operating profit margin which improved from 34.40% in FYE 2021 to 36.13% in FYE 2022.

For FYE 2022, our effective tax rate was 15.42%, which was lower than the statutory tax rate of 24.00% and this was mainly attributed to the tax incentives on exported services.

Our PAT increased by RM1.50 million or 23.06% to RM7.98 million in FYE 2022 (FYE 2021: RM6.48 million), mainly attributed to the higher revenue contribution as discussed earlier. Our PAT margin declined from 36.68% in FYE 2021 to 33.97% in FYE 2022 and this was mainly attributed to the one-off recovery of bad debt in FYE 2021 as discussed earlier.

**(c) FPE 2023 compared to FPE 2022**

Our PBT decreased by RM2.78 million or 42.16% to RM3.81 million in FPE 2023 (FPE 2022: RM6.58 million). This was mainly due to the decrease in revenue by RM1.46 million or 11.66% in FPE 2023 mainly attributed to our 2D animation production segment. In addition, the decline in other operating income by RM0.44 million or 51.93% in FPE 2023 also contributed to the decrease in PBT.

Our PBT margin declined from 52.73% in FPE 2022 to 34.52% in FPE 2023 and this was mainly due to the decrease in revenue and other operating income, coupled with higher operating expenses arising from higher staff costs and professional fees incurred during the FPE 2023. This was reflected in the higher proportion of operating expenses against revenue of 69.21% in FPE 2023 compared to 53.99% in FPE 2022.

For FPE 2022, our effective tax rate was 9.16%, which was lower than the statutory tax rate of 24.00% and this was mainly attributed to increased tax incentives on increase in export allowance.

For FPE 2023, our effective tax rate was 20.65%, which was lower than the statutory tax rate of 24.00% and this was mainly attributed to higher non-taxable income arising from government grant as well as incentive on listing expenses.

Our PAT decreased by RM2.96 million or 49.47% to RM3.02 million in FPE 2023 (FPE 2022: RM5.98 million), mainly attributed to the lower contribution from revenue and other operating income, coupled with higher operating expenses as discussed earlier. Our PAT margin declined from 47.90% in FPE 2022 to 27.39% in FPE 2023 and this was mainly attributed to the lower revenue and other operating income as well as higher proportion of operating expenses and tax expenses against revenue as discussed earlier.

## 12. FINANCIAL INFORMATION (CONT'D)

### 12.4 LIQUIDITY AND CAPITAL RESOURCES

#### 12.4.1 Working capital

Our business operations are financed by a combination of both internal and external sources of funds. Internal sources of funds comprised shareholders' equity and cash generated from our operations, while external sources were mainly banking facilities from financial institutions. The utilisation of these funds was for our business operations and growth.

Based on our audited combined statements of financial position as at 30 June 2023, we have:

- (i) cash and bank balances with licensed banks of RM1.75 million;
- (ii) fixed deposits with licensed banks of RM7.18 million; and
- (iii) working capital of RM11.00 million, being the difference between current assets of RM14.58 million and current liabilities of RM3.58 million.

As at the LPD, we have credit facilities of RM1.00 million comprising term loan, which have been fully drawn down.

Based on the above and taking into consideration our funding requirements for our committed capital expenditures, our plans as set out in Section 7.6 of this Prospectus, our existing level of cash and bank balances with licensed banks, expected cash generated from our operations, credit facilities available, proposed dividend distribution for the FYE 2023 as detailed in Section 12.13 of this Prospectus and estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for 12 months from the date of this Prospectus.

#### 12.4.2 Cash flow

The following is our cash flow for the Financial Periods Under Review based on our audited Combined Financial Statements. This should be read in conjunction with the Accountants' Report in Section 13 of this Prospectus.

	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Net cash from/(used in) operating activities	4,168	5,350	10,539	499
Net cash from/(used in) investing activities	40	(1,386)	(176)	(484)
Net cash from/(used in) financing activities	(1,400)	(7,842)	(6,361)	(6,590)
Net increase /(decrease) in cash and cash equivalents	2,808	(3,878)	4,002	(6,575)
Cash and cash equivalents at the beginning of the financial period	10,469	13,277	9,399	13,401
<b>Cash and cash equivalent at the end of the financial periods</b>	<b>13,277</b>	<b>9,399</b>	<b>13,401</b>	<b>6,826</b>

Our cash and cash equivalents are held in RM, USD and CAD. There are no legal, financial or economic restrictions on our subsidiary's ability to transfer funds to our Company in the form of cash dividends, loans or advances subject to the availability of distributable profits and reserves, and any applicable financial covenants.

**12. FINANCIAL INFORMATION (CONT'D)****(a) Net cash from/used in operating activities****FYE 2020**

For FYE 2020, our net cash from operating activities was RM4.17 million after taking into account, amongst others, the following:

- decrease in trade and other receivables of RM0.76 million, which was mainly attributed to a lower outstanding balance of trade receivables as at 31 December 2020 arising from timely collection from our customers.
- increase in trade and other payables by RM0.74 million which was mainly attributed to other payables pertaining to accruals in relation to bonus payments, director fees and professional fees.
- income tax paid of RM3.54 million.

**FYE 2021**

For FYE 2021, our net cash from operating activities was RM5.35 million which was mainly after taking into account, amongst others, the following:

- increase in contract liabilities by RM0.17 million, mainly attributed to advance payment received from Customer I from USA for the commencement of work for an animation project.
- decrease in trade and other payables of RM0.68 million which was mainly attributed to lower other payables pertaining to a Government incentive received on behalf of a customer in FYE 2020, which was subsequently paid in FYE 2021.
- increase in trade and other receivables of RM0.38 million which was mainly contributed by the higher outstanding balance of trade receivables as at 31 December 2021 arising from billings issued to Customer G following the partial completion of a project as well as billings issued to Customer A Group for the portion of works completed for an animation project.
- income tax paid of RM1.60 million.

**FYE 2022**

For FYE 2022, our net cash from operating activities was RM10.54 million which was mainly after taking into account, amongst others, the following:

- increase in trade and other payables by RM1.10 million which was mainly attributed to accrual expenses such as bonus payments, director fees and professional fees.
- decrease in trade and other receivables by RM0.94 million which was mainly attributed to a lower outstanding balance of trade receivables as at 31 December 2022 arising from timely collection from customers.
- income tax paid of RM1.60 million.

**12. FINANCIAL INFORMATION (CONT'D)****FPE 2023**

For FPE 2023, our net cash from operating activities was RM0.50 million after taking into account, amongst others, the following:

- increase in trade and other receivables by RM2.12 million which was mainly attributed to a higher outstanding balance of trade receivables as at 30 June 2023 due to some past due amount from customers which had subsequently been collected as at the LPD.
- decrease in contract liabilities by RM0.68 million, mainly attributed to the revenue recognised for the completion of 2 animation projects from Customer H and an animation project from a customer in Australia.
- decrease in trade and other payables by RM0.41 million which was mainly attributed to accrual expenses such as bonus payments and professional fees.
- income tax paid of RM0.58 million.

**(b) Net cash from/used in investing activities****FYE 2020**

In FYE 2020, our net cash from investing activities was RM0.04 million and this was mainly attributed to RM0.11 million of interest received from fixed deposits with licensed banks.

This was partially offset by RM0.06 million which was mainly for the purchase of office equipment including computer hardware and accessories. In addition, there were advances of RM0.02 million to Bowleh (a subsidiary of Inspidea) as working capital.

**FYE 2021**

In FYE 2021, our net cash used in investing activities was RM1.39 million. This was mainly attributed to the following:

- an increase in the placement of fixed deposits amounting to RM1.50 million; and
- RM0.05 million mainly for the purchase of office equipment including computer hardware and accessories.

This was partially moderated by RM0.17 million of interest received from fixed deposits with licensed banks.

**FYE 2022**

In FYE 2022, our net cash used in investing activities was RM0.18 million. This was mainly attributed to the following:

- RM0.57 million for the purchase of plant and equipment including RM0.30 million for the renovation of our current office in Glomac Square, Petaling Jaya and RM0.27 million for the purchase of office equipment including computer hardware and accessories;
- RM0.43 million of advances to a related company, TSSRM Sdn Bhd in which the directors have equity interest where the advances were used for working capital. As at the LPD, these advances have been settled; and



## 12. FINANCIAL INFORMATION (CONT'D)

- RM0.03 million used for the acquisition of the remaining 30.00% equity interest from a shareholder of Fuloso.

This was partially offset by the following:

- RM0.37 million decrease in placement of fixed deposits;
- RM0.28 million for dividend received from Tapestream Pte Ltd, an entity which was disposed by Inspidea to Arboratory Limited in FYE 2022. For further information, please refer to Section 10.1.1 of this Prospectus; and
- RM 0.19 million for interest received from fixed deposits with licensed banks and RM0.15 million for the lifting of fixed deposits.

### FPE 2023

In FPE 2023, our net cash used in investing activities was RM0.48 million. This was mainly attributed to RM0.64 million for the purchase of plant and equipment including RM0.38 million for computer and related equipment, RM0.19 for the renovation of our current office in Glomac Square, Petaling Jaya and RM 0.07 million for the purchase of 1 unit of motor vehicle;

This was partially offset by the following:

- RM 0.11 million for interest received from fixed deposits with licensed banks; and
- RM0.04 million of repayment from a related company, TSSRM Sdn Bhd in which the directors have equity interest, for advances that were used for working capital.

### (c) Net cash from/used in financing activities

#### FYE 2020

For FYE 2020, our net cash used in financing activities was RM1.40 million. This was mainly attributed to the following:

- RM1.72 million of dividends paid to the shareholders of Inspidea;
- RM0.57 million for the repayment of lease liabilities pertaining to the rental payment of our offices and staff accommodation; and
- RM0.11 million for interest paid for the term loan.

This was offset by the drawdown of a term loan amounting to RM1.00 million for working capital purposes.

#### FYE 2021

For FYE 2021, our net cash used in financing activities was RM7.84 million. This was mainly attributed to the following:

- RM10.66 million of dividends paid to the shareholders of Inspidea;
- RM0.59 million for the repayment of lease liabilities pertaining to the rental payments of our offices and staff accommodation;

**12. FINANCIAL INFORMATION (CONT'D)**

- RM0.13 million for the repayment of the term loan; and
- RM0.12 million for interest paid for the term loan.

This was offset by the proceeds of RM3.65 million from the issuance share capital comprising ordinary and convertible preference shares in FYE 2021.

**FYE 2022**

For FYE 2022, our net cash used in financing activities was RM6.36 million. This was mainly attributed to the following:

- RM5.45 million of dividends paid to the shareholders of Inspidea;
- RM0.59 million for the repayment of lease liabilities pertaining to the rental payments of our offices and staff accommodation;
- RM0.18 million for the repayment of the term loan; and
- RM0.14 million for interest paid for the term loan.

**FPE 2023**

For FPE 2023, our net cash used in financing activities was RM6.59 million. This was mainly attributed to the following:

- RM6.20 million of dividends paid to the shareholders of Inspidea;
- RM0.28 million for the repayment of lease liabilities pertaining to the rental payments of our offices and staff accommodation;
- RM0.10 million for the repayment of the term loan; and
- RM0.08 million for interest paid for the term loan.

This was partially offset by RM0.07 million of advances from a director.

**12.4.3 Bank borrowing**

As at 30 June 2023, our Group's total bank borrowing is set out below:

Type of borrowing	As at 30 June 2023		Total
	Payable within 12 months	Payable after 12 months	
	RM'000	RM'000	RM'000
Term loan <sup>(1)</sup>	204	395	599
<b>Gearing ratio (times)<sup>(2)</sup></b>			<b>0.05</b>

**Notes:**

(1) Term loan was fully drawn down to fund working capital.

(2) Calculated based on total bank borrowing divided by total equity.

Our Group has not defaulted on any payment of either principal sums and/or interest in relation to borrowing for the Financial Periods Under Review and up to the LPD.

**12. FINANCIAL INFORMATION (CONT'D)**

As at 30 June 2023, our bank borrowing is interest bearing which is a fixed-rate borrowing. The details of the bank borrowing as at 30 June 2023 are set out below:

<b>Maturity profile</b>	<b>Term loan</b>
	<b>RM'000</b>
Less than 1 year	204
More than 1 to 2 years	212
More than 2 to 5 years	183
<b>Total</b>	<b>599</b>
<b>Credit limit</b>	1,000
<b>Balance unutilised as at the LPD</b>	-
<b>Effective interest rates per annum</b>	4.20%

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with our bank borrowing, which can materially affect the financial position and results of business operations or investments by holders of securities in our Company.

**12.5 FINANCIAL INSTRUMENTS, TREASURY POLICIES AND OBJECTIVES**

As at the LPD, save as disclosed in Section 12.4.3 above, our Group did not use any other financial instruments.

Our Group's operations have been funded through shareholders' equity, cash generated from our business operations and external sources of funds. The external sources of funds consist primarily of banking facilities from financial institutions. The normal credit term granted by our suppliers is 30 days.

As at the LPD, our Group's banking facilities from financial institutions mainly consists of term loan to fund working capital.

The interest rates for our bank borrowing is based on the market rates prevailing at the dates of the respective transaction. As at the LPD, our Group has available banking facilities amounting to RM1.00 million of term loan, which have been fully utilised.

The main objective of our capital management is to ensure sustainable shareholder's equity to ensure our ability to support and grow our business to maximise shareholders' value. We review and manage our capital structure to maintain our gearing ratio at an optimal level based on our business requirements and prevailing economic conditions.

In the ordinary course of business, we deal with customers and suppliers from both the domestic and foreign markets, where transactions are denominated in both domestic currency as well as foreign currencies. We maintain bank accounts in RM, USD and CAD, such that collections can be used to settle payments of the same currency where possible.

**12.6 MATERIAL COMMITMENT FOR CAPITAL EXPENDITURE**

Our Group does not have any material commitments for capital expenditure as at LPD.

## 12. FINANCIAL INFORMATION (CONT'D)

### 12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

(i) Material litigations

Neither we nor our subsidiary is engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

(ii) Contingent liabilities

As at the LPD, we do not have any material contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

### 12.8 KEY FINANCIAL RATIOS

Our key financial ratios for the Financial Periods Under Review are as follows:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Trade receivable turnover period (days) <sup>(1)</sup>	43	43	38	51
Trade payable turnover period (days) <sup>(2)</sup>	8	3	*	10
Current ratio (times) <sup>(3)</sup>	5.23	5.86	4.28	4.07
Gearing ratio (times) <sup>(4)</sup>	0.07	0.06	0.04	0.05

\* Less than 1 day.

**Notes:**

- (1) Based on average trade receivables as at the beginning and end of the respective financial periods over total revenue of the respective financial periods, and multiplied by 365 days for each financial year and 181 days for FPE 2023.
- (2) Based on average trade payables as at the beginning and end of the respective financial periods over total purchases of the respective financial periods, and multiplied by 365 multiplied by 365 days for each financial year and 181 days for FPE 2023.
- (3) Based on current assets over current liabilities.
- (4) Based on total bank borrowing (term loan) over total equity.

**(i) Trade receivable turnover period**

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Trade receivables (RM'000)	1,241	2,923	1,976	4,283
Trade receivable turnover period (days) <sup>(1)</sup>	43	43	38	51

**Note:**

- (1) Based on average trade receivables as at the beginning and end of the respective financial periods over total revenue of the respective financial periods, and multiplied by 365 days for each financial year and 181 days for FPE 2023.

**12. FINANCIAL INFORMATION (CONT'D)**

The normal credit terms granted are between 30 days and 45 days which are assessed and approved by the management on a case-by-case basis.

Our average trade receivables turnover period for FYE 2020 and FYE 2021 was 43 days which are within the normal credit terms.

For FYE 2022, our average trade receivables turnover period improved from 43 days to 38 days which was mainly attributed to timely collection from customers.

For FPE 2023, our average trade receivables turnover period increased from 38 days in FYE 2022 to 51 days in FPE 2023, which exceeded the normal credit terms and this was mainly attributed to some past due amount from customers which had subsequently been collected as at the LPD.

The ageing analysis of our Group of trade receivables as at 30 June 2023 is as follows:

	Not past due RM'000	Past Due			Total RM'000
		1-30 days RM'000	31-90 days RM'000	More than 90 days RM'000	
Trade receivables	2,043	1,642	598	-	4,283
<i>% contribution</i>	<i>47.70</i>	<i>38.34</i>	<i>13.96</i>	<i>-</i>	<i>100.00</i>
Subsequent collections as at the LPD	2,043	1,642	598	-	4,283
Net trade receivables after subsequent collections	-	-	-	-	-

As at the LPD, we have collected all of the trade receivables which were outstanding as at 30 June 2023.

**(ii) Trade payable turnover period**

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Trade payables (RM'000)	31	2	5	116
Trade payable turnover period (days) <sup>(1)</sup>	8	3	*	10

**Note:**

\* Less than 1 day.

(1) Based on average trade payables as at the beginning and end of the respective financial periods over total purchases of the respective financial periods, and multiplied by 365 days and multiplied by 365 days for each financial year and 181 days for FPE 2023.

The normal credit term granted was 30 days for the Financial Periods Under Review.

For the FYE 2020, our average trade payables turnover period was 8 days which was mainly attributed to the outstanding amounts of RM0.03 million owing to a computer and software supplier. As at the LPD, the outstanding amount had been settled.

**12. FINANCIAL INFORMATION (CONT'D)**

Our average trade payables turnover period improved from 8 days for FYE 2020 to 3 days in FYE 2021 and less than 1 day for FYE 2022, which were within the credit period.

Our average trade payables turnover period increased from less than 1 day for FYE 2022 to 10 days in FPE 2023, mainly attributed to the amount owing to a computer and software supplier, which has yet to pass due as at 30 June 2023.

The ageing analysis of our Group's trade payables as at 30 June 2023 is as follows:

	Not past due RM'000	Past Due			Total RM'000
		1-30 days RM'000	31-90 days RM'000	More than 90 days RM'000	
Trade payables	116	-	-	-	116
% contribution	100.00	-	-	-	100.00
Subsequent payments as at the LPD	-	-	-	-	-
Net trade payables after subsequent payments	-	-	-	-	-

As at the LPD, we have settled all of the trade payables which were outstanding as at 30 June 2023.

**(iii) Current ratio**

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Current assets	17,277	16,580	19,215	14,582
Current liabilities	3,301	2,828	4,494	3,584
Current ratio (times) <sup>(1)</sup>	5.23	5.86	4.28	4.07

**Note:**

(1) Based on current assets over current liabilities.

Our current ratio increased from 5.23 times as at 31 December 2020 to 5.86 times as at 31 December 2021. This was mainly attributed to lower other payables pertaining to a government incentive received on behalf of a customer in FYE 2020 for engaging local animation production services in Malaysia, which was subsequently paid out to the customer in FYE 2021.

Our current ratio decreased from 5.86 times as at 31 December 2021 to 4.28 times as at 31 December 2022. This was mainly attributed to the increase in other payables and accruals for bonus payments, director fees and professional fees.

Our current ratio decreased from 4.28 times as at 31 December 2022 to 4.07 times as at 30 June 2023. This was mainly attributed to the decrease in cash and bank balances as at 30 June 2023 mainly attributed to the payment made on the dividend declared of RM6.20 million for FYE 2022.

**12. FINANCIAL INFORMATION (CONT'D)****(iv) Gearing ratio**

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Bank borrowing				
- Term loan	1,000	874	699	599
Total equity	15,064	14,540	15,786	12,603
Gearing ratio (times) <sup>(1)</sup>	0.07	0.06	0.04	0.05

**Note:**

(1) Based on total bank borrowing over total equity.

Our gearing ratio improved from 0.07 times and 0.06 times as at 31 December 2020 and 31 December 2021 respectively, to 0.04 times as at 31 December 2022 due to repayment of term loan and also partly attributed to the higher retained earnings, which increased from RM7.91 million as at 31 December 2021 to RM9.17 million as at 31 December 2022.

Our gearing ratio increased from 0.04 times 31 December 2022 to 0.05 times as at 30 June 2023, mainly due to lower retained earnings which decreased from RM9.17 million as at 31 December 2022 to RM5.99 million as at 30 June 2023.

**12.9 INVENTORY AGING ANALYSIS**

Our Group's inventory is only for our food services segment. The inventory for the food services comprises mainly food ingredients and only amounted to less than RM5,000 as at 31 December 2021, 31 December 2022 and 30 June 2023 respectively. There was no inventory recorded as at 31 December 2020.

Inventory analysis is not applicable to our 2D animation production segment due to the nature of the business which is service-based.

**12.10 TREND INFORMATION**

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and risk factors in Section 7 and 9 of this Prospectus;
- (ii) material commitment for capital expenditure, as set out in this Section 12.6 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and risk factors in Section 9 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for the interruption to business and operations due to the COVID-19 pandemic as set out in Section 7.13 of this Prospectus; and

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**12. FINANCIAL INFORMATION (CONT'D)**

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- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position.

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**12. FINANCIAL INFORMATION (CONT'D)****12.11 ORDER BOOK**

As at the LPD, we have an order book of RM23.44 million from 8 on-going projects which will be recognised progressively between FYE 2023 and FYE 2024.

	Project name	Customer <sup>(1)</sup>	Start date <sup>(2)</sup> / Expected completion <sup>(3)</sup> date	Approximate percentage of completion as at the LPD (%)	Total contract value (RM million) <sup>(4)</sup>	Contract value recognised as at LPD (RM million)	Outstanding Order Book as at LPD (RM million)	Contract value expected to be recognised	
								FYE 2023 (RM million)	FYE 2024 (RM million)
1.	Project KP-1	Customer J	August 2022 / March 2024	31.69%	9.56	3.03	6.53	0.57	5.96
2.	Project BP-9	Customer B Group	April 2023 / April 2024	4.46%	8.55	3.63	4.92	1.42	3.50
3.	Project AP-3	Customer A Group	December 2021 / January 2024	95.73%	7.50	7.18	0.32	-	0.32
4.	Project HP-4	Customer H Group	July 2023 / April 2024	15.51%	6.06	0.94	5.12	0.91	4.21
5.	Project HP-5	Customer H Group	March 2023 / March 2024	25.69%	5.41	1.39	4.02	0.27	3.75
6.	Project BP-10	Customer B Group	June 2022 / February 2024	79.07%	4.73	3.74	0.99	0.47	0.52
7.	Project LP-1	Customer K	June 2023 / January 2024	35.22%	2.30	0.81	1.49	0.38	1.11
8.	Project MP-1	Customer L	August 2023 / December 2023	68.75%	0.16	0.11	0.05	0.05	-

**Notes:**

- (1) The customers' names have not been disclosed due to the non-disclosure agreement with our customers.
- (2) Start date is based on the date of the respective service agreement.
- (3) Expected completion date is based on schedule stipulated in contract or production planning.
- (4) Total contract value includes variation orders.

**12. FINANCIAL INFORMATION (CONT'D)****12.12 SIGNIFICANT CHANGES/EVENTS**

On 27 July 2023, Inspidea acquired 1 ordinary share owned by the non-controlling shareholder in Bowleh for a cash consideration of RM1. With the acquisition, Bowleh became a wholly-owned subsidiary of Inspidea.

**12.13 DIVIDEND POLICY**

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

We target a payout ratio of a minimum 40.00% of our PAT attributable to owners of our Company for each financial periods on a consolidated basis after taking into account our Group's working capital requirements, subject to any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our cash requirements or any plans approved by our Board.

Our Group's ability to distribute dividends to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for the working capital of our business. Our ability to declare and pay dividends is subject to the discretion of our Board. Our Directors will take into consideration, amongst others, the following factors when recommending or declaring any dividends:

- (i) the availability of adequate reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions and expansion taking into consideration projected capital expenditure and investment plans;
- (iv) our working capital requirements;
- (v) any contractual restrictions and/or commitments; and
- (vi) prior written consent from financial institutions, where required.

As at the LPD, save for any applicable financial covenants and the Act, and subject to the availability of distributable profits and reserves, there are no dividend restrictions imposed on us or our Subsidiaries. The existing financial covenants would not affect the future dividend payments of our Company.

The dividends declared and paid by our Group for the Financial Periods Under Review are as follows:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividends declared	10,661	<sup>(3)</sup> 6,703	<sup>(2)</sup> 6,204	-
Dividends paid	1,716	10,661	6,703	6,204
PAT	3,677	6,484	7,979	3,021
Dividend payout ratio <sup>(1)</sup>	46.67%	164.42%	84.01%	-

**Notes:**

- (1) Computed as dividends declared divided by PAT which also include dividends paid in specie.
- (2) The declared dividend was subsequently paid in March 2023.

**12. FINANCIAL INFORMATION (CONT'D)**

(3) Includes dividend in specie via the distribution 2,348,830 of ordinary shares in Arboratory Limited to its shareholders.

The dividends declared and paid for the FYE 2020, FYE 2021 and FYE 2022 were funded via internally generated funds. The Board proposes to declare and distribute dividend amounting to 60% of the Group's PAT for the FYE 2023 prior to our Listing.

Investors should note that this dividend policy merely describes our present intention and shall not constitute any legally binding statements in respect of our future dividends which are subject to modification (including non-declaration) thereof at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future.

**12.14 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our capitalisation and indebtedness as at 31 October 2023, and after adjusting for the Acquisition, IPO and the utilisation of proceeds. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 October 2023 and is provided for illustration purposes only.

	(I)	(II)	(III)	
	Unaudited as at 31 October 2023 RM '000	After Acquisition RM '000	After (I) and the IPO RM '000	After (II) and the utilisation of proceeds RM '000
<b>Indebtedness</b>				
<b>Non-current</b>				
Borrowings <sup>(1)</sup>	325	325	325	325
Lease liabilities	2,254	2,254	2,254	2,254
<b>Current</b>				
Borrowings <sup>(1)</sup>	207	207	207	207
Lease liabilities	524	524	524	524
<b>Total indebtedness</b>	<b>3,310</b>	<b>3,310</b>	<b>3,310</b>	<b>3,310</b>
<b>Capitalisation</b>				
Share Capital, representing total capitalisation	6,611	9,560	[•]	[•]
<b>Total capitalisation</b>	<b>6,611</b>	<b>9,560</b>	[•]	[•]
<b>Total capitalisation and indebtedness</b>	<b>9,921</b>	<b>12,870</b>	[•]	[•]
Gearing ratio (times) <sup>(2)</sup>	0.08	0.06	[•]	[•]

**Notes:**

(1) Borrowings are secured and guaranteed.

(2) Computed based on total indebtedness (excluding lease liabilities) divided by total capitalisation.

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**13. ACCOUNTANTS' REPORT**

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**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**ACCOUNTANTS' REPORT ON THE  
COMBINED FINANCIAL STATEMENTS**

**Russell Bedford LC PLT**  
(LLP-0030621-LCA & AF 1237)  
Chartered Accountants

**13. ACCOUNTANTS' REPORT (CONT'D)**

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**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)

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**13. ACCOUNTANTS' REPORT (CONT'D)**



**Russell Bedford LC PLT**

(LLP0030621-LCA & AF1237)

**Chartered Accountants**

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Date: 24 November 2023

The Board of Directors

**KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)

H-G-03A, Glomac Square

Jalan SS6/16A

Kelana Jaya

47301 Petaling Jaya

Dear Sirs

**REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF KUCINGKO BERHAD** (formerly known as Kucingo Sdn Bhd)

**Opinion**

We have audited the combined financial statements of the Kucingko Berhad (formerly known as Kucingo Sdn Bhd) ("Kucingko" or "the Company") and its combining entities as defined in Note 2.2.1 (collectively referred to as the "Group"), which comprises the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the financial period 1 January 2023 to 30 June 2023, and notes to the combined financial statements, including a summary of significant accounting policies as set out on page 13 to 24.

The combined financial statements of the Group have been prepared for inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire enlarged share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the combined financial statements give a true and fair view of the combined financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, and of their combined financial performance and their combined cash flows for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the financial period 1 January 2023 to 30 June 2023 in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards and the Prospectus Guidelines as issued by the Securities Commission Malaysia.

**Basis for opinion**

We conducted our audit in accordance with the Approved Standards on Auditing in Malaysia and the 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 reporting accountants' report.

We are independent of the Group in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA 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 MIA 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.

**13. ACCOUNTANTS' REPORT (CONT'D)****Responsibilities of the directors for the combined financial statements**

The Directors of the Company are responsible for the preparation of the combined financial statements of the Group that 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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**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 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 the Approved Standards on Auditing in Malaysia and the 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 the combined financial statements.

As part of an audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, 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.
- 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 director's 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 accountants' report to the related disclosures in the combined financial statements 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.

### 13. ACCOUNTANTS' REPORT (CONT'D)



#### Reporting accountants' responsibilities for the audit of the combined financial statements (continued)

- Evaluate the overall presentation, structure and content of the combined financial statements, 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

The comparative information in respect of the combined statements of comprehensive income, combined statements of changes in equity, combined statements of cash flow and the relevant notes to the combined financial statements for the financial period 1 January 2022 to 30 June 2022 have not been audited.

#### Restriction on distribution and use

This report is made solely to comply with the Prospectus Guidelines as issued by the Securities Commission Malaysia and for the inclusion in the prospectus to be issued in connection with the admission of Kucingko to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and for no other purposes and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

RUSSELL BEDFORD LC PLT  
LLP0030621-LCA & AF 1237  
CHARTERED ACCOUNTANTS

LEW CHUI HOONG  
03481/01/2024 J  
CHARTERED ACCOUNTANT

Kuala Lumpur



**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

		Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Revenue	4	11,028,261	12,482,914	23,485,035	17,675,422	14,922,805
Other operating income		410,720	855,486	948,449	782,864	697,195
Changes in inventories		(29,264)	(31,278)	(60,345)	(65,997)	(20,658)
Staff costs	5	(5,071,484)	(4,457,206)	(9,404,425)	(7,712,751)	(7,376,079)
Depreciation		(520,309)	(527,296)	(1,030,437)	(1,045,011)	(1,319,468)
Allowance for expected credit loss, net of recovery		-	-	-	1,288,390	-
Other operating expenses		(2,042,106)	(1,755,552)	(4,544,834)	(2,824,085)	(2,011,913)
<b>Profit from operations</b>	6	3,775,818	6,567,068	9,393,443	8,098,832	4,891,882
Finance income	7	107,706	71,332	185,095	169,041	111,492
Finance costs	8	(76,191)	(56,696)	(144,391)	(116,753)	(112,955)
Net finance income/(costs)		31,515	14,636	40,704	52,288	(1,463)
<b>Profit before tax</b>		3,807,333	6,581,704	9,434,147	8,151,120	4,890,419
Income tax expense	9	(786,142)	(602,862)	(1,454,854)	(1,666,736)	(1,213,046)
<b>Net profit/Total comprehensive income for the period/year</b>		3,021,191	5,978,842	7,979,293	6,484,384	3,677,373
<b>Net profit/(loss)/ Total comprehensive income/(loss) attributable to:</b>						
Owners of the Company		3,021,191	5,978,842	7,979,293	6,486,667	3,679,913
Non controlling interest		-	-	-	(2,283)	(2,540)
		3,021,191	5,978,842	7,979,293	6,484,384	3,677,373

**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
<b>Non current assets</b>					
Plant and equipment	10	1,481,530	1,060,776	901,877	1,282,807
Right of use assets	11	2,826,206	2,884,599	1,576,483	2,189,231
Investment in subsidiaries	12	-	-	5,449	5,449
Goodwill	13	62,819	62,819	62,819	62,819
Deferred tax assets	14	12,500	12,500	12,500	62,300
		<u>4,383,055</u>	<u>4,020,694</u>	<u>2,559,128</u>	<u>3,602,606</u>
<b>Current assets</b>					
Inventories	15	4,390	3,801	3,378	-
Trade receivables	16	4,282,821	1,976,051	2,923,350	1,241,055
Other receivables, deposits and prepayments	17	739,012	973,979	1,783,013	1,787,720
Contract assets	4	629,775	760,460	-	-
Tax recoverable		-	-	1,083	1,083
Fixed deposits with licensed banks	18	7,175,000	9,675,000	9,760,000	7,647,159
Cash and bank balances	19	1,750,643	5,826,158	2,108,908	6,600,231
		<u>14,581,641</u>	<u>19,215,449</u>	<u>16,579,732</u>	<u>17,277,248</u>
<b>Total assets</b>		<u>18,964,696</u>	<u>23,236,143</u>	<u>19,138,860</u>	<u>20,879,854</u>
<b>Equity</b>					
Share capital	20	2	-	-	-
Invested equity	20	6,611,427	6,611,427	6,611,427	2,959,176
Retained earnings		5,991,915	9,174,851	7,906,308	12,080,337
<b>Equity attributable to owners of the Group</b>		<u>12,603,344</u>	<u>15,786,278</u>	<u>14,517,735</u>	<u>15,039,513</u>
Non-controlling interests		-	-	22,436	24,719
<b>Total equity</b>		<u>12,603,344</u>	<u>15,786,278</u>	<u>14,540,171</u>	<u>15,064,232</u>
<b>Non current liabilities</b>					
Borrowings	21	394,985	498,137	680,376	874,380
Lease liabilities	22	2,382,039	2,457,922	1,089,852	1,639,990
		<u>2,777,024</u>	<u>2,956,059</u>	<u>1,770,228</u>	<u>2,514,370</u>
<b>Current liabilities</b>					
Trade payables	23	116,352	5,016	1,747	30,789
Other payables and accruals	24	2,156,557	2,606,304	1,505,703	2,159,822
Contract liabilities	4	108,675	921,857	169,514	-
Borrowings	21	204,435	200,868	194,004	125,620
Lease liabilities	22	533,311	497,379	550,138	591,102
Tax payable		464,998	262,382	407,355	393,919
		<u>3,584,328</u>	<u>4,493,806</u>	<u>2,828,461</u>	<u>3,301,252</u>
<b>Total liabilities</b>		<u>6,361,352</u>	<u>7,449,865</u>	<u>4,598,689</u>	<u>5,815,622</u>
<b>Total equity and liabilities</b>		<u>18,964,696</u>	<u>23,236,143</u>	<u>19,138,860</u>	<u>20,879,854</u>

### 13. ACCOUNTANTS' REPORT (CONT'D)

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

#### COMBINED STATEMENTS OF CHANGES IN EQUITY

Audited	Invested equity RM	Retained earnings RM	Equity attributable to owners of the Company RM	Non controlling interest RM	Total RM
At 1 January 2020	2,959,176	10,116,746	13,075,922	27,259	13,103,181
Dividends (Note 25)	-	(1,716,322)	(1,716,322)	-	(1,716,322)
Net profit/(loss)/Total comprehensive income/(loss) for the year	-	3,679,913	3,679,913	(2,540)	3,677,373
At 31 December 2020	2,959,176	12,080,337	15,039,513	24,719	15,064,232
Transactions with owners:					
Issue of shares (Note 20)	3,652,251	-	3,652,251	-	3,652,251
Dividends (Note 25)	-	(10,660,696)	(10,660,696)	-	(10,660,696)
Total transactions with owners	3,652,251	(10,660,696)	(7,008,445)	-	(7,008,445)
Net profit/(loss)/Total comprehensive income/(loss) for the year	-	6,486,667	6,486,667	(2,283)	6,484,384
At 31 December 2021	6,611,427	7,906,308	14,517,735	22,436	14,540,171
Transactions with owners:					
Dividends (Note 25)	-	(6,703,186)	(6,703,186)	-	(6,703,186)
Acquisition of non controlling interest	-	(7,564)	(7,564)	(22,436)	(30,000)
Total transactions with owners	-	(6,710,750)	(6,710,750)	(22,436)	(6,733,186)
Net profit/Total comprehensive income for the year	-	7,979,293	7,979,293	-	7,979,293
At 31 December 2022	6,611,427	9,174,851	15,786,278	-	15,786,278

**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)**

<b>Audited</b>	<b>Share capital RM</b>	<b>Invested equity RM</b>	<b>Retained earnings RM</b>	<b>Total RM</b>	
At 1 January 2023	-	6,611,427	9,174,851	15,786,278	
Transactions with owners:					
Issue of shares (Note 20)	2	-	-	2	
Dividends (Note 25)	-	-	(6,204,127)	(6,204,127)	
Total transactions with owners	2	-	(6,204,127)	(6,204,125)	
Net profit/Total comprehensive income for the period	-	-	3,021,191	3,021,191	
At 30 June 2023	<u>2</u>	<u>6,611,427</u>	<u>5,991,915</u>	<u>12,603,344</u>	
		<b>Equity attributable to owners of the Company RM</b>	<b>Non controlling interest RM</b>	<b>Total RM</b>	
<b>Unaudited</b>	<b>Invested equity RM</b>	<b>Retained earnings RM</b>	<b>Equity attributable to owners of the Company RM</b>	<b>Non controlling interest RM</b>	<b>Total RM</b>
At 1 January 2022	6,611,427	7,906,308	14,517,735	22,436	14,540,171
Transactions with owners:					
Dividends (Note 25)	-	(4,253,875)	(4,253,875)	-	(4,253,875)
Acquisition of non controlling interest	-	(7,564)	(7,564)	(22,436)	(30,000)
Total transactions with owners	-	(4,261,439)	(4,261,439)	(22,436)	(4,283,875)
Net profit/Total comprehensive income for the period	-	5,978,842	5,978,842	-	5,978,842
At 30 June 2022	<u>6,611,427</u>	<u>9,623,711</u>	<u>16,235,138</u>	<u>-</u>	<u>16,235,138</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**COMBINED STATEMENTS OF CASH FLOWS**

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
<b>Cash flows from/(used in) operating activities</b>					
Profit before tax	3,807,333	6,581,704	9,434,147	8,151,120	4,890,419
Adjustments for:					
Bad debts recovered	-	-	-	(1,288,390)	-
Deposits written off	-	-	-	-	1,000
Depreciation	520,309	527,296	1,030,437	1,045,011	1,319,468
Dividend income	-	(278,951)	(278,951)	-	-
Gain on					
- derecognition of lease liabilities	-	(24,851)	(24,851)	-	-
- disposal of plant and equipment	(3,259)	(10,847)	(13,149)	(3,220)	(4,960)
- disposal of subsidiaries	-	-	(5,829)	-	-
Interest expense	76,191	56,696	144,391	116,753	112,955
Interest income	(107,706)	(71,332)	(185,095)	(169,041)	(111,492)
<b>Operating profit before working capital changes</b>	4,292,868	6,779,715	10,101,100	7,852,233	6,207,390
Increase in inventories	(589)	(1,033)	(423)	(3,378)	-
(Increase)/Decrease in trade and other receivables	(2,115,075)	627,538	941,417	(381,848)	759,695
Changes in contract assets/liabilities	(682,497)	(169,514)	(8,117)	169,514	-
(Decrease)/Increase in trade and other payables	(412,111)	382,589	1,103,870	(683,161)	740,324
<b>Cash generated from operating activities</b>	1,082,596	7,619,295	12,137,847	6,953,360	7,707,409
Income tax paid	(583,526)	(719,380)	(1,599,827)	(1,603,500)	(3,539,337)
Income tax refunded	-	1,083	1,083	-	-
<b>Net cash from operating activities</b>	499,070	6,900,998	10,539,103	5,349,860	4,168,072

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**COMBINED STATEMENTS OF CASH FLOWS (continued)**

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
<b>Cash flows from/(used in) investing activities</b>					
Purchase of plant and equipment	(637,931)	(218,753)	(565,534)	(51,333)	(59,462)
Subscription of shares in a subsidiary	-	(30,000)	(30,000)	-	-
Advances to subsidiaries of Inspidea	-	-	-	(7,350)	(15,877)
Repayments from/ (Advances to) a company in which the directors have interest	43,272	(183,250)	(427,454)	-	-
Decrease/(Increase) in fixed deposits with maturity of more than 3 months	-	150,000	150,000	(1,500,000)	-
Decrease in fixed deposits pledged	-	220,000	220,000	-	-
Dividend received	-	278,951	278,951	-	-
Proceeds from disposal of plant and equipment	3,259	10,847	13,149	3,220	4,960
Interest received	107,706	71,332	185,095	169,041	111,492
<b>Net cash (used in)/from investing activities</b>	<b>(483,694)</b>	<b>299,127</b>	<b>(175,793)</b>	<b>(1,386,422)</b>	<b>41,113</b>
<b>Cash flows from/(used in) financing activities</b>					
Dividends paid	(6,204,127)	(3,000,227)	(5,449,538)	(10,660,696)	(1,716,322)
Proceeds from issuance of shares	2	-	-	3,652,251	-
Proceeds from borrowings	-	-	-	-	1,000,000
Repayments of borrowings	(99,585)	(78,527)	(175,375)	(125,620)	-
Repayments of lease liabilities	(284,690)	(315,415)	(591,756)	(591,102)	(570,887)
Advances from/ (Repayments to) a director	73,700	-	-	-	(638)
Interest paid	(76,191)	(56,696)	(144,391)	(116,753)	(112,955)
<b>Net cash used in financing activities</b>	<b>(6,590,891)</b>	<b>(3,450,865)</b>	<b>(6,361,060)</b>	<b>(7,841,920)</b>	<b>(1,400,802)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,575,515)</b>	<b>3,749,260</b>	<b>4,002,250</b>	<b>(3,878,482)</b>	<b>2,808,383</b>
<b>Cash and cash equivalents at beginning period/year</b>	<b>13,401,158</b>	<b>9,398,908</b>	<b>9,398,908</b>	<b>13,277,390</b>	<b>10,469,007</b>
<b>Cash and cash equivalents at end of period/year</b>	<b>6,825,643</b>	<b>13,148,168</b>	<b>13,401,158</b>	<b>9,398,908</b>	<b>13,277,390</b>

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**COMBINED STATEMENTS OF CASH FLOWS (continued)**

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
<b>Cash and cash equivalents comprise:</b>					
Cash and bank balances	1,750,643	4,573,168	5,826,158	2,108,908	6,600,231
Fixed deposits with licensed banks	7,175,000	10,675,000	9,675,000	9,760,000	7,647,159
	<u>8,925,643</u>	<u>15,248,168</u>	<u>15,501,158</u>	<u>11,868,908</u>	<u>14,247,390</u>
Less: Fixed deposits pledged with licensed bank	(750,000)	(750,000)	(750,000)	(970,000)	(970,000)
Less: Fixed deposits with initial maturity of more than 3 months	(1,350,000)	(1,350,000)	(1,350,000)	(1,500,000)	-
	<u>6,825,643</u>	<u>13,148,168</u>	<u>13,401,158</u>	<u>9,398,908</u>	<u>13,277,390</u>

**Reconciliation of liabilities arising from financing activities**

Audited	1.1.2023 RM	Cash flows RM	Non cash changes RM	30.6.2023 RM
Amount due to a director	-	73,700	-	73,700
Lease liabilities	2,955,301	(284,690)	244,739	2,915,350
Borrowings	699,005	(99,585)	-	599,420
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Unaudited	1.1.2022 RM	Cash flows RM	Non cash changes RM	30.6.2022 RM
Lease liabilities	1,639,990	(315,415)	(507,302)	817,273
Borrowings	874,380	(78,527)	-	795,853
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Audited	1.1.2022 RM	Cash flows RM	Non cash changes RM	31.12.2022 RM
Lease liabilities	1,639,990	(591,756)	1,907,067	2,955,301
Borrowings	874,380	(175,375)	-	699,005
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Audited	1.1.2021 RM	Cash flows RM	Non cash changes RM	31.12.2021 RM
Lease liabilities	2,231,092	(591,102)	-	1,639,990
Borrowings	1,000,000	(125,620)	-	874,380
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Audited	1.1.2020 RM	Cash flows RM	Non cash changes RM	31.12.2020 RM
Amount due to a director	638	(638)	-	-
Lease liabilities	2,801,979	(570,887)	-	2,231,092
Borrowings	-	1,000,000	-	1,000,000
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. General information**

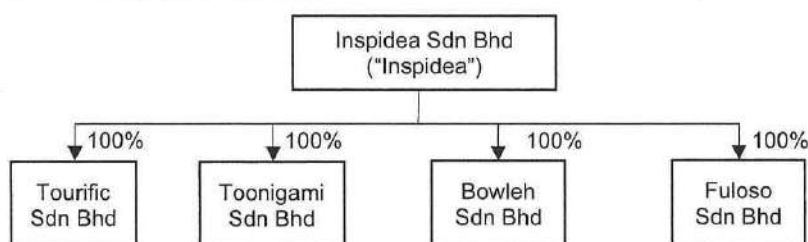
The Company was incorporated on 23 March 2023 under the Companies Act 2016 as a private limited liability company under the name of Kucingo Sdn Bhd. The Company was incorporated for the purpose of being an investment holding company and listing vehicle for the Group pursuant to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities Malaysia Berhad ("listing"). On 24 July 2023, the Company changed its name to Kucingko Sdn Bhd. On 11 September 2023, the Company was converted to a public limited company and assumed its current name of Kucingko Berhad.

The registered office of the Company is located at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur.

The principal place of business of the Company is located at H-G-03A, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya.

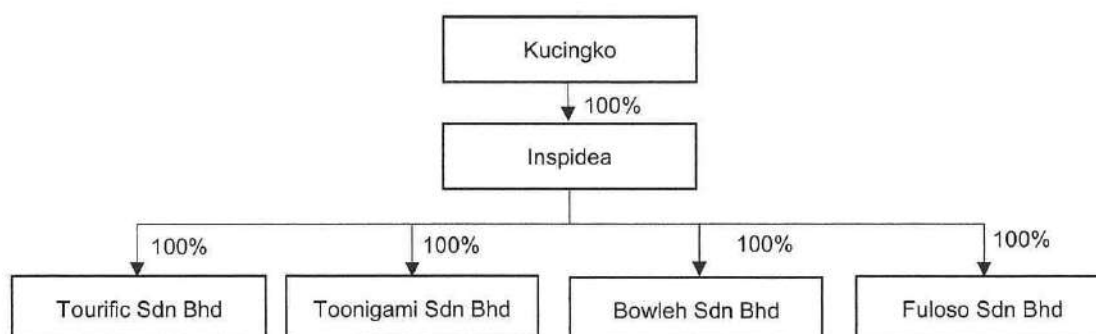
**1.1 Group structure**

The group structure prior to the pre-listing reorganisation and prior to the listing (also referred to as "Inspidea Group") is as follows:



On 21 November 2023, the Company had entered into a conditional share sale agreement with the shareholders of Inspidea to acquire the entire equity interest in Inspidea comprising 4,910,703 ordinary shares for a total purchase consideration of RM9,560,000. The purchase consideration is to be satisfied by the issuance of 399,999,997 new ordinary shares in of Kucingko Berhad (formerly known as Kucingo Sdn Bhd) ("Kucingko") ("Shares") to parties nominated by the shareholders of Inspidea at an issue price of RM0.0239 per Share.

The corporate structure of Kucingko Berhad (formerly known as Kucingo Sdn Bhd) ("Kucingko") and its subsidiaries (hereinafter referred to as the "Group") following the completion of acquisition of Inspidea is as follows:





### 13. ACCOUNTANTS' REPORT (CONT'D)

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
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#### 1.2 List of entities and principal activities prior to the listing

Company	Note	Country of incorporation	Effective equity interest				Principal activity
			30.6.2023	31.12.2022	31.12.2021	31.12.2020	
Inspidea Sdn Bhd		Malaysia	N/A	N/A	N/A	N/A	Animation entertainment production and distribution
Tourific Sdn Bhd		Malaysia	100.00%	100.00%	100.00%	100.00%	Computer software development and internet services
Toonigami Sdn Bhd		Malaysia	100.00%	100.00%	100.00%	100.00%	Provision of computer animation solutions and services
TSSRM Sdn Bhd ("TSSRM")	(c)	Malaysia	-	-	100.00%	100.00%	Provision of computer animation solutions and services
Fuloso Sdn Bhd ("Fuloso")		Malaysia	100.00%	100.00%	70.00%	70.00%	Provision of games and content development and production, marketing and distribution of games and digital content
Bowleh Sdn Bhd ("Bowleh")		Malaysia	99.99%	99.99%	99.99%	99.99%	Restaurant operator
Tapestream Pte Ltd ("Tapestream")	(b)	Singapore	-	-	100.00%	100.00%	Publishing of gaming software and applications and provision of computer animation solutions and services
Arboratory Limited ("Arboratory")	(a)	Hong Kong	-	-	100.00%	100.00%	Publishing of computer software development and application
<b>Subsidiary of Arboratory Limited</b>							
Tessereum Limited ("TSR")	(a)	Hong Kong	-	-	96.56%	-	Developing digital contents, games, web-based apps and mobile based apps

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

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**1.2 List of entities and principal activities prior to the listing (continued)**Notes:

- (a) On 30 June 2022, Inspidea declared a special single tier interim dividend in specie via a share distribution of 2,348,830 shares in Arboratory to the existing shareholders of Inspidea. Upon completion of the share dividend distribution, Inspidea ceased to have control in Arboratory and Arboratory ceased to be a subsidiary of Inspidea.
- (b) On 15 December 2022, Inspidea disposed of its entire shareholdings in Tapestream for a cash consideration of RM96,625. As a result of the disposal, Tapestream ceased to be a subsidiary of Inspidea.
- (c) On 31 December 2022, Inspidea entered into a Share Sale Agreement ("SSA") with Arboratory to dispose Inspidea's 100% equity holdings in TSSRM for a cash consideration of RM391,203. Pursuant to the SSA, Inspidea ceased to have control in TSSRM and TSSRM ceased to be a subsidiary of Inspidea.

**2. Principal accounting policies****2.1 Statement of compliance**

The combined financial statements have been prepared and presented in accordance with the Malaysian Financial Reporting Standards ("MFRS") and the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

**2.2 Basis of preparation of the combined financial statements****2.2.1 Basis of preparation and accounting**

The combined financial statements of the Company for the financial years ended ("FYE") 31 December 2020, 31 December 2021 and 31 December 2022 (collectively referred as "relevant financial years") and financial period ended ("FPE") 30 June 2023 have been prepared pursuant to the listing which consist of the financial statements of the following entities under common control for each of the financial years/period.

Entities under common control	31.12.2020	31.12.2021	31.12.2022	30.6.2023	Accounting standards applied
Kucingko Berhad (formerly known as Kucingo Sdn Bhd)	+	+	+	#	>
Inspidea Sdn Bhd	*	*	*	#	>
Tourific Sdn Bhd	*	*	*	#	>
Toonigami Sdn Bhd	*	*	*	#	>
Fuloso Sdn Bhd	*	*	*	#	>
Bowleh Sdn Bhd	*	*	*	#	>

The audited financial statements of all the companies within the Group for the relevant financial years reported above were not subject to any qualification or modification.

- + No financial statements were available as the Company was incorporated on 23 March 2023
- \* The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by Russell Bedford LC PLT
- # The financial statements of the Group for the financial period ended 30 June 2023 were audited by Russell Bedford LC PLT for the purpose of inclusion into the combined financial statements of the Group
- > The audited financial statements of all the companies within the Group for the relevant financial years/FPE were prepared in accordance with the MFRS and IFRS

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
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**2.2.1 Basis of preparation and accounting (continued)**

The Group has excluded all business and activity that will not form part of the new legal group of Kucingko Berhad (formerly known as Kucingo Sdn Bhd) from the combined financial statements (carve out basis). As TSSRM, Tapestream, Arboratory and TSR have been disposed of in FYE 31 December 2022, the financial statements of these entities are not included in the combined financial statements for FYE 31 December 2020, 31 December 2021, 31 December 2022 and FPE 30 June 2023.

The financial information presented in the combined financial statements may not correspond to those in the consolidated financial statements of the Group had the relevant proposed transaction to legally constitute the Group been incorporated in the consolidated financial statements for the respective years. Consequently, the financial information from the combined financial statements do not purport to predict the financial position, results of operations and cash flows of the combining entities during the reporting periods.

The Group has adopted the new and revised MFRS and their related interpretations that become mandatory for the current reporting period. The adoption of these new and revised MFRS and IC Interpretations does not result in significant changes in accounting policies of the Group.

The Group has not adopted the new standards, amendments to published standards and IC Interpretations that have been issued but not yet effective. These new standards, amendments to published standards and IC Interpretations do not result in significant changes in accounting policies of the Group upon their initial application.

**2.2.2 Significant accounting policies****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 the entity operates ("functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM").

**Basis of combination****(i) Combining entities**

The combined financial statements of the Group comprises the financial statements of the combining entities as disclosed in Note 2.2.1.

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

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities within the Group 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 entities within the Group, if later. Such manner of presentation reflects the economic substances of the combining companies, which were under common control throughout the relevant period.

The identified assets and liabilities of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**2.2.2 Significant accounting policies (continued)****Basis of combination (continued)****(ii) Business combination**

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised as expenses in the period in which the costs are incurred and the services are received.

For each business combination, non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at the present ownership instruments' proportionate share of the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), over the net fair value of the acquiree's net identifiable assets and liabilities is recorded as goodwill in the combined statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which control is obtained, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of Inspidea, and are presented within equity in the combined statement of financial position, separately from equity attributable to owners of Inspidea. Non-controlling interests are presented in the combined statements of comprehensive income as an allocation of the profit or loss and the comprehensive income for the reporting period between non-controlling interests and the owners of Inspidea. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in Inspidea's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of Inspidea.

Upon the loss of control of a subsidiary, the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary are derecognised. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If any interest in the previous subsidiary is retained, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as an equity instrument financial asset depending on the level of influence retained.

**(iii) Transactions eliminated on combination**

All intra-group balances, income and expenses and unrealised gain and losses resulting from intra-group transactions are eliminated in full.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
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**2.2.2 Significant accounting policies (continued)****Revenue from contracts with customers**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at a point in time at which the customer obtains control of the promised goods or services.

Revenue is recognised only when it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the goods or services sold.

**Contract assets and liabilities**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. A contract asset is stated at cost less accumulated impairment losses, if any.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers the goods or services to the customer, a contract liability is recognised when payment is made or the payment is due (whichever is earlier). Contract liability is recognised as revenue when the Group performs under the contract.



**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
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**2.2.2 Significant accounting policies (continued)****Foreign currencies**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

The principal exchange rates for every unit of foreign currency ruling at the reporting date are as follows:

	30.6.2023	31.12.2022	31.12.2021	31.12.2020
	RM	RM	RM	RM
Australian Dollar	3.100	-	-	-
Canadian Dollar	3.120	3.120	3.289	3.153
Euro	4.973	4.680	4.805	4.941
Hong Kong Dollar	0.530	0.530	0.534	0.518
United States Dollar	4.667	4.567	4.239	4.017

**Employee benefits****(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plans**

Obligations for contribution to defined contribution plans such as Employees Provident Fund are recognised as an expense as incurred.

**Income tax**

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, 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 financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**2.2.2 Significant accounting policies (continued)****Income tax (continued)**

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

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

**Impairment of assets**

The carrying amount of assets subject to accounting for impairment (primarily non financial asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment loss is recognised in profit or loss in the reporting period in which it arises.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in profit or loss.

**Plant and equipment and depreciation**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the assets and is recognised in profit or loss.

Depreciation on plant and equipment is calculated to write off the cost of the assets to its residual values on a straight line basis at the following annual rates based on their estimated useful lives:

Furniture and fittings	12%
Office equipment	12% - 33%
Renovation	12%
Motor vehicle	33%

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
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**2.2.2 Significant accounting policies (continued)****Plant and equipment and depreciation (continued)**

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

**Investment in subsidiaries**

A subsidiary is a company controlled by Inspidea. Control exists when Inspidea has power over its investee, exposed or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Inspidea's investment in subsidiaries is stated at cost less impairment losses, if any.

**Goodwill on consolidation**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over Inspidea's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities. Goodwill is subsequently measured at cost less any accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

**Inventories**

Inventories consist of food and beverages are stated at the lower of cost and net realisable value. Cost of inventories is determined on a first in first out basis. Cost of inventories comprises the cost of purchase plus the cost of bringing the inventories to their present location and condition. Net realisable value represents the estimated selling prices less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**Leases****As a lessee****i) Right of use assets**

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Subsequent to initial measurement, the right of use asset is depreciated on a straight line basis over the shorter of the lease term and the estimated useful life as follows:

Office premises	3 – 10 years
Apartment	3 – 4 years

Right of use asset is subject to impairment and is adjusted for any remeasurement of lease liabilities.



**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**2.2.2 Significant accounting policies (continued)****Leases (continued)****As a lessee (continued)**

## ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

**As a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in revenue or other operating income, as appropriate, in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Segment information**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**2.2.2 Significant accounting policies (continued)****Financial instruments**

Financial instruments are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instrument.

A financial instrument (unless it is a trade receivable without a significant financing component) is recognised initially at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. A trade receivable without significant financing component is initially measured at the transaction price.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income in profit or loss.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

On initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at fair value through profit or loss or at amortised cost, as appropriate.

**(i) Financial assets at amortised cost**

A financial asset is classified at amortised cost if it meets both of the following conditions:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method and are subject to impairment. Gains or losses are recognised in profit or loss when the financial assets at amortised cost are derecognised or impaired, and through the amortisation process (finance income).

**(ii) Financial liabilities at amortised cost**

Financial liabilities are classified at amortised cost if they are not:

- a) contingent consideration of an acquirer in a business combination;
- b) financial guarantee contracts;
- c) loan commitments;
- d) designated at fair value through profit or loss; or
- e) liabilities that arise when a transfer of a financial asset that does not qualify for derecognition or when the continuing involvement approach applies.

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

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**2.2.2 Significant accounting policies (continued)****Financial instruments (continued)****(iii) Equity instruments**

Equity instruments issued by the Group are recorded at the fair value of the proceeds received net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the reporting period in which they are approved.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity 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 or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**Expected credit losses**

The Group recognises an allowance for expected credit losses ("ECL") for financial assets at amortised cost and contract assets.

ECL are generally based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECL are recognised in profit or loss.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. Where appropriate, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Loss allowances for debt instruments measured at amortised cost are deducted from the gross carrying amount of the assets.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**2.2.2 Significant accounting policies (continued)****Expected credit losses (continued)***Low credit risk*

A financial instrument is determined to have low credit risk if:

- a) the financial instrument has a low risk of default;
- b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

*Significant increase in credit risk*

When determining whether the credit risk of a debt instrument has increased significantly since initial recognition and when estimating ECL, 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 considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

*Definition of default*

The Group considers a debt instrument to be in default when:

- a) The Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group; or
- b) The financial asset is more than 90 days past due.

*Credit impaired financial assets*

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 includes the following observable events:

- a) Significant financial difficulties of the debtor;
- b) A breach of contract, such as a default or past due event;
- c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- d) It becoming probable that the borrower will enter into bankruptcy or other financial reorganisations; or
- e) Disappearance of an active market for that financial asset because of financial difficulties.

*Write off*

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**2.2.2 Significant accounting policies (continued)****Current versus non-current classification**

Assets and liabilities are presented based on a current/non-current classification. An asset is current when it is:

- a) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- b) Held primarily for the purpose of trading;
- c) Expected to be realised within twelve months after the reporting period; or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- a) It is expected to be settled in the normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is due to be settled within twelve months after the reporting period; or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

**Statements of cash flows**

Statements of cash flows is prepared using the indirect method.

Cash equivalents are short term deposits with maturities of three months or less, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of pledged fixed deposits and fixed deposits with maturity of more than three months.

**3. Critical accounting estimates and judgements**

In the preparation of the financial statements, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, which are described above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
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Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

**4. Revenue****4.1 Disaggregation of revenue**

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
<b>Type of goods or services</b>					
Rendering of services	10,988,808	12,434,630	23,389,717	17,587,710	14,877,692
Sales of goods	39,453	48,284	95,318	87,712	45,113
	<u>11,028,261</u>	<u>12,482,914</u>	<u>23,485,035</u>	<u>17,675,422</u>	<u>14,922,805</u>
	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
<b>Geographical markets</b>					
Australia	277,307	145,608	145,608	350,768	5,061,740
Canada	3,110,292	3,228,669	7,166,073	7,953,627	5,887,222
France	1,262,124	71,235	160,142	4,282,436	1,699,532
Hong Kong	-	-	-	-	238,327
Japan	-	-	-	53,290	-
Malaysia	39,453	48,284	95,318	87,712	45,113
Mexico	-	-	-	-	10,807
Netherlands	-	1,122,598	1,122,598	1,454,008	-
Singapore	64,740	-	-	-	122,595
United Kingdom	1,344,642	-	68,554	-	362,947
United States of America	4,929,703	7,866,520	14,726,742	3,493,581	1,494,522
	<u>11,028,261</u>	<u>12,482,914</u>	<u>23,485,035</u>	<u>17,675,422</u>	<u>14,922,805</u>



**13. ACCOUNTANTS' REPORT (CONT'D)**

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**4.1 Disaggregation of revenue (continued)**

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	39,453	48,284	95,318	87,712	45,113
Services transferred at a point in time	10,988,808	12,434,630	23,389,717	17,587,710	14,877,692
Total revenue from contracts with customers	<u>11,028,261</u>	<u>12,482,914</u>	<u>23,485,035</u>	<u>17,675,422</u>	<u>14,922,805</u>

**4.2 Contract balance**

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
Contract liabilities	<u>108,675</u>	<u>921,857</u>	<u>169,514</u>	<u>-</u>
Contract assets	<u>629,775</u>	<u>760,460</u>	<u>-</u>	<u>-</u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date.

The contract liabilities primarily relates to the Group's obligation to transfer goods or services to customers for which the Group has received the consideration in advance or has billed the customers.

The following table provides information of the contract balance:

	Audited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
At beginning of period/year	(161,397)	(169,514)	-	-
Advance consideration received/Billings issued during the period/year	(4,187,307)	(5,097,125)	(742,019)	-
Revenue recognised during the period/year	<u>4,869,804</u>	<u>5,105,242</u>	<u>572,505</u>	<u>-</u>
At end of period/year	<u>521,100</u>	<u>(161,397)</u>	<u>(169,514)</u>	<u>-</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**4.3 Performance obligations**

Nature of goods and services	Satisfaction of performance obligations	Significant payment terms
Animation entertainment production and distribution	Revenue is recognised at a point in time when the services are rendered	Generally due within 30 to 45 days from billing date
Sale of food and beverages	Revenue recognised upon delivery of product	Cash basis

**4.4 Transaction price allocated to the remaining performance obligations**

For practical expediency, no information is provided on the remaining performance obligations as at reporting date that have an original expected duration of one year or less as allowed under the paragraph 121(a) of MFRS 15.

**4.5 Financing components**

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

**5. Staff costs**

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Defined contribution plan	554,102	380,572	809,107	682,288	763,514
Other employee related expenses	129,801	105,815	278,620	188,860	227,607
Salaries, allowance and bonus	4,387,581	3,970,819	8,316,698	6,841,603	6,384,958
	<u>5,071,484</u>	<u>4,457,206</u>	<u>9,404,425</u>	<u>7,712,751</u>	<u>7,376,079</u>

The key management personnel comprises executive directors of the combined entities and whose remuneration is analysed as follows:

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Total remuneration	<u>206,249</u>	<u>212,540</u>	<u>571,836</u>	<u>372,240</u>	<u>272,700</u>



**13. ACCOUNTANTS' REPORT (CONT'D)**

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**6. Profit from operations**

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Profit from operations is arrived at after charging/ (crediting)					
Auditors' remuneration					
- current period/ year	8,335	12,753	57,106	45,074	41,000
- under/(over) provision in prior years	-	-	6,316	-	(1,016)
Bad debts recovered	-	-	-	(1,288,390)	-
Deposits written off	-	-	-	-	1,000
Expenses relating to short term leases on premises	23,000	-	9,000	1,274	10,611
Directors' remuneration of Inspidea Group					
- fees	-	13,200	126,400	90,000	-
- other than fees	206,249	199,340	445,436	282,240	272,700
Dividend income	-	(278,951)	(278,951)	-	-
Realised loss/(gain) on foreign exchange	(76,053)	(91,330)	22,961	(53,078)	(54,172)
Gain on:					
- derecognition of lease liabilities	-	(24,851)	(24,851)	-	-
- disposal of plant and equipment	(3,259)	(10,847)	(13,149)	(3,220)	(4,960)
- disposal of subsidiaries of Inspidea	-	-	(5,829)	-	-
Rental income	(22,000)	(35,644)	(54,944)	(60,487)	(6,200)

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**7. Finance income**

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Interest income from fixed deposits	107,706	71,332	185,095	169,041	111,492

**8. Finance costs**

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Interest expense on:					
Lease liabilities	64,710	41,785	116,144	82,498	107,113
Term loan	11,481	14,911	28,247	34,255	5,842
	76,191	56,696	144,391	116,753	112,955

**9. Income tax expense**

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Expected current income tax payable					
- current period/year	(786,142)	(602,862)	(1,435,752)	(1,607,622)	(1,185,109)
- under provision in prior years	-	-	(19,102)	(9,314)	(80,237)
	(786,142)	(602,862)	(1,454,854)	(1,616,936)	(1,265,346)
Deferred tax (Note 14)					
- current period/year	-	-	-	(13,000)	44,200
- (over)/under provision in prior years	-	-	-	(36,800)	8,100
	-	-	-	(49,800)	52,300
	(786,142)	(602,862)	(1,454,854)	(1,666,736)	(1,213,046)

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
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A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	<b>Audited</b> <b>1.1.2023</b> <b>to</b> <b>30.6.2023</b> <b>RM</b>	<b>Unaudited</b> <b>1.1.2022</b> <b>to</b> <b>30.6.2022</b> <b>RM</b>	<b>Audited</b> <b>1.1.2022</b> <b>to</b> <b>31.12.2022</b> <b>RM</b>	<b>Audited</b> <b>1.1.2021</b> <b>to</b> <b>31.12.2021</b> <b>RM</b>	<b>Audited</b> <b>1.1.2020</b> <b>to</b> <b>31.12.2020</b> <b>RM</b>
Profit before tax	3,807,333	6,581,704	9,434,147	8,151,120	4,890,419
Taxation at statutory tax rate of 24%	(913,760)	(1,579,600)	(2,264,200)	(1,956,300)	(1,173,700)
Expenses not deductible for tax purposes	(65,677)	(32,162)	(52,252)	(43,422)	(208,000)
Effect of lower tax rate for small and medium sized industries	46,195	42,000	42,000	42,000	34,300
Income not subject to tax	171,000	161,300	94,900	352,200	126,291
Deferred tax assets not recognised	(23,900)	(22,400)	(43,200)	(49,100)	-
Tax incentives	-	828,000	787,000	34,000	80,200
Under provision of current tax in prior years	-	-	(19,102)	(9,314)	(80,237)
(Over)/Under provision of deferred tax in prior years	-	-	-	(36,800)	8,100
Income tax expense for the period/year	<u>(786,142)</u>	<u>(602,862)</u>	<u>(1,454,854)</u>	<u>(1,666,736)</u>	<u>(1,213,046)</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**10. Plant and equipment**

<b>Audited Cost</b>	<b>Furniture and fittings RM</b>	<b>Office equipment RM</b>	<b>Motor vehicle RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
At 1 January 2020	581,452	5,851,996	-	2,663,129	9,096,577
Additions	-	49,962	-	9,500	59,462
Disposals	-	(28,450)	-	-	(28,450)
Write offs	-	(3,925)	-	-	(3,925)
At 31 December 2020	581,452	5,869,583	-	2,672,629	9,123,664
Additions	2,375	48,651	-	307	51,333
Disposals	-	(11,359)	-	-	(11,359)
Write offs	-	(64,623)	-	-	(64,623)
At 31 December 2021	583,827	5,842,252	-	2,672,936	9,099,015
Additions	-	265,284	-	300,250	565,534
Disposals	-	(222,947)	-	-	(222,947)
At 31 December 2022	583,827	5,884,589	-	2,973,186	9,441,602
Additions	-	377,963	73,700	186,268	637,931
Disposals	-	(12,370)	-	-	(12,370)
At 30 June 2023	583,827	6,250,182	73,700	3,159,454	10,067,163
<b>Accumulated depreciation</b>					
At 1 January 2020	422,008	5,022,367	-	1,722,137	7,166,512
Charge for the year	42,647	461,743	-	202,330	706,720
Disposals	-	(28,450)	-	-	(28,450)
Write offs	-	(3,925)	-	-	(3,925)
At 31 December 2020	464,655	5,451,735	-	1,924,467	7,840,857
Charge for the year	34,152	222,563	-	175,548	432,263
Disposals	-	(11,359)	-	-	(11,359)
Write offs	-	(64,623)	-	-	(64,623)
At 31 December 2021	498,807	5,598,316	-	2,100,015	8,197,138
Charge for the year	28,461	206,148	-	172,026	406,635
Disposals	-	(222,947)	-	-	(222,947)
At 31 December 2022	527,268	5,581,517	-	2,272,041	8,380,826
Charge for the period	10,086	116,916	2,027	88,148	217,177
Disposals	-	(12,370)	-	-	(12,370)
At 30 June 2023	537,354	5,686,063	2,027	2,360,189	8,585,633
<b>Carrying amount</b>					
At 30 June 2023	46,473	564,119	71,673	799,265	1,481,530
At 31 December 2022	56,559	303,072	-	701,145	1,060,776
At 31 December 2021	85,020	243,936	-	572,921	901,877
At 31 December 2020	116,797	417,848	-	748,162	1,282,807

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
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<b>Audited Cost</b>	<b>Office premises RM</b>	<b>Apartment RM</b>	<b>Total RM</b>
At 1 January 2020/ 31 December 2020	2,499,633	302,346	2,801,979
Derecognition upon lease completion	(103,415)	-	(103,415)
At 31 December 2021	2,396,218	302,346	2,698,564
Lease modifications	(918,897)	-	(918,897)
Additions	2,414,369	-	2,414,369
At 31 December 2022	3,891,690	302,346	4,194,036
Lease modifications	-	244,739	244,739
At 30 June 2023	3,891,690	547,085	4,438,775
<b>Accumulated depreciation</b>			
At 1 January 2020	-	-	-
Charge for the year	508,692	104,056	612,748
At 31 December 2020	508,692	104,056	612,748
Charge for the year	508,692	104,056	612,748
Derecognition upon lease completion	(103,415)	-	(103,415)
At 31 December 2021	913,969	208,112	1,122,081
Charge for the year	529,568	94,234	623,802
Lease modifications	(436,446)	-	(436,446)
At 31 December 2022	1,007,091	302,346	1,309,437
Charge for the period	262,344	40,788	303,132
At 30 June 2023	1,269,435	343,134	1,612,569
<b>Carrying amount</b>			
At 30 June 2023	2,622,255	203,951	2,826,206
At 31 December 2022	2,884,599	-	2,884,599
At 31 December 2021	1,482,249	94,234	1,576,483
At 31 December 2020	1,990,941	198,290	2,189,231

### 13. ACCOUNTANTS' REPORT (CONT'D)

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#### 12. Investment in subsidiaries

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
<b>Unquoted shares, at cost</b>				
At beginning of period/year	-	5,449	5,449	5,449
Subscription of shares in subsidiaries	-	1,730,198	-	-
Disposal of subsidiaries	-	(481,999)	-	-
Transfer of shares via share dividend	-	(1,253,648)	-	-
At end of period/year	-	-	5,449	5,449

The details of the subsidiaries are as follows:

Subsidiaries of Inspidea	Country of incorporation	30.6.2023	Group's effective interest			Principal activity
			31.12.2022	31.12.2021	31.12.2020	
TSSRM Sdn Bhd	Malaysia	-	-	100%	100%	Provision of computer animation solutions and services
Tapestream Pte Ltd *	Singapore	-	-	100%	100%	Publishing of gaming software and applications and provision of computer animation solutions and services
Arboratory Limited #	Hong Kong	-	-	100%	100%	Publishing of computer software development and application
<b>Subsidiary of Arboratory Limited</b>						
Tessereum Limited #	Hong Kong	-	-	96.56%	-	Developing digital contents, games, web-based apps and mobile based apps

\* No statutory audit requirement

# The financial statements of the subsidiary is not audited by Russell Bedford LC PLT

The financial statements of the above subsidiaries are not included in the combined financial statements as explained in Note 2.2.1.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**12.1 Acquisition and subscription of shares in subsidiaries of Inspidea**

- (a) On 29 January 2021, a subsidiary of Inspidea, Arboratory, incorporated a subsidiary, TSR by subscribing to 12,000 ordinary shares and 5,500 Convertible Preference shares representing 96.56% of the issued and paid up share capital of TSR for a total cash consideration of HKD562,000. TSR is principally involved in developing digital contents, games, web-based apps and mobile based apps.
- (b) On 15 February 2022, Inspidea further subscribed for an additional 105,900 ordinary shares in TSSRM for RM105,900 by way of capitalisation of amount due from TSSRM. The equity interest of Inspidea in TSSRM remain unchanged.
- (c) On 29 June 2022, Inspidea further subscribed for an additional 2,338,830 ordinary shares in Arboratory for RM1,248,328 by way of capitalisation of amount due from Arboratory. The equity interest of Inspidea in Arboratory remain unchanged.
- (d) On 30 November 2022, Inspidea further subscribed for additional 375,970 ordinary shares in TSSRM for RM375,970 by way of capitalisation of amount due from TSSRM. The equity interest of Inspidea in TSSRM remain unchanged.

**12.2 Disposal of subsidiaries of Inspidea**

The disposal of subsidiaries of Inspidea is explained in Note 1.2.

**13. Goodwill**

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
<b>Cost</b>				
At beginning/end of period/year	62,819	62,819	62,819	62,819

**14. Deferred tax assets**

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
At beginning of period/year	12,500	12,500	62,300	10,000
Recognised in profit or loss (Note 9)				
- current period/year	-	-	(13,000)	44,200
- (over)/under provision in prior years	-	-	(36,800)	8,100
At end of period/year	12,500	12,500	12,500	62,300

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**14. Deferred tax assets (continued)**

Presented after appropriate offsetting as follows:

	<b>Audited</b> <b>30.6.2023</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2020</b> RM
Deferred tax assets	12,500	12,500	14,800	66,700
Deferred tax liabilities	-	-	(2,300)	(4,400)
	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>62,300</u>

Deferred tax liabilities are in respect of the following:

	<b>Audited</b> <b>30.6.2023</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2020</b> RM
Tax effects of excess of capital allowances over related depreciation of plant and equipment	-	-	(2,300)	(4,400)

Deferred tax assets are in respect of the following:

	<b>Audited</b> <b>30.6.2023</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2020</b> RM
<b>Gross</b>				
Excess of depreciation of plant and equipment over related tax capital allowances	9,000	8,000	-	-
Unutilised tax losses to be utilised up to financial year ending				
- 31 December 2029	111,600	111,600	79,200	79,200
- 31 December 2030	128,900	128,900	106,300	160,300
- 31 December 2031	56,100	56,100	57,500	-
- 31 December 2032	153,500	153,500	-	-
- 30 June 2033	98,000	-	-	-
Unabsorbed capital allowances	85,000	81,000	72,700	38,300
	<u>642,100</u>	<u>539,100</u>	<u>315,700</u>	<u>277,800</u>
Less: Deferred tax assets recognised	(52,100)	(52,100)	(61,700)	(277,800)
Deferred tax assets not recognised	<u>590,000</u>	<u>487,000</u>	<u>254,000</u>	<u>-</u>



**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**14. Deferred tax assets (continued)**

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
<b>Tax effect</b>				
Excess of depreciation of plant and equipment over related tax capital allowances	2,000	2,000	-	-
Unutilised tax losses to be utilised up to financial year ending				
- 31 December 2029	26,800	26,800	19,000	19,000
- 31 December 2030	30,900	30,900	25,500	38,500
- 31 December 2031	13,500	13,500	13,800	-
- 31 December 2032	36,800	36,800	-	-
- 30 June 2033	23,500	-	-	-
Unabsorbed capital allowances	20,400	19,500	17,400	9,200
	<u>153,900</u>	<u>129,500</u>	<u>75,700</u>	<u>66,700</u>
Less: Deferred tax assets recognised	<u>(12,500)</u>	<u>(12,500)</u>	<u>(14,800)</u>	<u>(66,700)</u>
Deferred tax assets not recognised	<u>141,400</u>	<u>117,000</u>	<u>60,900</u>	<u>-</u>

Portion of deferred tax assets have not been recognised as it is not probable that taxable profit will be available in the foreseeable future to utilise these tax benefits.

**15. Inventories**

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
Food and beverage at cost	4,390	3,801	3,378	-

Inventories of the Group recognised as an expense during the financial period/year are as follows:

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Amount of inventories recognised as an expense	<u>29,264</u>	<u>31,278</u>	<u>60,345</u>	<u>65,997</u>	<u>20,658</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**16. Trade receivables**

	<b>Audited</b> <b>30.6.2023</b> <b>RM</b>	<b>Audited</b> <b>31.12.2022</b> <b>RM</b>	<b>Audited</b> <b>31.12.2021</b> <b>RM</b>	<b>Audited</b> <b>31.12.2020</b> <b>RM</b>
Amount due from subsidiaries of Inspidea	-	-	-	247,116
Third parties	4,282,821	1,976,051	2,923,350	993,939
	<u>4,282,821</u>	<u>1,976,051</u>	<u>2,923,350</u>	<u>1,241,055</u>

The Group's normal trade credit terms range from 30 days to 45 days (31.12.2022: 30 days to 45 days; 31.12.2021: 30 days to 45 days; 31.12.2020: 30 days to 45 days).

The following table details the credit risk exposure on the Group's trade receivables.

	<b>Audited</b> <b>30.6.2023</b> <b>RM</b>	<b>Audited</b> <b>31.12.2022</b> <b>RM</b>	<b>Audited</b> <b>31.12.2021</b> <b>RM</b>	<b>Audited</b> <b>31.12.2020</b> <b>RM</b>
Not impaired or past due	2,042,976	1,663,001	1,604,458	1,241,055
1 – 30 days past due not impaired	1,641,678	136,425	836,638	-
31 – 60 days past due not impaired	598,167	176,625	160,313	-
More than 60 days past due not impaired	-	-	321,941	-
	<u>4,282,821</u>	<u>1,976,051</u>	<u>2,923,350</u>	<u>1,241,055</u>

The foreign currency exposure profile of trade receivables is as follows:

	<b>Audited</b> <b>30.6.2023</b> <b>RM</b>	<b>Audited</b> <b>31.12.2022</b> <b>RM</b>	<b>Audited</b> <b>31.12.2021</b> <b>RM</b>	<b>Audited</b> <b>31.12.2020</b> <b>RM</b>
Australian Dollar	128,943	-	-	-
Canadian Dollar	-	-	294,686	496,502
Euro	1,262,124	-	-	274,019
Hong Kong Dollar	-	-	-	247,116
United States Dollar	2,891,754	1,976,051	2,601,879	223,418

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**17. Other receivables, deposits and prepayments**

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
Amount due from subsidiaries of Inspidea				
- outstanding sales consideration for software	-	-	1,238,740	1,238,740
- unsecured interest free advances receivable on demand	-	-	113,538	106,188
Amount due from companies in which the directors have interest				
- proceeds on disposal of other investments	487,828	487,828	-	-
- unsecured interest free advances receivable on demand	6,262	49,534	-	-
Deposits	184,695	184,932	175,549	176,822
Prepayments	60,227	251,685	255,186	265,970
	<u>739,012</u>	<u>973,979</u>	<u>1,783,013</u>	<u>1,787,720</u>

**18. Fixed deposits with licensed banks**

Fixed deposits with licensed banks of the Group of RM750,000 (31.12.2022: RM750,000; 31.12.2021: RM970,000; 31.12.2020: RM970,000) have been pledged with licensed banks to secure for the facilities granted to the Group.

**19. Cash and bank balances**

The foreign currency exposure profile of cash and bank balances is as follows:

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
Canadian Dollar	312	312	315	404,282
Euro	950	950	310,429	387,011
Hong Kong Dollar	53	53	-	-
United States Dollar	427,917	3,870,935	170,993	649,250
	<u>427,917</u>	<u>3,870,935</u>	<u>170,993</u>	<u>649,250</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**20. Share capital and invested equity****(i) Share capital**

	Audited 30.6.2023 No. of shares	Audited 30.6.2023 RM
<b>Ordinary shares</b>		
At beginning of period	-	-
Issued during the period*	2	2
At end of period	<u>2</u>	<u>2</u>

\* The financial statements of the Company had not been included in the combined financial statements for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 as the Company was only incorporated on 23 March 2023 to facilitate the listing. The RM2 issue of shares above is the Company's subscriber shares on the incorporation of the Company.

**(ii) Invested equity**

	Audited 30.6.2023 No. of shares	Audited 31.12.2022 No. of shares	Audited 31.12.2021 No. of shares	Audited 31.12.2020 No. of shares
<b>Ordinary shares</b>				
At beginning of period/ year	2,331,861	2,331,861	559,176	559,176
Issued during the period/ year	-	-	1,772,685	-
At end of period/year	2,331,861	2,331,861	2,331,861	559,176
<b>Convertible Preference Share ("CPS")</b>				
At beginning of period/ year	88,509	88,509	24,000	24,000
Issued during the period/ year	-	-	64,509	-
At end of period/year	88,509	88,509	88,509	24,000
	<u>2,420,370</u>	<u>2,420,370</u>	<u>2,420,370</u>	<u>583,176</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**20. Share capital and invested equity (continued)****(ii) Invested equity (continued)**

	<b>Audited 30.6.2023 RM</b>	<b>Audited 31.12.2022 RM</b>	<b>Audited 31.12.2021 RM</b>	<b>Audited 31.12.2020 RM</b>
<b>Ordinary shares</b>				
At beginning of period/ year	2,331,861	2,331,861	559,176	559,176
Issued during the period/ year	-	-	1,772,685	-
At end of period/year	2,331,861	2,331,861	2,331,861	559,176
<b>Convertible Preference Share ("CPS")</b>				
At beginning of period/ year	4,279,566	4,279,566	2,400,000	2,400,000
Issued during the period/ year	-	-	1,879,566	-
At end of period/year	4,279,566	4,279,566	4,279,566	2,400,000
	<u>6,611,427</u>	<u>6,611,427</u>	<u>6,611,427</u>	<u>2,959,176</u>

For the purpose of these combined financial statements, the invested equity represents the share capital of Inspidea.

The holders of ordinary shares are entitled to receive dividends as and when declared by Inspidea. All ordinary shares carry one vote per share without restrictions.

The terms of the CPS are as follows:

**(a) Conversion right**

The holders of the CPS will have the option at any time to convert all or any portion of CPS at the applicable conversion ratio into new ordinary shares.

**(b) Conversion ratio**

The CPS shall be convertible into fully paid-up ordinary shares equivalent to a specified percentage of the enlarged capital of Inspidea pursuant to the terms of the Shareholders Agreement dated 28 November 2005, Supplemental Shareholders Agreement dated 18 November 2018 and Supplemental Shareholders Agreement dated 21 April 2021 (collectively referred to as "Agreements").

**(c) Dividends**

The holders of CPS are entitled to participate in dividends of Inspidea with the ordinary shareholders on an "as if converted" basis for any dividend declared, pursuant to the terms of the Agreements.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**20. Share capital and invested equity (continued)****(ii) Invested equity (continued)****(d) Voting right**

The holders of CPS shall have the right to the relevant number of votes equivalent to the number of ordinary shares into which the CPS are convertible on any resolutions at any general meeting of Inspidea upon:

- (i) any resolution which attempts to vary the rights attached to the CPS howsoever;
- (ii) any resolution for the winding up of Inspidea;
- (iii) which in the opinion of any holder of the CPS will affect the interest of such holder in any manner whatsoever; and/or
- (iv) in any event, pursuant to the applicable provisions of the Companies Act 2016.

**(e) Preference**

In the event of a liquidation, dissolution, winding up or distribution in specie of the assets of Inspidea, the holders of CPS shall be ranked in priority to the ordinary shareholders of Inspidea for payment of up to the total issue price of the CPS held.

**21. Borrowings**

	<b>Audited 30.6.2023 RM</b>	<b>Audited 31.12.2022 RM</b>	<b>Audited 31.12.2021 RM</b>	<b>Audited 31.12.2020 RM</b>
Non current portion:				
Term loan	394,985	498,137	680,376	874,380
Current portion:				
Term loan	204,435	200,868	194,004	125,620
	<u>599,420</u>	<u>699,005</u>	<u>874,380</u>	<u>1,000,000</u>
The non current portion of term loan is payable as follows:				
Later than 1 year and not later than 2 years	211,682	208,013	200,905	194,004
Later than 2 years and not later than 5 years	183,303	290,124	479,471	624,404
Later than 5 years	-	-	-	55,972
	<u>394,985</u>	<u>498,137</u>	<u>680,376</u>	<u>874,380</u>

The term loan is secured by way of:

- (i) Guarantee cover for 80% of the facility and interest from the Government of Malaysia under Special Relief Facility Scheme administered by Syarikat Jaminan Pembiayaan Perniagaan for an aggregate tenure of five years commencing on the date one day after the expiry of the moratorium period; and
- (ii) Joint and several guarantee by certain directors of Inspidea.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**21. Borrowings (continued)**

The effective interest rate is as follows:

	Audited 30.6.2023 %	Audited 31.12.2022 %	Audited 31.12.2021 %	Audited 31.12.2020 %
Term loan	4.20	4.20	4.20	4.20

**22. Lease liabilities**

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
Current portion	533,311	497,379	550,138	591,102
Non current portion	2,382,039	2,457,922	1,089,852	1,639,990
	<u>2,915,350</u>	<u>2,955,301</u>	<u>1,639,990</u>	<u>2,231,092</u>

The non current portion of  
lease liabilities is  
payable as follows:

Later than 1 year and not later than 2 years	500,518	408,572	473,268	550,138
Later than 2 years and not later than 5 years	868,182	908,855	616,584	1,089,852
Later than 5 years	1,013,339	1,140,495	-	-
	<u>2,382,039</u>	<u>2,457,922</u>	<u>1,089,852</u>	<u>1,639,990</u>

	Audited 30.6.2023 %	Audited 31.12.2022 %	Audited 31.12.2021 %	Audited 31.12.2020 %
Weighted average effective interest rate	4.20	4.20	4.20	4.20

The Group had total cash outflows for leases of RM372,400 (31.12.2022: RM716,900; 31.12.2021: RM674,874; 31.12.2020: RM688,611; 30.6.2022: RM357,200).

**23. Trade payables**

The normal trade credit terms granted to the Group is 30 days (31.12.2022: 30 days; 31.12.2021: 30 days; 31.12.2020: 30 days).

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**24. Other payables and accruals**

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
Software subscription license payable to a company in which the directors have interest	401,603	202,983	-	-
Amount due to a director	73,700	-	-	-
Other payables and accruals	1,681,254	2,403,321	1,505,703	2,159,822
	<u>2,156,557</u>	<u>2,606,304</u>	<u>1,505,703</u>	<u>2,159,822</u>

The foreign currency exposure profile of other payables and accruals is as follows:

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
Hong Kong Dollar	401,603	202,983	-	-



**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
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**25. Dividends**

	Amount of dividend			
	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
Single tier second interim dividend of RM0.58 per ordinary shares for year 2019	-	-	-	324,322
Single tier second interim dividend of RM58.00 per CPS for year 2019	-	-	-	1,392,000
Single tier interim dividend of RM5.54 per ordinary shares for year 2020	-	-	3,502,981	-
Special single tier interim dividend of RM11.32 per ordinary shares for year 2020	-	-	7,157,715	-
Single tier interim dividend of RM17.80 per CPS for year 2021	-	1,575,460	-	-
Single tier interim dividend of RM0.61 per ordinary share for year 2021	-	1,424,767	-	-
Special single tier interim dividend of RM7.44 per CPS for year 2021*	-	658,350	-	-
Special single tier interim dividend of RM0.26 per ordinary share for year 2021*	-	595,298	-	-
Single tier final dividend of RM14.50 per CPS for year 2021	-	1,283,380	-	-
Single tier final dividend of RM0.50 per ordinary shares for year 2021	-	1,165,931	-	-
Single tier final dividend of RM36.90 per CPS	3,265,982	-	-	-
Single tier final dividend of RM1.26 per ordinary share	2,938,145	-	-	-
	<u>6,204,127</u>	<u>6,703,186</u>	<u>10,660,696</u>	<u>1,716,322</u>

\* The dividends were declared and paid in specie via a share dividend distribution of 2,348,830 shares in Arboratory to the existing shareholders of Inspidea.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**26. Significant related party disclosures****26.1 Identities of related parties**

For the purposes of these combined financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Combining entities as disclosed in Note 2.2.1 of these combined financial statements;
- (ii) Companies in which the directors have interest; and
- (iii) Key management personnel who are defined as those personnel having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

**26.2 Related party transactions**

Significant transactions with related parties are as follows:

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
With companies in which the directors have interest:					
Subscription of software license	401,602	384,404	789,551	762,840	732,780
Rendering of service	-	-	-	-	369,711
Reimbursement of staff costs	88,089	97,109	417,953	-	-
Dividend income	-	278,951	278,951	-	-

**26.3 Compensation of key management personnel**

The key management personnel comprise directors of the combined entities whose remuneration are disclosed in Note 5.

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**13. ACCOUNTANTS' REPORT (CONT'D)**

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**KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**27. Segment information**

For management purposes, the Group is organised into business units based on the nature of business and has four reportable operating segments as follows:

- |  |   |
|--|---|
| Animation services                     | - Animation entertainment production and distribution   |
| Information Technology ("IT") services | - Software and hardware distribution, IT and network infrastructure support and technology training |
| Food and beverage                      | - Restaurant operator   |
| Others                                 | - Investment holding and other businesses that do not fall into above segments                      |

All the above reportable segments operate in Malaysia.

Management monitors the operating results of its business units as well as relying on the segment information as disclosed below for the purpose of making decision about resource allocation and performance assessment.

**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)

(Incorporated in Malaysia)

**27.1 Business segment**

The following table provides an analysis of Group's revenue, results, assets, liabilities and other information by business segment.

<b>Audited</b> <b>1 January 2023 to 30 June 2023</b>	<b>Animation services RM</b>	<b>IT services RM</b>	<b>Food and beverage RM</b>	<b>Others RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>Revenue</b>						
External revenue	10,988,808	-	39,453	-	-	11,028,261
Inter-segment revenue	120,256	579,668	28,402	-	(728,326)	-
Total revenue	<u>11,109,064</u>	<u>579,668</u>	<u>67,855</u>	<u>-</u>	<u>(728,326)</u>	<u>11,028,261</u>
<b>Results</b>						
Profit/(Loss) from operations	3,856,632	37,506	(109,214)	(1,365)	(7,741)	3,775,818
Finance income	104,850	2,053	-	803	-	107,706
Finance costs	(76,191)	-	-	-	-	(76,191)
Profit/(Loss) before tax	<u>3,885,291</u>	<u>39,559</u>	<u>(109,214)</u>	<u>(562)</u>	<u>(7,741)</u>	<u>3,807,333</u>
Income tax expense	(779,902)	(6,077)	-	(163)	-	(786,142)
Net profit/(loss) for the period	<u>3,105,389</u>	<u>33,482</u>	<u>(109,214)</u>	<u>(725)</u>	<u>(7,741)</u>	<u>3,021,191</u>

**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**27.1 Business segment (continued)**

<b>Unaudited 1 January 2022 to 30 June 2022</b>	<b>Animation services RM</b>	<b>IT services RM</b>	<b>Food and beverage RM</b>	<b>Others RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>Revenue</b>						
External revenue	12,434,630	-	48,284	-	-	12,482,914
Inter-segment revenue	147,876	235,134	39,140	-	(422,150)	-
<b>Total revenue</b>	<b>12,582,506</b>	<b>235,134</b>	<b>87,424</b>	<b>-</b>	<b>(422,150)</b>	<b>12,482,914</b>
<b>Results</b>						
Profit/(Loss) from operations	7,125,668	(70,139)	(105,300)	(1,243)	(381,918)	6,567,068
Finance income	70,631	615	-	86	-	71,332
Finance costs	(56,696)	-	-	-	-	(56,696)
<b>Profit/(Loss) before tax</b>	<b>7,139,603</b>	<b>(69,524)</b>	<b>(105,300)</b>	<b>(1,157)</b>	<b>(381,918)</b>	<b>6,581,704</b>
Income tax expense	(602,862)	-	-	-	-	(602,862)
<b>Net profit/(loss) for the period</b>	<b>6,536,741</b>	<b>(69,524)</b>	<b>(105,300)</b>	<b>(1,157)</b>	<b>(381,918)</b>	<b>5,978,842</b>

**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

27.1 **Business segment (continued)**

<b>Audited</b> <b>1 January 2022 to 31 December 2022</b>	<b>Animation services RM</b>	<b>IT services RM</b>	<b>Food and beverage RM</b>	<b>Others RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>Revenue</b>						
External revenue	23,389,717	-	95,318	-	-	23,485,035
Inter-segment revenue	282,365	913,748	69,131	-	(1,265,244)	-
<b>Total revenue</b>	<b>23,672,082</b>	<b>913,748</b>	<b>164,449</b>	<b>-</b>	<b>(1,265,244)</b>	<b>23,485,035</b>
<b>Results</b>						
Profit/(Loss) from operations	9,408,873	(288)	(201,952)	(6,929)	193,739	9,393,443
Finance income	182,637	1,707	-	751	-	185,095
Finance costs	(144,391)	-	-	-	-	(144,391)
Profit/(Loss) before tax	9,447,119	1,419	(201,952)	(6,178)	193,739	9,434,147
Income tax expense	(1,454,321)	(380)	-	(153)	-	(1,454,854)
<b>Net profit/(loss) for the year</b>	<b>7,992,798</b>	<b>1,039</b>	<b>(201,952)</b>	<b>(6,331)</b>	<b>193,739</b>	<b>7,979,293</b>

**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

27.1 Business segment (continued)

Audited 1 January 2021 to 31 December 2021	Animation services RM	IT services RM	Food and beverage RM	Others RM	Elimination RM	Total RM
<b>Revenue</b>						
External revenue	17,587,710	-	87,712	-	-	17,675,422
Inter-segment revenue	208,374	804,630	63,360	-	(1,076,364)	-
Total revenue	<u>17,796,084</u>	<u>804,630</u>	<u>151,072</u>	<u>-</u>	<u>(1,076,364)</u>	<u>17,675,422</u>
<b>Results</b>						
Profit/(Loss) from operations	8,278,093	53,766	(111,506)	(8,147)	(113,374)	8,098,832
Finance income	166,404	1,799	-	838	-	169,041
Finance costs	(116,753)	-	-	-	-	(116,753)
Profit/(Loss) before tax	8,327,744	55,565	(111,506)	(7,309)	(113,374)	8,151,120
Income tax expense	(1,616,256)	(13,380)	(36,800)	(300)	-	(1,666,736)
Net profit/(loss) for the year	6,711,488	42,185	(148,306)	(7,609)	(113,374)	6,484,384
Non-controlling interests	2,283	-	-	-	-	2,283
Net profit/(loss) attributable to owners of the Company	<u>6,713,771</u>	<u>42,185</u>	<u>(148,306)</u>	<u>(7,609)</u>	<u>(113,374)</u>	<u>6,486,667</u>

**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
(Formerly known as Kucingo Sdn Bhd)  
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27.1 **Business segment** (continued)

<b>Audited</b> <b>1 January 2020 to 31 December 2020</b>	<b>Animation services RM</b>	<b>IT services RM</b>	<b>Food and beverage RM</b>	<b>Others RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>Revenue</b>						
External revenue	14,877,692	-	45,113	-	-	14,922,805
Inter-segment revenue	-	581,174	70,990	-	(652,164)	-
<b>Total revenue</b>	<b>14,877,692</b>	<b>581,174</b>	<b>116,103</b>	<b>-</b>	<b>(652,164)</b>	<b>14,922,805</b>
<b>Results</b>						
Profit/(Loss) from operations	5,157,032	(108,064)	(135,297)	(8,912)	(12,877)	4,891,882
Finance income	109,063	1,983	-	446	-	111,492
Finance costs	(112,955)	-	-	-	-	(112,955)
Profit/(Loss) before tax	5,153,140	(106,081)	(135,297)	(8,466)	(12,877)	4,890,419
Income tax expense	(1,264,903)	25,057	26,800	-	-	(1,213,046)
Net profit/(loss) for the year	3,888,237	(81,024)	(108,497)	(8,466)	(12,877)	3,677,373
Non-controlling interests	2,540	-	-	-	-	2,540
Net profit/(loss) attributable to owners of the Company	<b>3,890,777</b>	<b>(81,024)</b>	<b>(108,497)</b>	<b>(8,466)</b>	<b>(12,877)</b>	<b>3,679,913</b>



**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
 (Formerly known as Kucingo Sdn Bhd)  
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**27.1 Business segment (continued)**

<b>Audited 30.6.2023</b>	<b>Animation services RM</b>	<b>IT services RM</b>	<b>Food and beverage RM</b>	<b>Others RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>Assets and liabilities</b>						
Segment assets	19,009,844	424,739	119,393	69,814	(659,094)	18,964,696
Segment liabilities	6,235,764	148,539	699,789	2,081	(724,821)	6,361,352
<b>Other information</b>						
Capital expenditure on plant and equipment and right of use assets	900,785	-	400	-	(18,515)	882,670
Depreciation	510,240	-	11,180	-	(1,111)	520,309

**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
 (Formerly known as Kucingo Sdn Bhd)  
 (Incorporated in Malaysia)

**27.1 Business segment (continued)**

<b>Audited</b> <b>31.12.2022</b>	<b>Animation services RM</b>	<b>IT services RM</b>	<b>Food and beverage RM</b>	<b>Others RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>Assets and liabilities</b>						
Segment assets	23,307,413	295,628	130,109	73,019	(570,026)	23,236,143
Segment liabilities	7,434,595	52,910	601,291	4,563	(643,494)	7,449,865
<b>Other information</b>						
Capital expenditure on plant and equipment and right of use assets	2,989,782	-	-	-	(9,879)	2,979,903
Depreciation	987,878	-	45,852	-	(3,293)	1,030,437
<b>Audited</b> <b>31.12.2021</b>						
<b>Assets and liabilities</b>						
Segment assets	19,732,766	253,864	171,611	79,592	(1,098,973)	19,138,860
Segment liabilities	4,774,560	12,185	440,841	4,805	(633,702)	4,598,689
<b>Other information</b>						
Capital expenditure on plant and equipment	190,749	-	340	-	(139,756)	51,333
Depreciation	1,011,379	-	53,087	-	(19,455)	1,045,011
<b>Audited</b> <b>31.12.2020</b>						
<b>Assets and liabilities</b>						
Segment assets	21,017,247	246,950	276,623	85,896	(746,862)	20,879,854
Segment liabilities	5,762,084	47,456	397,547	3,500	(394,965)	5,815,622
<b>Other information</b>						
Capital expenditure on plant and equipment	52,127	-	7,335	-	-	59,462
Depreciation	1,266,905	-	52,563	-	-	1,319,468

**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
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27.1 **Business segment** (continued)

	Animation services RM	IT services RM	Food and beverage RM	Others RM	Elimination RM	Total RM
<b>Audited</b> 1 January 2023 to 30 June 2023						
<b>Non-cash items other than depreciation</b>						
Not applicable	-	-	-	-	-	-
<b>Unaudited</b> 1 January 2022 to 30 June 2022						
<b>Non-cash items other than depreciation</b>						
Gain on derecognition of lease liabilities	(24,851)	-	-	-	-	(24,851)
<b>Audited</b> 1 January 2022 to 31 December 2022						
<b>Non-cash items other than depreciation</b>						
Allowance for expected credit loss	431,965	-	-	-	(431,965)	-
Impairment loss of investment in a subsidiary	149,999	-	-	-	(149,999)	-
Gain on derecognition of lease liabilities	(24,851)	-	-	-	-	(24,851)
<b>Audited</b> 1 January 2021 to 31 December 2021						
<b>Non-cash items other than depreciation</b>						
Not applicable	-	-	-	-	-	-
<b>Audited</b> 1 January 2020 to 31 December 2020						
<b>Non-cash items other than depreciation</b>						
Deposits written off	1,000	-	-	-	-	1,000

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)**27.2 Customers segment information**

Revenue from transactions with major customers arising from animation services segment that individually accounted for 10 percent or more of the Group's revenue are summarised below:

	Audited 1.1.2023 to 30.6.2023 RM	Unaudited 1.1.2022 to 30.6.2022 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Customer A	2,926,299	5,135,621	8,895,297	7,885,946	4,925,429
Customer B	2,808,928	1,785,077	4,320,895	1,918,290	3,775,158
Customer C	2,053,604	1,746,961	4,274,563	-	2,386,002
Customer D	1,262,124	1,284,207	2,458,859	-	-
	<u>9,050,955</u>	<u>9,951,866</u>	<u>19,949,614</u>	<u>9,804,236</u>	<u>11,086,589</u>

**28. Financial instruments and financial risk management****28.1 Categories of financial instruments**

The following table sets out the financial instruments as at the reporting date:

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
<b>Financial assets</b>				
Amortised cost				
- trade and other receivables	4,961,606	2,698,345	4,451,177	2,762,805
- fixed deposits with licensed banks	7,175,000	9,675,000	9,760,000	7,647,159
- cash and bank balances	1,750,643	5,826,158	2,108,908	6,600,231
	<u>13,887,249</u>	<u>18,199,503</u>	<u>16,320,085</u>	<u>17,010,195</u>
<b>Financial liabilities</b>				
Amortised cost				
- trade and other payables	2,272,909	2,611,320	1,507,450	2,190,611
- borrowings (floating rate)	599,420	699,005	874,380	1,000,000
- lease liabilities (fixed rate)	2,915,350	2,955,301	1,639,990	2,231,092
	<u>5,787,679</u>	<u>6,265,626</u>	<u>4,021,820</u>	<u>5,421,703</u>

**28.2 Financial risk management objectives and policies**

The Group's overall financial risk management programme seeks to minimise potential adverse effects on financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
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**28.2 Financial risk management objectives and policies (continued)****Foreign exchange risk management**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The carrying amounts of monetary assets and monetary liabilities denominated in currency other than the functional currency of the Group companies at the reporting date are disclosed in the respective notes to the financial statements.

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of the Group companies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusted at the period end for a 10% change in foreign currency rates. If the relevant foreign currencies strengthen by 10% against the functional currency, profit before tax will increase/(decrease) by:

	<b>Audited</b> <b>1.1.2023</b> <b>to</b> <b>30.6.2023</b> <b>RM</b>	<b>Unaudited</b> <b>1.1.2022</b> <b>to</b> <b>30.6.2022</b> <b>RM</b>	<b>Audited</b> <b>1.1.2022</b> <b>to</b> <b>31.12.2022</b> <b>RM</b>	<b>Audited</b> <b>1.1.2021</b> <b>to</b> <b>31.12.2021</b> <b>RM</b>	<b>Audited</b> <b>1.1.2020</b> <b>to</b> <b>31.12.2020</b> <b>RM</b>
Australian Dollar	12,900	-	-	-	-
Canadian Dollar	-	76,800	31	29,500	90,078
Euro	126,300	100	95	31,043	66,103
Hong Kong Dollar	(40,200)	(38,400)	(20,293)	-	24,712
United States Dollar	332,000	464,300	584,699	277,287	87,267

The opposite applies if the relevant foreign currencies weaken by 10% against the functional currency.

**Interest rate risk management**

The Group's primary interest rate risk relates to interest bearing debts. The information on maturity dates and effective interest rates of financial liabilities are disclosed in their respective notes.

No sensitivity analysis is prepared as the Group is not exposed to interest rate risk. The interest rates on interest bearing debts are fixed.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
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**28.2 Financial risk management objectives and policies (continued)****Credit risk management**

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. The Group minimises credit risk by dealing exclusively with high credit worthy counterparties. At reporting date, there were no significant concentrations of credit risk other than as follows:

	Audited 30.6.2023 RM	Audited 31.12.2022 RM	Audited 31.12.2021 RM	Audited 31.12.2020 RM
Bank balances with two financial institutions	7,293,693	14,325,194	9,184,990	12,593,916

The Group's credit risk grading framework for ECL model is as follows:

Category	Definition	Basis for recognition of ECL
Performing	The debtor has a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
Default	Amount is > 90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

## i) Trade receivables and contract assets

For trade receivables and contract assets, the Group has applied the simplified approach to measure the loss allowance at lifetime expected credit losses. Where appropriate, the Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. In determining the ECL of other trade receivables, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**28.2 Financial risk management objectives and policies (continued)****Credit risk management (continued)**

## ii) Other receivables

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

## iii) Cash and bank balances (including fixed deposits)

The cash and bank balances are held with reputable financial institutions with high credit ratings and no history of default. Impairment on cash and bank balances has been measured on a 12-month ECL and reflects the short term maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the financial institutions. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

**13. ACCOUNTANTS' REPORT (CONT'D)**
**KUCINGKO BERHAD**

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**28.2 Financial risk management objectives and policies (continued)**
**Liquidity risk management**

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. The Group finances its operations by a combination of equity and bank borrowings. In addition, the Group has available banking facilities to meet its liquidity and working capital requirements.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Contractual cash flows (including interest payments)					
	Carrying amount RM	Total RM	On demand or within 1 year RM	Within 1 to 2 years RM	Within 2 to 5 years RM	More than 5 years RM
<b>Audited</b>						
<b>30.6.2023</b>						
Non interest bearing debts	2,272,909	2,272,909	2,272,909	-	-	-
Interest bearing debts	599,420	629,428	222,132	222,132	185,164	-
Lease liabilities	2,915,350	3,376,500	645,000	591,000	1,045,500	1,095,000
	<u>5,787,679</u>	<u>6,278,837</u>	<u>3,140,041</u>	<u>813,132</u>	<u>1,230,664</u>	<u>1,095,000</u>
<b>Audited</b>						
<b>31.12.2022</b>						
Non interest bearing debts	2,611,320	2,611,320	2,611,320	-	-	-
Interest bearing debts	699,005	740,440	222,132	222,132	296,176	-
Lease liabilities	2,955,301	3,465,000	612,000	504,000	1,104,000	1,245,000
	<u>6,265,626</u>	<u>6,816,760</u>	<u>3,445,452</u>	<u>726,132</u>	<u>1,400,176</u>	<u>1,245,000</u>



**13. ACCOUNTANTS' REPORT (CONT'D)**

**KUCINGKO BERHAD**  
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**28.2 Financial risk management objectives and policies (continued)**

**Liquidity risk management (continued)**

	Carrying amount RM	Contractual cash flows (including interest payments)				
		Total RM	On demand or within 1 year RM	Within 1 to 2 years RM	Within 2 to 5 years RM	More than 5 years RM
<b>Audited 31.12.2021</b>						
Non interest bearing debts	1,507,450	1,507,450	1,507,450	-	-	-
Interest bearing debts	874,380	962,612	222,132	222,132	518,348	-
Lease liabilities	1,639,990	1,760,900	608,400	510,000	642,500	-
	<u>4,021,820</u>	<u>4,230,962</u>	<u>2,337,982</u>	<u>732,132</u>	<u>1,160,848</u>	<u>-</u>
<b>Audited 31.12.2020</b>						
Non interest bearing debts	2,190,611	2,190,611	2,190,611	-	-	-
Interest bearing debts	1,000,000	1,110,700	148,088	222,132	666,396	74,084
Lease liabilities	2,231,092	2,434,500	673,600	608,400	1,152,500	-
	<u>5,421,703</u>	<u>5,735,811</u>	<u>3,012,299</u>	<u>830,532</u>	<u>1,818,896</u>	<u>74,084</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****KUCINGKO BERHAD**

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**28.3 Capital structure and capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while providing an adequate return to stakeholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the statements of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity that are managed as capital.

The debt-to-adjusted capital ratios at the end of each reporting period were as follows:

	<b>Audited</b> <b>30.6.2023</b> <b>RM</b>	<b>Audited</b> <b>31.12.2022</b> <b>RM</b>	<b>Audited</b> <b>31.12.2021</b> <b>RM</b>	<b>Audited</b> <b>31.12.2020</b> <b>RM</b>
Total debts	3,514,770	3,654,306	2,514,370	3,231,092
Less: Cash and bank balances and fixed deposits	(8,925,643)	(15,501,158)	(11,868,908)	(14,247,390)
Net cash	<u>(5,410,873)</u>	<u>(11,846,852)</u>	<u>(9,354,538)</u>	<u>(11,016,298)</u>
Total equity/Adjusted capital	<u>12,603,344</u>	<u>15,786,278</u>	<u>14,540,171</u>	<u>15,064,232</u>
Debt-to-adjusted capital ratio (times)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

There were no changes in the Group's approach to capital management during these reporting periods.

**29. Fair value measurements****29.1 Financial instruments not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of the Group's term loan and lease liabilities approximate their carrying amounts. Term loan is a floating rate instrument that is re-priced to market interest rates on or near reporting date. Lease liabilities approximate their carrying amounts as these instruments were entered/initially recognised with interest rates which are reasonable approximation of the market interest rates on or near reporting date.

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**13. ACCOUNTANTS' REPORT (CONT'D)**

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**KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**30. Events subsequent to the reporting period**

On 27 July 2023, Inspidea acquired 1 ordinary share owned by the non controlling interest in Bowleh for a cash consideration of RM1. With the acquisition, Bowleh became a wholly owned subsidiary of Inspidea.

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**13. ACCOUNTANTS' REPORT (CONT'D)**

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**KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

The directors nominated by KUCINGKO BERHAD (formerly known as Kucingo Sdn Bhd) state that, in the opinion of the directors, the combined financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, and of their financial performance and their cash flows for the years ended on 31 December 2020, 31 December 2021, 31 December 2022 and for the financial period 1 January 2023 to 30 June 2023.

Signed on behalf of the Board of Directors of Kucingko Berhad (formerly known as Kucingo Sdn Bhd) in accordance with a resolution of the directors,



OOI KOK HONG



SEE CHIN JOO

Kuala Lumpur

Dated.

**24 NOV 2023**

## 14. STATUTORY AND OTHER GENERAL INFORMATION

### 14.1 EXTRACT OF OUR CONSTITUTION

Subject to the receipt of the approvals and fulfilment of the conditions as may be imposed by the relevant authorities as set out in Section 2 of this Prospectus, the following provisions relating to the selected matters are reproduced from our Constitution.

The words and expressions appearing in this section shall bear the same meanings used in our Constitution or the context otherwise requires.

“Act”	The Companies Act, 2016, as amended, substituted or re-enacted from time to time.
“Applicable Laws”	All laws, by-laws, regulations, rules, orders and/or official direction for the time being in force and any statutory modification, amendment or re-enactment thereof affecting our Company and our subsidiaries, including but not limited to the Act, Listing Requirements, Rules and every other directives or requirements imposed on our Company by the Companies Commission of Malaysia, Securities Commission Malaysia and/or other relevant regulatory bodies and/or authorities.
“Authorised Nominee”	An authorised nominee defined under the Central Depositories Act
“Auditors”	The auditors of our Company for the time being
“Boad”	The Board of Directors of our Company for the time being
“Central Depositories Act”	The Securities Industry (Central Depositories) Act 1991 and regulations made thereunder, as amended, substituted or re-enacted from time to time.
“Constitution”	Our Constitution as originally framed or as altered from time to time.
“Company”	Kucingko Berhad (formerly known as Kucingo Sdn Bhd) (Registration No. 202301011068 (1504989-A)) or such other names to which it may be changed from time to time.
“Deposited Security(ies)”	Shall have the meaning given in Section 2 of the Central Depositories Act.
“Depositor”	A holder of a Securities Account, as defined in Section 2 of the Central Depositories Act.
“Depository”	Bursa Malaysia Depository Sdn. Bhd. (Registration No.: 198701006854 (165570-W))
“Directors”	Our Directors of our Company for the time being (inclusive of alternate director or nominee director).
“Electronic Address”	Any electronic mail address or mobile or contact number used for the purpose of sending or receiving documents or information by electronic means.

**14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**

“Electronic Communication”	Include, but shall not limited to, unless the contrary intention appears, references to delivery of documents or information in electronic form by electronic means to the Electronic Address or any other address or number of the addressee, as permitted by the law.
“Electronic Form”	Document or information sent or supplied in electronic form are those sent by “electronic communication” or by any other means while in an electronic form whereby a recipient of such document or information would be able to retain a copy.
“Exchange”	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (Company No. 635998-W)) and any other share, stock, or securities exchange upon which the shares of our Company may be listed.
“Exempt Authorised Nominee”	An authorised nominee defined under the Central Depositories Act which is exempted from compliance with provisions of Section 25A(1) of the Central Depositories Act.
“Listing Requirements”	Unless the context otherwise requires, means the ACE Market Listing Requirements of the Exchange including any relevant practice and/or guidance notes, directives, guidelines issued pursuant thereto and any amendment, supplemental, modification to the same that may be made from time to time.
“Market Day”	Any day on which the stock market of the Exchange is open from trading in securities.
“Member”	Any person for the time being holding shares in our Company and whose name appears in the Register of Members (with the exception of the Depository or its nominee company in whose name the Deposited Security is registered) and shall include any depositor whose name appears in the Record of Depositors.
“Office”	The registered office of our Company for the time being.
“Omnibus Account”	A securities account in which ordinary shares of our Company are held in our Company for multiple beneficial owners in one (1) securities account and includes a securities account maintained by an Exempt Authorised Nominee on behalf of a Foreign Depository.
“Record of Depositors”	A record provided by the Depository to our Company or its registrar or its issuing house pursuant to an application under Chapter 24 of the Rules of the Depository.
“Registrar”	Any person appointed to perform the duties of the Registrar of our Company for the time being.
“Rules/Rules of the Depository”	Rules of the Depository and any appendices thereto as they may be amended or modified from time to time.
“Seal”	The common seal of our Company.
“Secretary”	Any person (or persons jointly) appointed to perform the duties of the Secretary of our Company for the time being and shall include an assistant or deputy secretary.

## 14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

“Securities Account”	An account established by the Depository for a Depositor for all recordings of deposits of securities and for dealings in such securities by the Depositor as permitted under the Central Depositories Act or the Rules.
“Securities Laws”	As defined under the Securities Commission Malaysia Act 1993, which shall include the Securities Commission Malaysia Act 1993, CMSA, Central Depositories Act and any guidelines, written notices and circulars issued by the Securities Commission Malaysia.
“Security/Securities”	Shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007.

### 14.1.1 Changes to share capital and variation of class rights

The provisions in our Constitution in respect of the changes in capital and variation of class rights are as follows:

- Clause 11 – Authority of Directors to allot shares
- Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of our Constitution and the Act and the Central Depositories Act and to the provisions of any resolution of our Company, shares in our Company may be issued by our Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as our Directors may think fit but our Directors in making any issue of shares shall comply with the following conditions:-
- (a) no issue of shares shall be made which will have the effect of transferring a controlling interest in our Company to any person, company or syndicate without the prior approval of the Members at the meeting of Members;
  - (b) in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in our Constitution or in the resolution creating the same; and
  - (c) every issue of shares or options to employees and/or Directors shall be approved by the Members in a meeting of Members and such approval shall specifically detail the amount of shares or options to be issued to each Director.

**14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**

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| <p>Clause 16 – Allotment and issuance of securities</p> | <p>Our Company must ensure that all new issue of securities for which listing is sought on the Exchange are made by way of crediting the Securities Accounts of the allottees with such securities save and except where it is specifically exempted from compliance with Section 38 of the Central Depositories Act, in which it shall so similarly be exempted from compliance with this requirement. For this purpose, our Company must notify the Depository of the names of the allottees and all such particulars required by the Depository, to enable Depository to make the appropriate entries in the Securities Accounts of such allottees. Subject to the Applicable Laws, our Company must allot the securities and despatch notices of allotment to the allottees and make application for the quotation of such securities within the stipulated time frame as may be prescribed by the Exchange.</p>  |
| <p>Clause 19 – Alteration of class rights</p>           | <p>Whenever the capital of our Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of our Constitution (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares capital of the class or group, or with the sanction of any special resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst our Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class or group. To every such separate general meeting all the provisions of our Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 292 of the Act, shall, with such adaptations as are necessary, apply.</p> |
| <p>Clause 54 – Power to increase capital</p>            | <p>Subject to Applicable Laws and our Constitution, our Company may from time to time, whether all the shares for the time being issued shall have been fully called up or not, by ordinary resolution increase its share capital by the creation and issuance of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as our Company by the resolution authorising such increase may directs.</p>   |



## 14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

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| <p>Clause 55 – Power to alter capital</p>  | <p>Our Company may alter its share capital by passing an ordinary resolution to:-</p> <ul style="list-style-type: none"> <li>(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;</li> <li>(b) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares or subject to the Act, reclassify any class of shares into other class of shares;</li> <li>(c) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Any resolution whereby any share is sub-divided may determine that, as between the holders of shares resulting from such subdivision, one or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the other or others of such shares; and</li> <li>(d) cancel any shares which at the date of the passing of the resolution which have been forfeited, have not been taken or agreed to be taken by any persons and diminish the amount of its share capital by the amount of the shares so cancelled.</li> </ul> |
| <p>Clause 56 – Power to reduce capital</p> | <p>Our Company may by special resolution reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.</p>   |

### 14.1.2 Transfer of securities

The provision in our Constitution in respect of the arrangements for transfer of securities and restrictions on their free transferability are as follows:

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|--|--|
| <p>Clause 45– Transfer of Deposited Securities</p> | <p>Subject to the Applicable Laws and our Constitution, the transfer of any Deposited Securities of our Company, shall be made by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, our Company shall be precluded from registering and effecting any transfer of the Deposited Securities.</p> |
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## 14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

Clause 46 – Transferor’s right      The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.

Clause 47 – Person under disability      No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

### 14.1.3 Remuneration of Directors

The provisions in our Company’s Constitution in respect of the remuneration of Directors are as follows:

Clause 103 – Fees and benefits for Directors      The fees of our Directors and any benefits payable to our Directors including any compensation for loss of employment of a Director or former Director shall from time to time be determined by an ordinary resolution of our Company in meeting of Members and shall (unless such resolution otherwise provided) be divisible among our Directors as they may agree PROVIDED ALWAYS that:-

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover, which shall not exceed the amount approved by the Members in meeting of Members;
- (b) salaries payable to executive Directors may not include a commission on or percentage of turnover;
- (c) fees and any benefits payable to Directors shall be subject to annual shareholder approval at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 104 – Reimbursement of expenses      Our Directors (include alternate Directors) shall be entitled to be reimbursed for all travelling, hotel and other reasonable expenses as may be incurred by them in attending and returning from meetings of our Directors or of any committee of our Directors or meetings of Members or otherwise howsoever in connection with or about the business of our Company in the course of the performance of their duties as Directors.

**14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**

Clause 105 – Special Remuneration Subject to the Act and our Constitution, our Directors may grant special remuneration to any Director who (on request by our Directors) is willing to:-

- (a) render any special or extra services to our Company; or
- (b) to go or reside outside his country of domicile or residence in connection with the conduct of any of our Company's affairs.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by any such methods as may be determined by the Board but shall not include a commission on or a percentage of turnover provided that in the case of non-executive Director, the said remuneration shall not include a commission on or percentage of profits.

Clause 135 – Remuneration of Managing Director and/or Executive Director The remuneration of the Managing Director and/or Executive Directors may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes, but such remuneration shall not include a commission on or percentage of turnover.

**14.1.4 Voting and borrowing powers of our Directors**

The provisions in our Constitution in respect of the voting and borrowing powers of Directors are as follows:

- Clause 108 – Borrowing powers of Directors
- (a) Our Directors may exercise all the powers of our Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of our Company, or of any third party subject to the Applicable Laws, as they may think fit.
  - (b) Our Directors shall not borrow any money or mortgage or charge any of our Company or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.
  - (c) Our Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of our Company and shall duly comply with the requirements of Section 353 of the Act in regard to the registration of mortgages and charges therein specified or otherwise.

**14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**

- (d) If our Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from our Company, our Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of our Company by way of indemnity to secure our Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.
- Clause 125 – Declaration of Interest and restriction of voting
- (a) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract or arrangement with our Company, shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with another company in which he is interested either as an officer of that other company or as a holder or shares or other securities in that other company.
- (b) Subject to Clause 125(a), a Director may vote in respect of:
- (i) any arrangement for giving any Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of our Company or any of its subsidiaries; or
  - (ii) any arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by deposit of a security.

By Ordinary Resolution of our Company, the provisions of this Clause may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause may be ratified.

## 14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

<p>Clause 126 – Directors retained from voting in interested transactions</p>	<p>Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with our Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of our Company.</p>
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### 14.2 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.
- (ii) As at the LPD, our Company has only 1 class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) Save as disclosed in this Prospectus, no shares, stocks or debentures of our Company have been issued or proposed to be issued as fully or partly paid-up in cash or otherwise, within the 2 years immediately preceding the date of this Prospectus.
- (iv) Save for the LTIP, none of the share capital of our Group is under option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.
- (v) Save for the Pink Form Allocations reserved for subscription by the eligible Directors and employees as disclosed in Section 4.3.1(ii) of this Prospectus, LTIP as disclosed in Section 4.3.6 of this Prospectus and subject to our Listing as disclosed in Section 6 of this Prospectus, there is currently no other scheme involving our Directors and employees in the share capital of our Group.
- (vi) As at the date of this Prospectus, save for the LTIP, our Group does not have any outstanding warrants, options, convertible securities or uncalled capital.
- (vii) Save as disclosed in this Prospectus, and save as provided for under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our Subsidiaries or upon the declaration or payment of any dividend or distribution thereon.

### 14.3 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Save as disclosed in Section 14.4 below, there is no limitation on the right to own our Shares including any limitation on the right of a non-resident or foreign shareholder to hold or exercise voting rights on our Shares imposed by Malaysian law or by our Constitution.

## **14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**

### **14.4 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS**

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

### **14.5 MATERIAL CONTRACTS**

Save as disclosed below, our Group has not entered into any material contract which is not in the ordinary course of our Group's business within the Financial Periods Under Review and up to the date of this Prospectus:

- (i) letter of agreement dated 15 December 2022 between Inspidea (as seller) and Arboratory Limited (as acquirer) in respect of the sale of 100.00% equity interest in Tapestream Pte Ltd for a consideration of SGD29,642.11 or approximately RM96,625.00, which has been completed on the even date;
- (ii) letter of agreement dated 30 December 2022 between Inspidea (as seller) and Arboratory Limited (as acquirer) in respect of the sale of 100.00% equity interest in TSSRM Sdn Bhd for a consideration of RM391,202.79, which has been completed on the even date;
- (iii) share sale agreement dated 21 November 2023 entered into between our Company (as acquirer), Netval Ventures, See Chin Joo and Ooi Kok Hong (as seller) for the Acquisition, which was completed on [●]; and
- (iv) the Underwriting Agreement, further details of which are set out in Section 4.10 of this Prospectus.

### **14.6 MATERIAL LITIGATION, CLAIMS AND ARBITRATION**

As at the LPD, neither our Company nor our Subsidiaries are engaged in any governmental, legal, claims or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings, whether as plaintiff or defendant or as a third party which may have or have had, material or significant effects on our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

### **14.7 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT**

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company. As such, there are no governmental laws, decree, regulation or other requirement which may affect the repatriation of capital and the remittance of profit by or to our Group.

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## **14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**

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### **14.8 CONSENTS**

The written consents of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretary, Solicitors, Share Registrar and Issuing House listed in the Corporate Directory of this Prospectus for the inclusion of their names and all references thereto in the form and context in which such names appear in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of our Auditors and Reporting Accountants for the inclusion of its name, the Accountants' Report and the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statement of Financial Position, and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

The written consent of our Independent Market Researcher for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

### **14.9 RESPONSIBILITY STATEMENT**

- (i) Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.
- (ii) Kenanga IB as the Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

### **14.10 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at our registered office during normal business hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the IMR Report prepared by IMR as included in Section 8 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statement of Financial Position as included in Section 12.1 of this Prospectus;
- (iv) the Accountants' Report as included in Section 13 of this Prospectus;
- (v) our material contracts as referred to in Section 14.5 of this Prospectus;
- (vi) the letters of consent as referred to in Section 14.8 of this Prospectus; and
- (vii) the audited financial statements of our Company and our Subsidiaries for the Financial Periods Under Review.

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**15. BY-LAWS FOR THE LTIP**

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**KUCINGKO BERHAD**  
**(FORMERLY KNOWN AS KUCINGO SDN BHD)**  
**(Registration No. 202301011068 (1504989-A))**

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**THE BY-LAWS OF THE LONG TERM INCENTIVE  
PLAN OF KUCINGKO BERHAD (FORMERLY  
KNOWN AS KUCINGO SDN BHD)**

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**15. BY-LAWS FOR THE LTIP (CONT'D)****1. DEFINITIONS**

1.1 In these By-Laws, except where the context otherwise requires, the following expressions shall have the following meanings:

“Act”	:	Companies Act 2016
“Award Date”	:	The date of the letter or electronic mail of which an LTIP Award is offered by the LTIP Committee to the Eligible Persons to participate in the Scheme
“Board”	:	The Board of Directors of the Company
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“By-Laws”	:	The rules, terms and conditions contained in these by-laws governing the Scheme, as amended from time to time in accordance with By-Law 28
“CDS”	:	Central Depository System
“CDS Account”	:	An account established by Bursa Depository for a depositor for the recording of deposits and withdrawal of securities and for dealings in such securities by a depositor
“Company”	:	Kucingko Berhad (formerly known as Kucingo Sdn Bhd)
“Constitution”	:	The Constitution of the Company, as amended from time to time
“Date of Acceptance”	:	The date on which the LTIP Committee shall receive the written notice accepting an ESOS Award accompanied by a payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the ESOS from an Eligible Person in accordance with By-Law 7.1
“Date of Expiry”	:	The last day of the Duration of the Scheme as defined in By-Law 25.2
“Director”	:	A director within the meaning of Section 2 of the Act, which for the avoidance of doubt, excludes an alternate director
“Disciplinary Proceedings”	:	Proceedings instituted by any company in the Group against any Grantee or Eligible Person for any alleged misbehaviour, misconduct and/or any other acts of such Grantee or Eligible Person deemed to be unacceptable by the said company whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee or Eligible Person

**15. BY-LAWS FOR THE LTIP (CONT'D)**

"Duration of the Scheme"	:	The duration of the Scheme as defined in By-Law 25.1 and includes any extension thereof in accordance with By-Law 25.2
"Effective Date"	:	The date on which the Scheme comes into force as provided in By-Law 25.1
"Eligible Person"	:	An Executive Director or Employee who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 4
"Employee"	:	Any person in the employment and on the payroll of any company within the Group
"Entitlement Date"	:	The date (and as at the close of business) on which shareholders' name must appear in the Company's record of depositors maintained at Bursa Depository in order to be entitled to any dividends, rights, allotments and/or other distributions
"ESGS"	:	The employee share grant scheme for the Company to grant Shares at no consideration to Eligible Persons according to the terms of these By-Laws
"ESGS Grant"	:	A grant of Shares made in writing by the LTIP Committee from time to time to an Eligible Person to participate in the ESGS in the manner provided in By-Law 11
"ESGS Grantee"	:	An Eligible Person who has accepted an ESGS Grant in the manner as provided in By-Law 12
"ESGS Vesting Date"	:	Such date as may be determined by the LTIP Committee on which all or some of the Shares awarded under an ESGS Grant to an Eligible Person is/are vested in accordance with By-Law 13
"ESOS"	:	The employee share option scheme for the benefit of the Eligible Persons to subscribe for new Shares according to the terms of these By-Laws
"ESOS Award"	:	An award of such number of ESOS Options made in writing by the LTIP Committee from time to time to an Eligible Person to participate in the ESOS in the manner provided in By-Law 6
"ESOS Grantee"	:	An Eligible Person who has accepted an ESOS Award in the manner provided in By-Law 7
"ESOS Options" or "Options"	:	The right of an ESOS Grantee to subscribe for new Shares at the Option Price in the manner provided in By-Law 9

**15. BY-LAWS FOR THE LTIP (CONT'D)**

“ESOS Vesting Date”	:	Such date on which all or some of the Options pursuant to an ESOS Award are vested upon fulfilment of the Vesting Conditions as stipulated by the LTIP Committee in accordance with By-Law 7.4
“Executive Director”	:	A Director who, on the Award Date, is on the payroll of the Group and is involved in the day-to-day management of any company within the Group
“Grantee”	:	An ESOS Grantee and/or ESGS Grantee, as the case may be
“Group”	:	<p>The Company and its subsidiary company(ies) as defined in Section 4 of the Act (which for the avoidance of doubt shall exclude the Company’s associate company(ies)) and which are not dormant. Subject to the foregoing, the expression “subsidiary company(ies)” shall for the purposes hereof include subsidiaries which are existing as at the Effective Date and such subsidiaries which the LTIP Committee may, from time to time, determine at its discretion, and subsidiaries which are incorporated or acquired at any time during the Duration of the Scheme but excludes:</p> <p>(i) subsidiaries which have been divested in the manner provided in By-Law 23; and</p> <p>(ii) subsidiaries which are dormant</p>
“Listing Requirements”	:	ACE Market Listing Requirements of Bursa Securities
“LTIP” or “Scheme”	:	The Kucingko Berhad Long Term Incentive Plan comprising ESOS and ESGS, which shall be administered in accordance with these By-Laws
“LTIP Awards”	:	Collectively, the ESOS Award and ESGS Grant and “LTIP Award” shall mean any one of them in the context of these By-Laws
“LTIP Committee”	:	The committee as appointed from time to time by the Board pursuant to By-Law 2.1 to implement and administer the LTIP in accordance with these By-Laws
“Market Day”	:	A day on which Bursa Securities is open for trading of securities
“Maximum Allowable Allotment”	:	The maximum aggregate number of Shares in respect of the LTIP Awards that can be offered and allotted to an Eligible Person in accordance with the provisions of By-Law 5.2

**15. BY-LAWS FOR THE LTIP (CONT'D)**

- “Offer Period” : A period of thirty (30) days from the Award Date or such longer period as may be determined by the LTIP Committee at its sole and absolute discretion during which an ESOS Award is valid for acceptance as stipulated in By-Law 6.3
- “Option Period” : The period commencing from the ESOS Vesting Date and expiring on a date on which the Options terminates, expires or lapses and/or otherwise ceases to be of any force and effect in accordance with these By-Laws and as set out in the ESOS Award
- “Option Price” : The price at which an ESOS Grantee shall be entitled to subscribe for each new Share upon the exercise of an ESOS Option, as initially determined in accordance with the provisions of By-Law 10 and as may be adjusted pursuant thereto in accordance with the provisions of By-Law 21
- “Performance Targets” : The performance targets determined and prescribed by the LTIP Committee, which are to be achieved by the Grantee and/or Group (and/or such business units within the Group as determined by the LTIP Committee), during such period as specified in the LTIP Award
- “persons connected” : Shall have the meaning as that assigned to “person connected” in Rule 1.01 of the Listing Requirements
- “Principal Adviser” : Shall have the meaning as that assigned to “Adviser” in Rule 1.01 of the Listing Requirements
- “RM” : Ringgit Malaysia
- “Rules of Bursa Depository” : The Rules of Bursa Depository, as issued pursuant to SICDA
- “Shares” : Ordinary shares in the Company
- “SICDA” : Securities Industry (Central Depositories) Act 1991
- “Validity Period” : A period of thirty (30) days from the Award Date or such longer period as may be determined by the LTIP Committee at its sole and absolute discretion on a case-to-case basis during which an ESGS Grant is valid for acceptance as stipulated in By-Law 11.4
- “Vesting Conditions” : The conditions determined by the LTIP Committee and stipulated in the LTIP Awards which must be fulfilled for the Options under the ESOS Award and/or the Shares under the ESGS Grant to be vested in an ESOS Grantee and/or ESGS Grantee as provided in By-Laws 7.4 and 13 respectively

**15. BY-LAWS FOR THE LTIP (CONT'D)**

- 1.2 Any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and the Listing Requirements, policies and/or guidelines of Bursa Securities and/or other relevant authorities respectively (whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with reasonable commercial practice of persons to whom such requirements, policies, regulations and/or guidelines are addressed to by Bursa Securities and /or other relevant authorities).
- 1.3 Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to the LTIP Awards made, offered and/or accepted within the Duration of the Scheme, and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced.
- 1.4 In these By-Laws, unless the context requires otherwise, words denoting the singular number shall include the plural number and vice versa, and words denoting one gender shall include the other gender.
- 1.5 The headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws.
- 1.6 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day; and if an event is to occur on a stipulated day which falls after the Date of Expiry then the stipulated day shall be taken to be the last Market Day prior to the Date of Expiry.
- 1.7 Under these By-Laws, any liberty or power of discretion which may be exercised, and/or any decision or determination which may be made:
- (i) by the Board may be exercised in the Board's sole and absolute discretion and the Board shall not be under any obligation to give any reasons therefor; and
  - (ii) by the LTIP Committee may be exercised in the LTIP Committee's sole and absolute discretion and the LTIP Committee shall not be under any obligation to give any reason therefor, but subject always to the Board's power to overrule any decision of the LTIP Committee.
- 1.8 In the event of any change in the name of the Company from its present name, all references to "Kucingko Berhad" in these By-Laws and all other documents pertaining to the Scheme shall be deemed to be references to the Company's new name.
- 1.9 This Scheme shall be known as the "Kucingko Berhad Long Term Incentive Plan".
- 1.10 The establishment of this Scheme is to:
- (i) to recognise the contribution of the Eligible Person whose services are valued and considered vital to the past and future growth of the Group;
  - (ii) to reward the Eligible Person by allowing them to participate in the Group's

**15. BY-LAWS FOR THE LTIP (CONT'D)**

profitability and eventually realise any capital gains arising from appreciation in the value of the Shares;

- (iii) to motivate the Eligible Person and promote high performance through greater productivity and loyalty within the Group;
- (iv) to inculcate a greater sense of belonging and dedication as the Eligible Person are given the opportunity to participate directly in the equity of the Company, thereby promoting a shared vision amongst the stakeholders to further enhance shareholder value;
- (v) to possibly retain the Eligible Person, hence ensuring that the loss of key personnel is kept to a minimum level;
- (vi) to realign the total compensation of Eligible Person whereby this Scheme is incorporated to offset the reduction of other variable pay components, thereby better aligning the remuneration of Eligible Person with that of shareholder value creation; and
- (vii) to align Eligible Person with the share price performance of the Company and future growth of the Group.

**2. ADMINISTRATION AND TRUST**

- 2.1 The Scheme shall be administered by the LTIP Committee consisting of such number of Directors and/or senior management personnel of the Group as shall be appointed and duly authorised by the Board from time to time. The Board shall have the power to determine all matters pertaining to the LTIP Committee, including, without limitation, setting the terms of reference for the LTIP Committee, as well as determining its composition, duties, powers and limitations. The Board is also entitled, at any time and from time to time to rescind the appointment of any member of the LTIP Committee and appoint replacement members to the LTIP Committee, to change the terms of appointment of the members of the LTIP Committee, to determine and change the terms of reference for the LTIP Committee, and to assume and/or exercise or execute any of the powers and authorities conferred upon the LTIP Committee pursuant to these By-Laws.
- 2.2 The LTIP Committee shall administer the Scheme in such manner as it shall in its discretion deem fit and with such powers and duties as are conferred upon it, subject only to these By-Laws as may be amended from time to time. The LTIP Committee may meet together for the despatch of business, to adjourn or otherwise regulate its meetings as it thinks fit.
- 2.3 In implementing the Scheme, the LTIP Committee may, at its discretion, decide that any vesting of Shares comprised in a LTIP Award shall be satisfied through:
- (i) the issuance of new Shares;
  - (ii) the acquisition of existing Shares from the open market of Bursa Securities or transfer of the Company's treasury shares, if any;

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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- (iii) any other methods as may be permitted by the Act; or
- (iv) a combination of any of the above.

In considering the modes of satisfaction as referred to in (i) to (iv) above, the LTIP Committee will take into consideration factors such as the prevailing market price of the Shares, funding considerations, dilutive effects of any such issuance on the Company's share capital base, and cash requirements of the Group.

- 2.4 For the purposes of facilitating the implementation and administration of the Scheme, the Company may (but shall not be obliged to) establish a trust to be administered by a trustee to be appointed by the Company for the Scheme from time to time ("**Trustee**"), if required, for the purposes of subscribing for new Shares, acquiring existing Shares from the ACE Market of Bursa Securities and/or receiving treasury shares, and transferring them to the Grantees at such times as the LTIP Committee shall direct ("**Trust**"). For the said purposes and to pay expenses in relation to the administration of the Trust, the Trustee may, to the extent permitted by law, be entitled from time to time to accept funding and/or assistance, financial or otherwise, from the Group and/or any third party to be paid into the bank account(s) to be established by the Trustee for the purpose of the Trust as the Trustee may direct for any such payment. The LTIP Committee shall have the discretion to revoke or suspend any such direction that has earlier been given to the Trustee.
- 2.5 The Trustee, if and when the Trust is established, shall administer the Trust in accordance with the terms of a trust deed to be entered into between the Company and the Trustee ("**Trust Deed**"). For the purpose of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements or make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust, as the LTIP Committee may in its sole and absolute discretion direct for the implementation and administration of the Trust.
- 2.6 The Company shall have power from time to time, at any time, to appoint or rescind or terminate the appointment of the Trustee as it deems fit in accordance with the provisions of the Trust Deed. The Company shall have the power from time to time, at any time, to negotiate with the Trustee to amend the provisions of the Trust Deed.
- 2.7 Without limiting the generality of By-Laws 2.1 and 2.2, the LTIP Committee may, for the purpose of administering the Scheme, do all acts and things, rectify any errors in the LTIP Award subject to By-Laws 6.5 and 11.5, enter into or execute all transactions, agreements, deeds, documents and arrangements, construe and interpret the Scheme and LTIP Award granted under it, to define the terms and to recommend to the Board to establish, amend, waive (not inconsistent with the Scheme) and revoke rules and regulations relating to the Scheme and its administration, to give effect to the provisions of the Scheme, to determine all questions of policy and expediency that may arise in the administration of the Scheme and delegate any of its powers and duties relating to the Scheme as it may at its discretion consider to be necessary or desirable for giving effect to the Scheme. The LTIP Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in

**15. BY-LAWS FOR THE LTIP (CONT'D)**

the Scheme or in any agreement providing for an LTIP Award in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective. Any decisions of the LTIP Committee which are made in accordance with these By-Laws shall be final, binding and conclusive but subject always to the Board's power to overrule any decision of the LTIP Committee as provided under By-Laws 1.7(ii).

**3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME**

- 3.1 The maximum number of Shares which may be made available under the Scheme shall not in aggregate exceed ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme.
- 3.2 Notwithstanding the provision of By-Law 3.1 above and any other provision herein contained, in the event the maximum number of Shares granted under the Scheme exceeds in aggregate the aforesaid ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing or cancelling its own Shares in accordance with the provisions of Section 127 of the Act or undertaking any other corporate proposal and thereby reducing its the total number of issued shares, then such LTIP Awards granted prior to the variation of the issued share capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme as if that purchase or cancellation or reduction had not occurred. However, in such a situation, the LTIP Committee shall not make any further LTIP Awards unless the total number of Shares under the subsisting LTIP Awards including Shares that have been issued under the Scheme falls below ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme.

**4. ELIGIBILITY**

- 4.1 Subject to the discretion of the LTIP Committee, any Eligible Person who fulfils the following criteria as at the Award Date shall be eligible to participate in the LTIP and qualify for consideration and/or selection by the LTIP Committee if:
- (i) such person is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
  - (ii) he/she is employed on full time basis and is on the payroll of any Company within the Group, and who has been confirmed in service/employment as a full-time employee of the Group, and has not at the relevant point in time served a notice of resignation or received a notice of termination;
  - (iii) in respect of an Executive Director, the Executive Director must have been appointed as an Executive Director for such period as may be determined by the LTIP Committee prior to and up to the Award Date and has not at the relevant point in time served a notice of resignation or received a notice of termination; and/or



**15. BY-LAWS FOR THE LTIP (CONT'D)**

- (iv) he/she falls within any other categories or criteria as may be determined by the LTIP Committee from time to time in its absolute discretion.

For the avoidance of doubt, the LTIP Committee may determine any other eligibility criteria and/or waive any of the conditions of eligibility as set out in this By-Law 4.1, provided that these bases are in compliance with the Listing Requirements and applicable laws, for purposes of selecting an Eligible Person at any time and from time to time, in the LTIP Committee's discretion, whose decision shall be final and binding but subject always to the Board's power to overrule any decision of the LTIP Committee as provided under By-Law 1.7(ii).

- 4.2 Where a specific allocation of Options and/or Shares is proposed to be made pursuant to a LTIP Award to an Eligible Person who is the chief executive, Director or major shareholder of the Company, or a person connected with such chief executive, Director or major shareholder of the Company, such specific allocation to the said person requires prior shareholders' approval in a general meeting provided always that the chief executive, Director and/or major shareholder of the Company and/or persons connected with them shall not have voted on the resolution approving the said allocation of Shares and/or Options to be made thereunder and any such allocation is not prohibited or disallowed by the relevant authorities or by any laws or regulation.
- 4.3 Without prejudice to the generality of the foregoing and subject to the LTIP Committee's discretion otherwise, any LTIP Award made by the LTIP Committee shall become void, of no force and effect and cease to be capable of acceptance by the Eligible Persons upon any of the following events occurring (prior to such LTIP Award being accepted by the Eligible Person selected by the LTIP Committee to whom an LTIP Award was made in accordance with By-Laws 7 and/or 12 hereof ("**Selected Employee**")):
- (i) the death of the Selected Employee;
  - (ii) the Selected Employee having received a letter of termination or ceasing to be an employee of the Group, for any reason whatsoever;
  - (iii) the Selected Employee giving notice of his or her resignation from service/employment;
  - (iv) the company within the Group which employs the Selected Employee ceasing to be part of the Group or becomes dormant;
  - (v) the Selected Employee is subject to Disciplinary Proceedings (whether or not such Disciplinary Proceedings will give rise to a dismissal or termination of service); or
  - (vi) the Selected Employee is adjudicated a bankrupt.
- 4.4 The LTIP Committee may from time to time at its absolute discretion select and identify suitable Eligible Persons to be offered the LTIP Award. In the event that any Eligible Persons are a member of the LTIP Committee, such Eligible Persons shall not

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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participate in the deliberation or discussion of their own allocations and the Vesting Conditions of the LTIP Awards.

- 4.5 No Employee of a dormant company within the Group shall be eligible to participate in the Scheme.
- 4.6 Eligibility under the Scheme does not confer on an Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the LTIP Awards unless an LTIP Award has been made by the LTIP Committee to the Eligible Person and the Eligible Person has accepted the LTIP Award in accordance with By-Laws 7 and/or 12 hereof.
- 4.7 Subject to these By-Laws and any applicable law, the LTIP Committee shall have the discretion, at any time and from time to time, to extend the benefit of this Scheme to any Eligible Person who is seconded to a corporation which is not within the Group but which is a corporation associated with the Group or a subsidiary of a corporation associated with the Group, and deem such Eligible Person (whether seconded before or after the coming into force of these By-Laws) to be an Employee and such a corporation to be within the Group.

**5. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOCATION**

- 5.1 Subject to By-Laws 3.1 and 5.2, and any adjustments which may be made under By-Law 21, the LTIP Committee shall be entitled in its discretion to determine the aggregate maximum number of Shares that may be allocated between the ESOS and the ESGS, and to any one class/grade of Eligible Person.
- 5.2 Not more than ten percent (10%) of the total number of Shares to be made available under the LTIP shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the total number of issued shares of the Company (excluding treasury shares, if any) ("**Maximum Allowable Allotment**").
- 5.3 Subject to By-Law 5.2, the aggregate number of Shares that may be allocated to any class or grade of Eligible Persons under the LTIP shall be determined at the absolute discretion of the LTIP Committee, after taking into consideration, among others:
  - (i) the Eligible Person's performance, seniority (denoted by employee job grade), length of service, and contribution to the performance of the Group;
  - (ii) in the case of an Eligible Person who is an Executive Director, the Eligible Person's contribution towards the growth of the Group and positions held in various board committees of the Company; and
  - (iii) any other criteria which the LTIP Committee deems relevant.

**15. BY-LAWS FOR THE LTIP (CONT'D)**

At the time the LTIP Award is offered, the LTIP Committee shall set out the basis of allocation of the LTIP Award(s) made to the Eligible Person(s) having the further particulars as set out in By-Law 6.4 and/or By-Law 11.3 (as the case may be).

- 5.4 The aggregate maximum allocation to the Directors and senior management of the Group shall not be more than eighty percent (80.0%) of the total number of Shares to be made available under the LTIP, in order to incentivise the Directors for their contribution towards development, growth and success and strategic direction to drive long term shareholder value enhancement of the Group and to incentivise the senior management of the Group for their commitment, dedication and loyalty towards attainment of higher performance.
- 5.5 The LTIP Committee may make more than one (1) LTIP Award to an Eligible Person PROVIDED THAT the aggregate number of Options and/or Shares so awarded to an Eligible Person throughout the entire Duration of the Scheme does not exceed the Maximum Allowable Allotment of such Eligible Person as referred to in By-Law 5.2.
- 5.6 The Company shall ensure that allocation of Shares pursuant to the Scheme is verified by the Audit Committee of the Company at the end of each financial year as being in compliance with the criteria for allocation of Shares which have been disclosed to the Employees and the Directors. A statement by the Audit Committee of the Company verifying such allocations shall be included in the annual report of the Company.
- 5.7 The LTIP Committee shall have the discretion in determining:
- (i) whether the allocation available shall be awarded in one (1) single LTIP Award, or several separate and independent LTIP Awards; and
  - (ii) where the allocation is awarded in several separate and independent LTIP Awards, the number of Shares comprised in each LTIP Award as well as the vesting date(s) and vesting conditions for each LTIP Award.
- 5.8 No Eligible Person shall participate in the deliberation or discussion of their respective allocations.

**6. ESOS AWARD**

- 6.1 The LTIP Committee may at its discretion at any time and from time to time as it shall deem fit during the Duration of the Scheme make an ESOS Award in writing for acceptance in accordance with By-Law 7 below to an Eligible Person based on the criteria for allotment set out in By-Law 5 above and otherwise in accordance with the terms of this Scheme.
- 6.2 The actual number of ESOS Options which may be offered to an Eligible Person shall be at the discretion of the LTIP Committee subject to any adjustments that may be made under By-Laws 21 but shall not be more than the Maximum Allowable Allotment of such Eligible Person. The number of ESOS Options so offered which may be exercised in respect of all or any part of the Shares shall not be less than one hundred

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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- (100) Shares and shall be in multiples of one hundred (100) Shares (or in any other denomination as prescribed by Bursa Securities as a board lot).
- 6.3 An ESOS Award shall be valid for acceptance for a period of thirty (30) days from the Award Date or such longer period as may be determined by the LTIP Committee at its sole and absolute discretion (“**Offer Period**”).
- 6.4 The LTIP Committee shall state the following particulars in the letter of offer of an ESOS Award:
- (i) the number of ESOS Options that are subject of the ESOS Award;
  - (ii) the number of new Shares which the Eligible Person shall be entitled to subscribe for upon the vesting and exercise of the ESOS Options offered;
  - (iii) the date of the ESOS Award;
  - (iv) the Option Period;
  - (v) the Option Price;
  - (vi) the Offer Period as mentioned in By-Law 6.3;
  - (vii) the Vesting Conditions;
  - (viii) the ESOS Vesting Date(s);
  - (ix) the basis of the allocation of the ESOS Award(s) made having regard to the Eligible Person(s)' annual appraised performance, class or grade of employment, Maximum Allowable Allotment and such other consideration that the LTIP Committee may in its sole and absolute discretion deem fit; and
  - (x) any other information deemed necessary by the LTIP Committee.
- 6.5 Without prejudice to By-Law 2, in the event of an error on the part of the Company in stating any of the particulars referred to in By-Law 6.4 above, the following provisions shall apply:
- (i) as soon as possible but in any event no later than one (1) month after discovery of the error, the Company shall issue a supplemental letter of offer, stating the correct particulars referred to in By-Law 6.4 above;
  - (ii) in the event that the error relates to particulars other than the Option Price, the Option Price applicable in the supplemental letter of offer shall remain as the Option Price as per the original letter of offer; and
  - (iii) in the event that the error relates to the Option Price, the Option Price stated in the supplemental letter of offer shall be the Option Price applicable as at the date of the original letter of offer, save and except with respect to any ESOS Option which has already been exercised as at the date of issue of the supplemental letter of offer.

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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- 6.6 When an ESOS Award is made pursuant to these By-Laws, the LTIP Committee shall ensure that the Company makes an announcement of the following to Bursa Securities on the date of the ESOS Award:
- (i) the date of ESOS Award;
  - (ii) the Option Price;
  - (iii) the number of Options or Shares offered;
  - (iv) the market price of its Shares on the date of the ESOS Award;
  - (v) the number of Options or Shares offered to each Executive Director, if any; and
  - (vi) the vesting period of the Options or Shares offered.
- 6.7 The Company shall keep and maintain at its expense a register of Options granted as required under Section 129 of the Act.

**7. ACCEPTANCE OF ESOS AWARD**

- 7.1 An ESOS Award shall be accepted by the Eligible Person within the Offer Period by way of a written notice of acceptance addressed to the LTIP Committee accompanied by a payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the ESOS Award (regardless of the number of Shares comprised therein). The date of receipt by the LTIP Committee of such written notice and the payment shall constitute the Date of Acceptance.
- 7.2 The LTIP Committee shall within thirty (30) days of the Date of Acceptance issue to the ESOS Grantee an option certificate in such form as may be determined by the LTIP Committee.
- 7.3 If the ESOS Award is not accepted in the manner set out in By-Law 7.1 above, such ESOS Award shall upon the expiry of the Offer Period automatically lapse and be null and void and of no further force and effect. The new Shares comprised in such Options may, at the discretion of the LTIP Committee, be re-offered to other Eligible Persons or for future ESOS Award.
- 7.4 The Options or such part thereof as may be satisfied in the ESOS Award will only vest with the ESOS Grantee on the ESOS Vesting Date(s) if as at the ESOS Vesting Date(s) the Vesting Conditions (if any) are fully and duly satisfied, including the following:
- (i) the said ESOS Grantee has not been adjudicated a bankrupt;
  - (ii) the said ESOS Grantee remains an Employee or a Director and has not given notice of resignation, or received a notice of termination, or has otherwise ceased or had his/her employment terminated; and

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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(iii) any other conditions as may be determined by the LTIP Committee.

- 7.5 The LTIP Committee shall have full discretion to determine whether any Vesting Condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the LTIP Committee shall have the right to make reference to, among others, the audited financial results of the Company or the Group (as the case may be) and to take into account such factors as the LTIP Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend and/or waive any Vesting Condition if the LTIP Committee decides that a changed Performance Target would be a fairer measure of performance. If the LTIP Committee determines, in its discretion, that the Vesting Condition and/or any other condition applicable to that ESOS Award has not been satisfied (whether fully or partially), that ESOS Award shall lapse and be of no value.

**8. CANCELLATION OF ESOS AWARDS**

The LTIP Committee may cancel any ESOS Awards awarded under this Scheme or any Options that has not been exercised or any unvested Options. In the event of any such cancellation, the LTIP Committee may, at its discretion, authorise the granting of new ESOS Awards (which may or may not cover the same number of Shares that had been the subject of any prior ESOS Award) in such manner, at such Option Price and subject to such terms, conditions and discretion as would have been applicable under this Scheme had the cancelled ESOS Awards not been awarded.

**9. EXERCISE OF ESOS OPTIONS**

- 9.1 Each Option shall be exercisable into one (1) new Share in accordance with the provisions of these By-Laws.
- 9.2 Subject to By-Laws 4.7, 17, 22, 23, 24 and 25, an ESOS Grantee shall be allowed to exercise the ESOS Options granted to him/her (subject to By-Law 9.4 during the Duration of the Scheme) as provided in these By-Laws whilst he/she is in the employment with the Group or during his/her tenure as Director and within the Option Period.
- 9.3 An ESOS Grantee shall exercise the Options granted to him/her in whole or part in multiples of one hundred (100) Shares. Notwithstanding anything herein to the contrary, in the event of any alteration in the share capital of the Company during the Option Period in accordance with By-Law 21 which results in the number of Shares comprised in the Options not being in multiples of one hundred (100) Shares, then the requirement that the Options shall be exercised in multiples of one hundred (100) Shares shall not be applicable for the ESOS Grantee's final exercise of the balance Options and such balance Options have to be executed in a single application.
- 9.4 An ESOS Grantee shall exercise his/her ESOS Options vested in him/her in such form and manner as the LTIP Committee may prescribe or approve ("**Notice of Exercise**"), which will be attached to the letter of offer. The procedure for the exercise of ESOS Options to be complied with by an ESOS Grantee shall be determined by the LTIP

**15. BY-LAWS FOR THE LTIP (CONT'D)**

Committee from time to time. Any ESOS Option including vested Options which remains unexercised at the expiry of the Option Period shall be automatically terminated and lapse without any claim against the Company.

- 9.5 Subject to By-Law 9.4, an ESOS Grantee shall exercise his/her ESOS Options by issuing the Notice of Exercise, stating the number of ESOS Options to be exercised and number of Shares to be subscribed and be accompanied with the remittance for the full amount of the subscription monies payable in respect thereof in Ringgit Malaysia in the form of a banker's draft or cashier's order drawn and payable in Malaysia or any other mode acceptable to the LTIP Committee for the full amount of the Option Price in relation to the number of Shares in respect of which the Notice of Exercise is given PROVIDED THAT the number of new Shares stated therein shall not exceed the amount granted to such ESOS Grantees and be subject to By-Laws 9.2 and 9.3 above. The LTIP Committee may, pursuant to By-Law 28 hereof, at any time and from time to time, before or after the ESOS Award is awarded, limit the times and exercise, and the exercise of the ESOS Option to a maximum number of new Shares and/or such percentage of total new Shares comprised in the ESOS Award during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the LTIP Committee in its sole discretion including amending or varying any terms and conditions imposed earlier. The exercise by an ESOS Grantee of some but not all of the ESOS Options which have been offered to and accepted by him/her shall not preclude the ESOS Grantee from subsequently exercising any other ESOS Options which have been or will be offered to and accepted by him/her, during the Option Period.
- 9.6 The ESOS Grantee shall provide all information as required in the Notice of Exercise. Within eight (8) Market Days of the receipt by the Company of such notice and payment, or such other period as may be prescribed by Bursa Securities, and subject to the Constitution, SICDA and the Rules of Bursa Depository, the Company shall allot and issue the relevant number of Shares to the ESOS Grantee, despatch the notice of allotment to the ESOS Grantee stating the number of Shares so credited, and apply to Bursa Securities for the quotation for such new Shares arising from the exercise of the ESOS Options. The said Shares will be credited directly into the CDS Account of the ESOS Grantee or his/her authorised nominee, as the case may be. No physical share certificates will be issued to the ESOS Grantee or his authorised nominee (as the case may be).
- 9.7 Notwithstanding anything to the contrary herein contained in these By-Laws, the LTIP Committee shall have the right, at its absolute discretion by notice in writing to that effect to the ESOS Grantee, to suspend the right of any ESOS Grantee who is being subjected to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such ESOS Grantee or are found to have had no basis or justification) to exercise his/her ESOS Options pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole and absolute discretion, on the ESOS Grantee's right to exercise his/her ESOS Options and/or have new ESOS Options vested in him/her having regard to the nature of the charges made or brought against such ESOS Grantee, PROVIDED ALWAYS that:

**15. BY-LAWS FOR THE LTIP (CONT'D)**

- (i) in the event such ESOS Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the LTIP Committee shall reinstate the right of such ESOS Grantee to exercise his/her Option;
- (ii) in the event the Disciplinary Proceedings result in a recommendation for the dismissal or termination of service of such ESOS Grantee, all unexercised and partially exercised ESOS Options of the ESOS Grantee shall immediately lapse and be null and void and of no further force and effect, without notice to the ESOS Grantee, upon pronouncement of the dismissal or termination of service of such ESOS Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the ESOS Grantee in any other forum;
- (iii) in the event the ESOS Grantee is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its absolute discretion whether or not the ESOS Grantee may continue to exercise his/her ESOS Options and/or have new ESOS Options vested in him/her and if so, to impose such terms and conditions as it deems appropriate, on such exercise and/or vesting of his/her ESOS Options; and
- (iv) in the event that no decision is made and/or Disciplinary Proceedings are not concluded prior to the Date of Expiry, the ESOS Options of such ESOS Grantee shall immediately lapse on the Date of Expiry without notice,

and nothing herein shall impose any obligation on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such Disciplinary Proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws. Any ESOS Options that has lapsed and become null and void pursuant to this By-Law 9.7 may, at the discretion of the LTIP Committee, be re-allocated to other Eligible Persons.

- 9.8 The Group, the Board (including Directors that had resigned but were a member of the Board during the Option Period) and the LTIP Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities, gains or profits foregone, howsoever arising in the event of any delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list and quote the Shares subscribed for by an ESOS Grantee or any delay in receipt or non-receipt by the Company of the Notice of Exercise in respect of the ESOS Options or for any errors in any ESOS Award.
- 9.9 Any failure to comply with the procedures specified by the LTIP Committee or to provide information required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number or any other information provided shall result in the Notice of Exercise being rejected at the discretion of the LTIP Committee. The LTIP Committee shall inform the ESOS Grantee of the rejection of the Notice of Exercise within ten (10) Market Days from the date of rejection and the ESOS Grantee shall be deemed not to have exercised his/her Option.



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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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- 9.10 Every ESOS Award shall subject to the condition that no new Shares shall be issued pursuant to the ESOS Award if such issue would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the Duration of the Scheme or such period as may be extended.

**10. OPTION PRICE**

- 10.1 The Option Price of each new Share upon the exercise of an ESOS Option shall, subject always to the provisions of By-Law 21 hereof and the Listing Requirements, be:
- (i) in respect of any ESOS Award made in conjunction with the initial public offering of the Company, the Final Retail Price; or
  - (ii) in respect of any ESOS Award made subsequent to the initial public offering of the Company, based on the volume weighted average market price of the Shares for the five (5) Market Days immediately preceding the date of the ESOS Award less a potential discount of not more than ten percent (10%) therefrom or such other percentage or discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time, as determined by the LTIP Committee which shall be binding and conclusive.

For the purposes of By-Law 10.1(i) above, "Final Retail Price" shall refer to the final price paid by investors for the Shares issued by the Company under its retail offering pursuant to its initial public offering, as determined in the manner described in the Company's prospectus for the said initial public offering.

- 10.2 The Option Price shall be stipulated in each option certificate.

**11. ESGS GRANT**

- 11.1 During the Duration of the Scheme, the LTIP Committee may at its discretion at any time and from time to time as it shall deem fit make an ESGS Grant in writing for acceptance in accordance with By-Law 12 below to an Eligible Person based on the criteria for allotment as set out in By-Law 5 and otherwise in accordance with the terms of this Scheme.
- 11.2 The actual number of Shares which may be awarded to an Eligible Person shall be at the discretion of the LTIP Committee subject to any adjustments that may be made under By-Law 21 but shall not be more than the Maximum Allowable Allotment. The number of Shares so awarded shall not be less than one hundred (100) Shares and shall be in multiples of one hundred (100) Shares (or in any other denomination as prescribed by Bursa Securities as a board lot). The LTIP Committee may stipulate any terms and conditions it deems appropriate in an ESGS Grant and the terms and conditions of each may differ. Nothing herein shall require any ESGS Grant offered to be the same as ESGS Grants previously or subsequently offered whether to the same or a different Eligible Person.

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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- 11.3 The LTIP Committee will in its letter of offer for an ESGS Grant to an Eligible Person (“**ESGS Grant Letter**”) state, among others:
- (i) the number of Shares that are subject of the ESGS Grant;
  - (ii) the date of the ESGS Grant;
  - (iii) the Vesting Conditions, if any;
  - (iv) the ESGS Vesting Date(s);
  - (v) the Validity Period;
  - (vi) the basis of the allocation of the ESGS Grant(s) made having regard to the Eligible Person(s)’ annual appraised performance, class or grade of employment, achievement of Performance Targets, Maximum Allowable Allotment and such other consideration that the LTIP Committee may in its sole and absolute discretion deem fit; and
  - (vii) any other information deemed necessary by the LTIP Committee.
- 11.4 The ESGS Grant shall be valid for acceptance for a period of thirty (30) days from the Award Date or such period as the LTIP Committee at its sole and absolute discretion determines on a case to case basis (“**Validity Period**”).
- 11.5 Without prejudice to By-Law 2, in the event of an error on the part of the Company in stating any of the particulars referred to in By-Law 11.3 above in the ESGS Grant Letter, the Company shall, as soon as possible but in any event no later than one (1) month after discovery of the error, issue a supplemental ESGS Grant Letter, stating the correct particulars referred to in By-Law 11.3.

**12. ACCEPTANCE OF ESGS GRANT**

- 12.1 An ESGS Grant shall be accepted by the Eligible Person within the Validity Period by way of a written notice of acceptance accompanied by a payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the ESGS Grant (regardless of the number of Shares comprised therein).
- 12.2 If the ESGS Grant is not accepted in the manner set out in By-Law 12.1 above, the ESGS Grant shall upon the expiry of the Validity Period automatically lapse and be null and void and of no further force and effect provided that the LTIP Committee shall not be precluded from making a fresh ESGS Grant to the Eligible Person subsequently or re-awarding to any other Eligible Person at the discretion of the LTIP Committee.
- 12.3 The Eligible Persons are not required to pay for the Shares they are entitled to receive upon vesting of the Shares pursuant to the ESGS Grant.

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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**13. VESTING CONDITIONS AND SATISFACTION OF VESTING CONDITIONS**

- 13.1 The LTIP Committee shall, as and when it deems practicable and necessary, review and determine at its own discretion the Vesting Conditions specified in respect of an ESGS Grant. The Shares or such part thereof as may be specified in respect of an ESGS Grant will only vest with the ESGS Grantee on the ESGS Vesting Date(s) as at the ESGS Vesting Date(s) if the Vesting Conditions (if any) are fully and duly satisfied, including the following:
- (i) the said ESGS Grantee has not been adjudicated a bankrupt;
  - (ii) the said ESGS Grantee remains an Employee or a Director and has not given notice of resignation, or received a notice of termination, or has otherwise ceased or had his/her employment terminated;
  - (iii) the Performance Targets are fully and duly satisfied; and
  - (iv) any other conditions as may be determined by the LTIP Committee.
- 13.2 The LTIP Committee shall have full discretion to determine whether the Performance Targets have been fully and duly satisfied. In the event that the LTIP Committee shall determine that the Performance Targets are not fully and duly satisfied, the LTIP Committee may, at its discretion, adjust the number of Shares (if any) which may vest in the ESGS Grantee on the ESGS Vesting Date(s) and/or take into account the shortfall in such manner as the LTIP Committee may in its discretion otherwise deem fit.
- 13.3 Where the LTIP Committee has determined that the Vesting Conditions have been fully and duly satisfied, the LTIP Committee shall notify the ESGS Grantee of the number of Shares vested or which will be vested in him/her on the ESGS Vesting Date ("**ESGS Vesting Notice**").
- 13.4 No ESGS Grantee shall have any right to or interest in the Shares comprised in an ESGS Grant until and unless the Shares are vested in him/her on and with effect from the ESGS Vesting Date.
- 13.5 The ESGS Grantee shall provide all information stated in the ESGS Vesting Notice and ESGS Grant Letter as required by the Company, and the Company shall within eight (8) Market Days after the ESGS Vesting Date, or such other period as may be prescribed or allowed by Bursa Securities, and subject to the Constitution, the SICDA and the Rules of Bursa Depository, allot and issue the relevant number of new Shares and/or transfer the relevant number of existing Shares to the ESGS Grantee, despatch the notice of allotment and/or notice of transfer to the ESGS Grantee stating the number of Shares so credited, and apply to Bursa Securities for the listing of and quotation for any new Shares arising from the vesting of an ESGS Grant, where applicable. The said Shares pursuant to the vesting of an ESGS Grant will be credited directly into the CDS Account of the respective ESGS Grantee or his/her authorised nominee, as the case may be. No physical share certificates will be issued and/or delivered to the ESGS Grantee or his/her authorised nominee (as the case may be).

**15. BY-LAWS FOR THE LTIP (CONT'D)**

13.6 Notwithstanding anything to the contrary herein contained in these By-laws, the LTIP Committee shall have the right, at its absolute discretion by notice in writing to that effect to the ESGS Grantee, to suspend the right of any ESGS Grantee who is being subjected to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such ESGS Grantee or are found to have had no basis or justification) to have any ESGS Grant awarded vested in him/her pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole and absolute discretion, on the ESGS Grantee's right to have Shares granted under an ESGS Grant vested in him/her having regard to the nature of the charges made or brought against such ESGS Grantee, PROVIDED ALWAYS that:

- (i) in the event such ESGS Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the LTIP Committee shall reinstate the right of such ESGS Grantee to their ESGS Grants;
- (ii) in the event the Disciplinary Proceedings result in a recommendation for the dismissal or termination of service of such ESGS Grantee, all unvested ESGS Grants shall immediately lapse and be null and void and of no further force and effect, without notice to the ESGS Grantee, upon pronouncement of the dismissal or termination of service of such ESGS Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the ESGS Grantee in any other forum;
- (iii) in the event the ESGS Grantee is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its absolute discretion whether or not the ESGS Grantee may continue to have the ESGS Grant vested in him/her and if so, to impose such terms and conditions as it deems appropriate, on such rights; and
- (iv) in the event that no decision is made and/or Disciplinary Proceedings are not concluded prior to the Date of Expiry, the ESGS Grant of such ESGS Grantee shall immediately lapse on the Date of Expiry without notice,

and nothing herein shall impose any obligation on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such Disciplinary Proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws. Any ESGS Award that has lapsed and become null and void pursuant to this By-Law 13.6 may, at the discretion of the LTIP Committee, be re-allocated to other Eligible Persons.

**14. NON-TRANSFERABILITY**

14.1 An LTIP Award is personal to the Grantee and subject to the provisions of By-Laws 14.2, 14.3, 17.2, 17.3 and 17.4, is exercisable only by the Grantee personally during his/her lifetime whilst he/she is in the employment of any company in the Group.

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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- 14.2 An LTIP Award shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee. Any attempt to transfer, assign, dispose or encumber any LTIP Award shall result in the automatic cancellation of the LTIP Award.
- 14.3 Notwithstanding this By-Law 14, in the event a Grantee is transferred to another company within the Group which has its own share issuance scheme, the Grantee shall be entitled to continue to exercise all unexercised LTIP Awards granted under this Scheme, in accordance with these By-Laws, but such Grantee shall not upon such transfer taking effect be eligible to participate for further LTIP Awards under this Scheme.

**15. RIGHTS ATTACHING TO SHARES AND LTIP AWARDS**

- 15.1 The Shares to be allotted and issued under the Scheme will be subject to the provisions of the Constitution and will, upon allotment and issue, rank equally in all respects with the then existing Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the allotment and issue of shares are made on or prior to the Entitlement Date of such dividends, rights, allotments and /or other distributions which precedes the date of allotment and issuance of new Shares.
- 15.2 In respect of the existing Shares to be transferred to the ESGS Grantees pursuant to the vesting of the Shares comprised in an ESGS Grant, such Shares rank equally in all respects with the then existing Shares. However, the ESGS Grantee shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the Shares are credited into the CDS Accounts of the ESGS Grantees on or prior to the Entitlement Date of such dividends, rights, allotments and/or other distributions.
- 15.3 The LTIP Awards shall not carry any rights to vote at any general meeting of the Company until and unless the LTIP Awards have been exercised and such Shares have been issued, allotted or transferred, and credited into the CDS Accounts of the Grantees. For the avoidance of doubt, the Grantee shall not in any event be entitled to any dividends, rights, allotments or other distributions on his/her unexercised ESOS Options and/or unvested Shares comprised in the ESGS Grants.

**16. RESTRICTION ON DEALING/RETENTION PERIOD**

The new Shares to be allotted and issued and/or existing Shares to be transferred to the Grantees pursuant to the Scheme will not be subjected to any retention period unless the LTIP Committee stipulates otherwise upon granting of the LTIP Awards. However, the Company encourages the Grantees to hold the Shares granted to them, or subscribed for by them, as a long-term investment and not for realisation of immediate gain. Notwithstanding the foregoing, the LTIP Committee shall be entitled to prescribe or impose, in relation to any LTIP Awards, any condition relating to any retention period or restrictions on transfer as it deems fit.

**15. BY-LAWS FOR THE LTIP (CONT'D)****17. TERMINATION OF THE LTIP AWARD**

- 17.1 Prior to the full vesting of any LTIP Award and/or the allotment or satisfaction by any other means of an LTIP Award in the manner as provided for under these By-Laws, such LTIP Award that remain unvested or unexercised or unsatisfied (as the case may be) shall be automatically terminated and ceased or be deemed to cease to be valid without any claim against the Group in the following circumstances:
- (i) termination or cessation of employment of the Grantee with the Group by reason of resignation or for any reason whatsoever, in which event the termination of LTIP Awards shall be effective on the Grantee's last day of employment;
  - (ii) bankruptcy of the Grantee, in which event the termination of LTIP Award shall be effective on the date a receiving order is made against the Grantee by a court of competent jurisdiction;
  - (iii) upon the happening of any other event which results in the Grantee being deprived of the beneficial ownership of the LTIP Award, in which event the termination of LTIP Award shall be effective on the date of happening of such event;
  - (iv) in accordance with By-Law 24; or
  - (v) termination of the Scheme pursuant to By-Law 25.4, in which event the termination of the LTIP Award shall be effective on the Termination Date (as defined below) pursuant to By-Law 25.4.

Upon the termination of the LTIP Award(s) pursuant to By-Laws 17.1(i), (ii), (iii), (iv) or (v) above, the Grantee shall have no right to compensation or damages or any claim against the Company or any other member of the Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any LTIP Award(s) or right to exercise his/her ESOS Option(s) or his/her LTIP Award(s) ceasing to be valid.

- 17.2 Notwithstanding By-Law 17.1(i) above, the LTIP Committee may at its discretion allow vested Option to remain exercisable during the Option Period and/or as the case may be, for all or any part of any unvested LTIP Awards as may be proportionate to the duration of service provided by such Grantee to vest in accordance with the provisions of these By-Laws, and at the times or period at or within which such LTIP Awards may vest (provided that no LTIP Awards shall vest after the respective ESOS Vesting Date(s) or ESGS Vesting Date(s) has passed) and in such other manner and on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:
- (i) ill-health, injury, physical or mental disability;

**15. BY-LAWS FOR THE LTIP (CONT'D)**

- (ii) retirement at or after attaining the normal retirement age, or retirement before attaining the normal retirement age with the consent of his/her employer;
  - (iii) redundancy or retrenchment pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by a company within the Group;
  - (iv) resignation, retirement or removal of and Executive Director, for any reason, save where such resignation, retirement or removal was due to the breach of duty, gross negligence or wilful misconduct of such Executive Director;
  - (v) transfer to any company outside the Group at the direction of the Company; or
  - (vi) any other circumstances which are acceptable to the LTIP Committee in its sole and absolute discretion.
- 17.3 In the event where a Grantee dies before the Date of Expiry and at the time of his/her death held unexercised vested Options, such vested Options may be exercised by the legal or personal representative(s) of the Grantee after the date of his/her death no later than twenty four (24) months after the death of the Grantee unless otherwise approved by the LTIP Committee. Such exercise by the legal or personal representative(s) of the Grantee after his/her death shall always be subject to any restriction in the LTIP Award (unless otherwise approved by the LTIP Committee) and provided further that no vested Option shall be exercised after the Date of Expiry. All vested Options remaining unexercised after the Date of Expiry shall automatically lapse and become null and void.
- 17.4 In the event where a Grantee dies before the Date of Expiry and at the time of his death held unvested Options or unvested Shares, then the LTIP Committee may, in its discretion determine whether the ESOS Award and/or the ESGS Grant then held by such Grantee, to the extent not yet vested, shall lapse or that all or any part of such ESOS Award and/or ESGS Grant shall be preserved. If the LTIP Committee determines that the ESOS Award and/or ESGS Grant shall lapse, then such ESOS Award and/or ESGS Grant shall lapse without any claim whatsoever against the Company. If the LTIP Committee determines that all or any part of the ESOS Award and/or ESGS Grant shall be preserved, the LTIP Committee shall decide as soon as reasonably practicable following such event either to vest some or all of the Options and/or new Shares which are the subject of the ESOS Award and/or ESGS Grant or to preserve all or part of any ESOS Award and/or ESGS Grant and/or each ESOS Vesting Date or ESGS Vesting Date (if any) and subject to the provisions of the ESOS Award and/or ESGS Grant. In exercising its discretion, the LTIP Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Grantee and the extent to which the Vesting Conditions (if any) has/have been satisfied.
- 17.5 Any LTIP Award that has lapsed and become null and void pursuant to this By-Law 17 may at the discretion of the LTIP Committee be re-allocated to other Eligible Persons.

**15. BY-LAWS FOR THE LTIP (CONT'D)**

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**18. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS**

All Grantees shall be entitled to inspect a copy of the latest audited financial statements of the Company, which shall be made available on Bursa Securities' website as well as the Company's website and at the registered office of the Company during normal office hours on any working day of the Company.

**19. SCHEME NOT A TERM OF EMPLOYMENT**

This Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. This Scheme shall not form part of or be in any way construed as part of the terms and conditions of employment of any employee of the Group.

**20. TAXES**

All other costs, fees, levies, charges and/or taxes (including, without limitation, income taxes), if any, that are incurred by a Grantee pursuant to or relating to the exercise of any ESOS Options or vesting of any Shares under the ESGS Grants, and any holding or dealing of such Shares (including, without limitation, brokerage commissions and stamp duty) shall be borne by the Grantee for his own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

**21. ALTERATION OF SHARE CAPITAL AND ADJUSTMENTS**

21.1 In the event of any alteration in the share capital of the Company during the Duration of the Scheme, whether by way of a rights issue, bonus issue or other capitalisation issue, subdivision or consolidation of shares or reduction or any other variation of share capital or otherwise howsoever, the LTIP Committee may, in its discretion, determine whether:

- (i) in respect of the ESOS:
  - (a) the Option Price; and/or
  - (b) the number of unvested or unexercised ESOS Options; and
  - (c) the Option Price and/or number of ESOS Options in respect of which future ESOS Awards may be granted under the ESOS; and
- (ii) in respect of the ESGS, the ESGS Grant Price and/or number of Shares comprised in the unvested ESGS Grants,



**15. BY-LAWS FOR THE LTIP (CONT'D)**

shall be adjusted, and if so, the manner in which such adjustments should be made.

- 21.2 The provisions of this By-Law 21 shall not apply where the alteration in the capital structure of the Company arises from any of the following:
- (i) an issue of Shares pursuant to the exercise of ESOS Options and/or vesting of ESGS Grants under the Scheme;
  - (ii) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business;
  - (iii) an issue of securities via a private placement;
  - (iv) any special issuance of new Shares or other securities to Bumiputera investors nominated by the Malaysian government and/or any other relevant authority of the Malaysian government to comply with the Malaysian government's policy on Bumiputera capital participation;
  - (v) a restricted issue of securities;
  - (vi) an issue of new Shares arising from the exercise/conversion of warrants, convertible loan stocks or other instruments of the Company; or
  - (vii) a purchase by the Company of its own Shares of all or a portion of such Shares purchased pursuant to the Section 127 of the Act.
- 21.3 Save as expressly provided for herein, the external auditors or Principal Adviser selected by the Directors (acting as experts and not as arbitrators) shall confirm in writing that the adjustments are in their opinion fair and reasonable. The opinion of such external auditors or Principal Adviser shall be final, binding and conclusive.
- 21.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to the Act, By-Law 21.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 21.1 is applicable, but By-Law 21.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 21.1 is not applicable as described in By-Law 21.2.
- 21.5 Any adjustment pursuant to By-Law 21.1 shall be made according to the following terms:
- (i) in the case of a rights issue, bonus issue or other capitalisation issue, on the next Market Day immediately following the Entitlement Date in respect of such issue; or
  - (ii) in the case of a consolidation or subdivision of Shares or reduction of share capital, on the next Market Day immediately following the date on which the consolidation, subdivision or reduction becomes effective or such other period as may be prescribed by Bursa Securities.

**15. BY-LAWS FOR THE LTIP (CONT'D)**

21.6 Upon any adjustment required to be made pursuant to this By-Law 21, the Company shall within twenty (20) Market Days notify the Grantee (or his or her duly appointed personal representatives where applicable) in writing and deliver to him/her (or his/her duly appointed personal representatives where applicable) a statement setting forth:

- (i) in respect of the ESOS, the Option Price or number of ESOS Options which are the subject of the adjusted ESOS Award; and
- (ii) in respect of the ESGS, the number of Shares comprised in the unvested ESGS Grants which are the subject of the adjusted ESGS Grant.

Any adjustment shall take effect upon such written notification being given or such date as may be specified in such written notification.

21.7 In respect of the ESOS Options or the ESGS Grants, any adjustment pursuant to this By-Law 21 shall be made in accordance with the following formulae below (as applicable), pursuant to By-Law 21.6:

- (a) If and whenever the number of issued Share changes by reason of any consolidation or subdivision (including subdivision by way of a bonus issue without capitalisation of profits or reserves) or conversion, in respect of ESOS Options, the Option Price shall be adjusted and the adjusted number of the Shares relating to the ESOS Options and/or ESGS Grants (where applicable) to be issued or transferred shall be calculated in accordance with the following formula:

$$\text{New Option Price} = \frac{S \times L}{M}$$

$$\text{Additional number of Shares} = \frac{T \times M}{L} - T$$

Where:

- L = Total number of issued Shares immediately before the consolidation, subdivision or conversion
- M = Total number of issued Shares immediately after the consolidation, subdivision or conversion
- S = Existing Option Price
- T = Existing number of the Shares relating to the ESOS Options and/or ESGS Award

**15. BY-LAWS FOR THE LTIP (CONT'D)**

Such adjustment will be effective from the close of business on the Market Day immediately following the date on which the consolidation or subdivision or conversion becomes effective or such other period as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make any issue of new Shares to ordinary shareholders credited as fully paid-up, by way of bonus issue or capitalisation of profits or reserves of the Company, in respect of ESOS Options, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying the existing number of Shares relating to the ESOS Options and/or ESGS Grants by the following fraction:

$$\frac{A + B}{A}$$

Where:

- A = The aggregate number of issued Shares immediately before such bonus issue or capitalisation of profits or reserves of the Company; and
- B = The aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully issued by way of bonus issue or capitalisation of profits or reserves of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (c) If and whenever the Company shall make:
- (i) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
- (ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for new Shares by way of rights; or
- (iii) any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto,

**15. BY-LAWS FOR THE LTIP (CONT'D)**

then and in respect of each such case, the Option Price for ESOS Options shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Law 21.7(c)(ii) hereof, the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying the existing number of Shares relating to the ESOS Options and/or ESGS Grants by the following fraction:

$$\frac{C}{C - D^*}$$

Where:

- C = The current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation or (where appropriate) any relevant date as may be determined by the Company in consultation with the Principal Adviser;
- D = (aa) In the case of an offer or invitation to acquire or subscribe for new Shares under By-Law 21.7(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for new Shares under By-Law 21.7(c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or
- (bb) In the case of any other transaction falling within By-Law 21.7(c) hereof, the fair market value as determined (with the concurrence of the auditor) by the external auditors or Principal Adviser of that portion of the Capital Distribution attributable to one (1) Share; and
- D\* = The value of the rights attributable to one (1) Share (as defined below).

For the purpose of definition (aa) of "D" above, "**value of rights attributable to one (1) Share**" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

**15. BY-LAWS FOR THE LTIP (CONT'D)**

Where:

- C = C as in By-Law 21.7(c) hereof;
- E = The subscription price for one (1) new Share under the terms of such offer or invitation to acquire or subscribe for Shares or subscription price of one (1) Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation; and
- F = The number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or subscribe for security convertible into one (1) additional Share or rights to acquire or subscribe for additional Shares.

For the purpose of definition of "D\*" above, the "**value of rights attributable to one (1) Share**" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

- C = C as in By-Law 21.7(c) hereof;
- E\* = The subscription price for one (1) additional Share under the terms of such offer or invitation; and
- F\* = The number of existing Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 21.7(c) hereof, "**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (not falling under By-Law 21.7(b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves of the Company.

Any dividend declared or provided for in the audited financial statements of the Company for any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated financial statement of comprehensive income of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

**15. BY-LAWS FOR THE LTIP (CONT'D)**

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 21.7(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 21.7(c)(ii) or (iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer of invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 21.7(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 21.7(c)(ii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying the existing number of Shares relating to the ESOS Options and/or ESGS Grants by the following fraction:

$$\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)}$$

Where:

- B = B as in By-Law 21.7 (b) above;
- C = C as in By-Law 21.7 (c)above;
- G = The aggregate number of issued Shares on the Entitlement Date;
- H = The aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;
- H\* = The aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
- I = The subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the subscription price of one (1) Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation, as the case may be; and
- I\* = The subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares.

**15. BY-LAWS FOR THE LTIP (CONT'D)**

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 21.7(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for ordinary shares as provided in By-Law 21.7(c)(iii) above, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J) \times C}$$

and the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying it by the following fraction:

- (1) in respect of the ESOS Options:

$$\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)}$$

- (2) in respect of the ESGS Grants:

$$\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)}$$

Where:

- C = C as in By-Law 21.7(c) above;
- G = G as in By-Law 21.7(d) above;
- H\* = H\* as in By-Law 21.7(d) above;
- I\* = I\* as in By-Law 21.7(d) above;
- J = The aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders; and
- K = The exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

**15. BY-LAWS FOR THE LTIP (CONT'D)**

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 21.7(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 21.7(c)(ii) above, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for Shares as provided in By-Law 21.7(c)(iii) above, and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J + B) \times C}$$

and the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying it by the following fraction:

- (1) in respect of the ESOS Options:

$$\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)}$$

- (2) in respect of the ESGS Grants:

$$\frac{(G + H^* + J + B) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)}$$

Where:

- B = B as in By-Law 21.7(b) above;  
 C = C as in By-Law 21.7(c) above;  
 G = G as in By-Law 21.7(d) above;  
 H\* = H\* as in By-Law 21.7(d) above;  
 I\* = I\* as in By-Law 21.7(d) above;  
 J = J as in By-Law 21.7(e) above; and  
 K = K as in By-Law 21.7(e) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of next the Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

For the purpose of By-Law 21.7(c), (d), (e) and (f), the current market price in relation to one (1) existing Share for any relevant day shall be the weighted average of the last traded prices for the five (5) consecutive Market Days before



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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

- 21.8 If an event occurs that is not set out in By-Law 21.7 or if application of any of the formula to an event results in a manifest error or does not, in the opinion of the LTIP Committee, achieve the desired result of preventing the dilution or enlargement of the Eligible Person's rights, the LTIP Committee may agree to an adjustment subject to the provision of By-Law 21.7 provided that the Eligible Persons shall be notified of the adjustment through an announcement to all Eligible Persons to be made in such manner deemed appropriate by the LTIP Committee.
- 21.9 Notwithstanding the provisions referred to in this By-Law, the LTIP Committee may exercise its discretion to determine whether any adjustments to the Option Price, the number of Options and/or new Shares (as the case may be) be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Price and/or the number of Options notwithstanding that no such adjustment formula has been explicitly set out in this By-Law.
- 21.10 Any adjustment to the Option Price shall be rounded up to the nearest of RM0.01.
- 21.11 In the event that a fraction of a Share arises from the adjustments pursuant to this By-Law 21, the number of Shares comprised in an ESOS Award or ESGS Grant shall automatically be rounded down to the nearest whole number.
- 21.12 Upon any adjustment being made pursuant to this By-Law, the LTIP Committee shall, within thirty (30) days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his legal representatives where applicable) in writing informing him of the adjusted Option Price thereafter in effect and/or the revised number of Shares thereafter to be issued on the exercise of the ESOS Options and/or to be vested under the ESGS Grants.

**22. TAKE-OVER, SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC**

In the event of:

- 22.1 a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time held by the person making the general offer ("**Offeror**") or any persons acting in concert with the Offeror);
- 22.2 the Offeror becoming entitled or bound to exercise the rights of compulsory acquisition of Shares under the provisions of the Capital Markets and Services Act 2007 or other relevant laws applicable at the material time and gives notice to the Company that it intends to exercise such right on a specific date; or
- 22.3 the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 366 of the

**15. BY-LAWS FOR THE LTIP (CONT'D)**

Act or its amalgamation with any other company or companies under Section 370 of the Act,

the LTIP Committee may at its discretion to the extent permitted by law allow the exercise of any vested ESOS Options and/or the vesting of any unvested ESOS Awards or unvested ESGS Grants (or any part thereof) by the Grantee at any time subject to such terms and conditions as may be prescribed notwithstanding that:

- (i) the ESOS Vesting Date or ESGS Vesting Date (whichever applicable) is not due or has not occurred; and/or
- (ii) the other terms and conditions set out in the LTIP Award have not been fulfilled or satisfied.

Upon the compromise or arrangement becoming effective, all Options remaining unexercised and all unvested LTIP Awards shall cease to be capable of vesting and automatically lapse and become null and void.

**23. DIVESTMENT FROM THE GROUP**

23.1 If a Grantee who was in the employment of a corporation in the Group which was subsequently divested, then such Grantee:

- (i) shall:
  - (a) not be entitled to continue to exercise all such unexercised vested ESOS Options held by him/her; and
  - (b) cease to be capable of being vested with any unvested ESOS Options or unvested ESGS Grants granted to him/her under the Scheme,

from the date of completion of such divestment unless the LTIP Committee at its discretion permit such exercise of the unexercised vested ESOS Options or the vesting of the unvested ESOS Options and/or unvested ESGS Grants including its allocation thereof. For the avoidance of doubt, save and except to the extent permitted by the LTIP Committee, all existing LTIP Awards shall automatically lapse and be null and void and of no further force and effect; and

- (ii) shall not be eligible to participate for further LTIP Awards under the Scheme as from the date of completion of such divestment.

23.2 For the purposes of By-Law 23.1, a company shall be deemed to be divested from the Group or disposed of from the Group in the event that the effective interest of the Company in such company is reduced from above 50% to 50% or below so that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act or such company ceases to form part of the Group for such reason(s) as determined by the LTIP Committee at its absolute discretion.

**15. BY-LAWS FOR THE LTIP (CONT'D)****24. WINDING UP**

All outstanding LTIP Awards shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding up or liquidation of the Company, all rights to exercise and/or vest the LTIP Awards shall automatically be suspended from the date of presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise and/or vest the LTIP Awards shall accordingly be unsuspending.

**25. DURATION OF THE SCHEME**

25.1 The Scheme is conditional upon:

- (i) submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance pursuant to Rule 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
- (ii) approval from Bursa Securities for the listing of and quotation for such number of Shares representing up to ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) on the ACE Market of Bursa Securities;
- (iii) approval of the shareholders of the Company for the Scheme including the waiver of their pre-emptive rights under Section 85 of the Act read together with Clause 53 of the Constitution being obtained;
- (iv) receipt of the approval(s) of any other relevant authorities (where applicable); and
- (v) fulfilment or waiver (as the case may be) of all applicable conditions attached to the above approvals (if any).

The Scheme shall be in force for a duration of five (5) years commencing from the effective date of implementation of the Scheme, which shall be a date following the full compliance with all relevant requirements of the Listing Requirements and under the law in relation to the Scheme ("**Effective Date**") ("**Duration of the Scheme**").

25.2 The Duration of the Scheme, or the duration of ESOS, or the duration of ESGS, may be extended for a further period of up to five (5) years immediately from the expiry of the Duration of the Scheme ("**Date of Expiry**") on the same terms and conditions as contained in these By-Laws at the discretion of the Board upon the recommendation of the LTIP Committee, without having to obtain approval of the Company's shareholders. Any extension of the Scheme shall not, in aggregate with the initial term, exceed ten (10) years from the Effective Date, or such longer period as may be allowed by the relevant authorities.

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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- 25.3 On the expiry of the Scheme, any LTIP Awards which have yet to be vested (whether fully or partially) shall be deemed terminated and be null and void and of no further force and effect.
- 25.4 The Scheme may be terminated by the LTIP Committee at any time before the Date of Expiry, provided that the Company makes an announcement immediately to Bursa Securities, which the contents of the said announcement shall, amongst others, include:
- (i) the effective date of termination of the Scheme;
  - (ii) the number of Options exercised or Shares vested; and
  - (iii) the reasons for termination of the Scheme.

**26. SUBSEQUENT EMPLOYEES' SHARE SCHEMES**

The Company may, in addition to the Scheme, implement more than one (1) employees' share scheme provided that the aggregate number of Shares available under all the employee share schemes implemented by the Company is not more than thirty percent (30%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any one time or any other limit in accordance with any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

**27. COMPENSATION**

- 27.1 This Scheme shall afford the Grantee no additional right to compensation or damages in the event of the cessation of his employment or appointment for any reason whatsoever.
- 27.2 Participation in this Scheme by an Eligible Person is a matter entirely separate from his terms and conditions of employment and participation in this Scheme shall in no respects whatever affect in any way a Grantee's terms and conditions of employment. In particular (but without limiting the generality of the foregoing words) any Grantee who ceases to hold office or leaves employment shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under this Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal, dismissal without just cause or excuse, or other breach of contract or by way of compensation for loss of office or otherwise howsoever.
- 27.3 This Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Option or ESGS themselves) against the Company or any corporation of the Group or any members of the LTIP Committee directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Group.

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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- 27.4 No Grantee or his/her legal or personal representatives shall bring any claim, action or proceedings against the Company or the LTIP Committee or any party for compensation, loss or damages whatsoever and howsoever arising including but not limited to:
- (a) the suspension of his/her rights to exercise his/her Vested Options or be vested his/her ESGS Grants, or
  - (b) his/her Options or ESGS Grants ceasing to be valid pursuant to the provisions of these By-Laws as may be amended from time to time in accordance with By-Law 28.
- 27.5 Neither the Scheme nor LTIP Awards granted under the Scheme shall impose on the Company or the LTIP Committee or any of its members any liability whatsoever in connection with:
- (a) the lapse of any LTIP Awards pursuant to any provision of the Scheme;
  - (b) the failure or refusal by the LTIP Committee to exercise, or the exercise by the LTIP Committee of, any discretion under the Scheme; and/or
  - (c) any decision or determination of the LTIP Committee made pursuant to any provision of the Scheme.

**28. MODIFICATION/VARIATION TO THE SCHEME**

- 28.1 The LTIP Committee may at any time and from time to time recommend to the Board any amendments and/or modifications to all or any of the provisions of these By-Laws and the power to amend and/or modify all or any of the provisions of these By-Laws shall rest with the Board PROVIDED THAT no amendment and/or modifications shall alter adversely the rights attaching to any LTIP Awards granted prior to such amendment and/or modifications, nor alter such rights to the advantage of any Grantee without the prior approval of the shareholders of the Company as set out in By-Law 28.2. The LTIP Committee shall within ten (10) Market Days of any amendment and/or modification made pursuant to this By-Law notify the Grantee in writing of any amendment and/or modification made pursuant to this By-Law. The Company is required to submit to Bursa Securities a confirmation letter that the amendment and/or modification does not contravene any of the provisions of the Listing Requirements on employees' share option scheme and the rules issued by Bursa Depository no later than five (5) Market Days after the effective date of the said amendment and/or modification is made.
- 28.2 No such addition or amendment, modification and/or deletion of these By-Laws shall be made which will:
- (a) prejudice any rights then accrued to any Grantee without the prior consent or sanction of the majority of the Grantees at a meeting called for such purpose. The quorum for such meetings of Grantees shall be two (2);

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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- (b) prejudice any rights of the shareholders of the Company without the prior approval of the Company's shareholders in a general meeting;
- (c) increase the maximum number of Shares which may be made available under the Scheme provided under By-Law 3.1; and
- (d) alter any matter which are required to be contained in the By-Laws by virtue of the Listing Requirements to the advantage of the Eligible Person and/or Grantee,

unless allowed otherwise by the provisions of the Listing Requirements.

**29. DISPUTES**

Any dispute or difference of any nature arising hereunder shall be referred to the decision of the LTIP Committee. The said decision shall be final and binding on the parties unless the Eligible Person or Grantee, as the case may be, shall dispute the same by notice to the LTIP Committee within fourteen (14) days of the receipt of the decision of the LTIP Committee, in which case, such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects and whose costs shall be borne by the party against whom the decision is given on appeal.

**30. COSTS AND EXPENSES**

All fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment and/or transfer of the Shares pursuant to the LTIP Award, shall be borne by the Company. Notwithstanding this, the Grantee shall bear any fees, costs and expenses incurred in relation to his/her acceptance of the LTIP Awards and exercise of the Options under the Scheme and the holding or subsequent dealing of such Shares (such as, including but not limited to, brokerage commissions and stamp duty).

**31. CONSTITUTION**

Notwithstanding the rules, terms and conditions contained in these By-Laws, if a situation of conflict should arise between these By-Laws and the Constitution, the provisions of the Constitution shall prevail at all times save and except where such provisions of the By-Laws are included pursuant to the Listing Requirements.

**32. NOTICE**

- 32.1 Any notice which under the Scheme is required to be given to or served upon the LTIP Committee by an Eligible Person or Grantee or any correspondence to be made between an Eligible Person or Grantee and the LTIP Committee shall be given or served in writing and either delivered by hand or sent to the registered office of the

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**15. BY-LAWS FOR THE LTIP (CONT'D)**

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Company by ordinary letter. Proof of posting shall not be evidence of receipt of the letter.

- 32.2 Any notice under the Scheme required to be given to or served upon an Eligible Person or Grantee shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, by electronic mail, and/or by letter sent via ordinary post addressed to the Eligible Person or Grantee at his/her place of employment, to his/her electronic mail address, or to his/her last-known address. Any notice served by hand, by electronic mail or post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and acknowledged, (if by electronic mail) the dispatch of the electronic mail, (if any post) three (3) days after postage.
- 32.3 Any notice served by a party after the Company's official working hours shall be deemed to have been served on the next working day.

**33. SEVERABILITY**

Any term, condition, stipulation or provision in these By-Laws which is or becomes illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

**34. GOVERNING LAW**

The Scheme, the By-Laws, and all LTIP Awards made and granted and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the LTIP Award in accordance with the By-Laws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

## 16. PROCEDURES FOR APPLICATION AND ACCEPTANCE

**THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.**

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus. Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

### 16.1 OPENING AND CLOSING OF APPLICATION PERIOD

Opening of the application period: 10.00 a.m., [date]

Closing of the application period: 5.00 p.m., [date]

In the event there is any change to the timetable, we will advertise a notice of change in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia and announce it on Bursa Securities’ website accordingly. The dates for the ballot of the applications for our IPO Shares, the allotment of our IPO Shares and our Listing would then be extended accordingly.

**Late Applications will not be accepted.**

### 16.2 METHODS OF APPLICATION

#### 16.2.1 Application for our IPO Shares by the Malaysian Public and eligible Directors, employees of our Group and person who have contributed to our success

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

<b>Types of Application and category of investors</b>	<b>Application method</b>
Applications by the Malaysian Public:- (a) Individuals	- White Application Form; or - Electronic Share Application; or - Internet Share Application -
(b) Non-individuals	White Application Form only
Applications by eligible Directors, employees of our Group and persons who have contributed to our success	Pink Application Form only



**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

**16.2.2 Application by selected investors via private placement**

Applications for the IPO Shares may be made using any of the following:-

Types of Application and category of investors	Application method
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions

**16.3 ELIGIBILITY**

**16.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the "Detailed Procedures for Application and Acceptance" accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE (1)** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

**AN APPLICANT WHO WISHES TO APPLY FOR IPO SHARES USING A JOINT BANK ACCOUNT SHOULD COMMUNICATE WITH THE FINANCIAL INSTITUTION IN CHARGE OF IPO APPLICATION TO PROVIDE THE MATCHING NAME IN THE JOINT BANK ACCOUNT AGAINST HIS/ HER CDS ACCOUNT TO ISSUING HOUSE. THIS IS TO ENSURE THAT ISSUING HOUSE RECEIVES IPO APPLICATION WHERE THE NAME IN THE JOINT BANK ACCOUNT MATCHES AGAINST THE NAME IN THE CDS ACCOUNT AND TO MINIMISE THE INCIDENT OF REJECTED IPO APPLICATION DUE TO "CDS ACCOUNT BELONGS TO OTHER PERSON". COMPANY, PRINCIPAL ADVISER AND ISSUING HOUSE ARE NOT RESPONSIBLE FOR ANY ISSUE ARISING THEREAFTER**

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## 16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*CONT'D*)

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### 16.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfil all of the following:

- (i) You must be one of the following:
  - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares with a Malaysian address; or
  - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
  - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of our Issuing House; and
- (iii) You must submit an Application by using only one of the following methods:
  - (a) White Application Form;
  - (b) Electronic Share Application; or
  - (c) Internet Share Application.

### 16.3.3 Application by eligible Directors, employees of our Group and persons who have contributed to our success

Eligible Directors, employees of our Group and persons who have contributed to our success will be provided with Pink Application Forms and letters from us detailing their respective allocations. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

Eligible Directors, employees of our Group and persons who have contributed to our success may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, our Issuing House, Kenanga IB, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

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**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

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**16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS**

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM[●] for each IPO Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO.[●]**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided to the following address:

**Malaysian Issuing House Sdn Bhd**  
(Registration No. 199301003608 (258345-X))  
11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan

or

**P.O. Box 00010**  
Pejabat Pos Jalan Sultan  
46700 Petaling Jaya  
Selangor Darul Ehsan

Or

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan so as to arrive not later than 5.00 p.m. on [date] or by such other time and date specified in any change to the date or time for closing. We will not accept late Applications.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

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## 16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

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### 16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

### 16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of these Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

### 16.7 AUTHORITY OF OUR BOARD AND ISSUING HOUSE

Our Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
  - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
  - (b) are illegible, incomplete or inaccurate; or
  - (c) are accompanied by an improperly drawn up, or improper form of remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with **Section 16.9** below.

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## **16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

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If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

### **16.8 OVER/UNDER-SUBSCRIPTION**

In the event of over-subscription, our Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of distributing our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company to meet the public shareholding spread requirements of Bursa Securities as well as establishing a liquid and adequate market for our Shares.

The results of the allocation of IPO shares derived from successful balloting will be made available to the public at our Issuing House's website at [www.mih.com.my](http://www.mih.com.my) within 1 Market Day after the balloting date.

Under the Listing Requirements, at least 25.00% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. We expect to achieve this at the point of Listing.

In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or eligible Directors, employees of our Group and persons who have contributed to our success, subject to the clawback and reallocation provisions as set out in Section 4.3.4 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

### **16.9 UNSUCCESSFULLY/PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner:-

#### **16.9.1 For applications by way of Application Forms**

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

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**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

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- (ii) If your Application is rejected because you did not provide a CDS Account number or provided an incorrect or incomplete CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

**16.9.2 For applications by way of Electronic Share Application and Internet Share Application**

- (i) Our Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within 2 Market Days after the receipt of confirmation from our Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by our Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

**16.10 SUCCESSFUL APPLICANTS**

If you are successful in your Application:-

- (i) Our IPO Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

**16.11 ENQUIRIES**

Enquiries in respect of your Applications may be directed as follows:-

<b>Mode of application</b>	<b>Parties to direct the enquiries</b>
Application Form	Issuing House Enquiry Services Telephone at telephone no. +603-7890 4700
Electronic Share Application	The relevant Participating Financial Institution
Internet Share Application	The relevant Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADAs at the telephone number as stated in the list of ADAs as set out in Section 12 of the "Detailed Procedures for Application and Acceptance" accompanying the electronic copy of our Prospectus on the website of Bursa Securities or our Issuing House at the telephone no. +603-7890 4700 between 5 to 10 Market Days (during office hours only) after the final ballot day.