

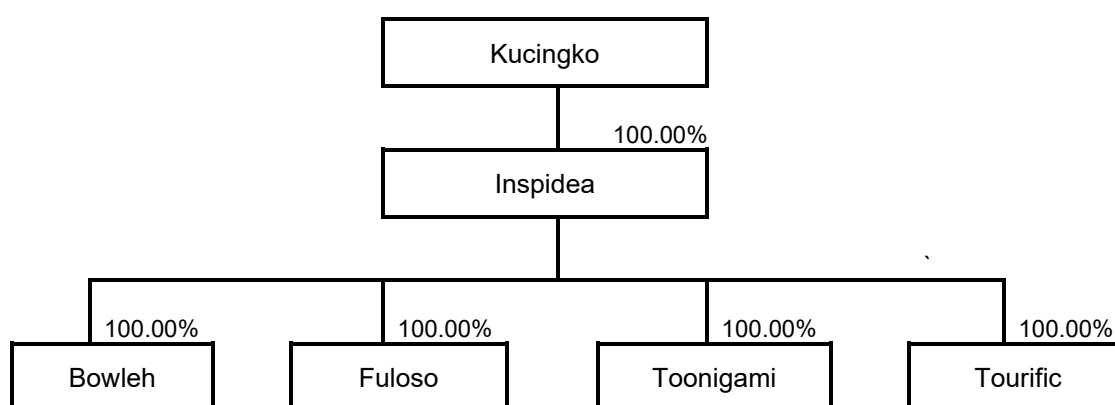
3. PROSPECTUS SUMMARY

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
	100,000,000	20.00	100,000,000	20.00	200,000,000	40.00

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
Enlarged number of issued Shares upon Listing	500,000,000
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)	[●]

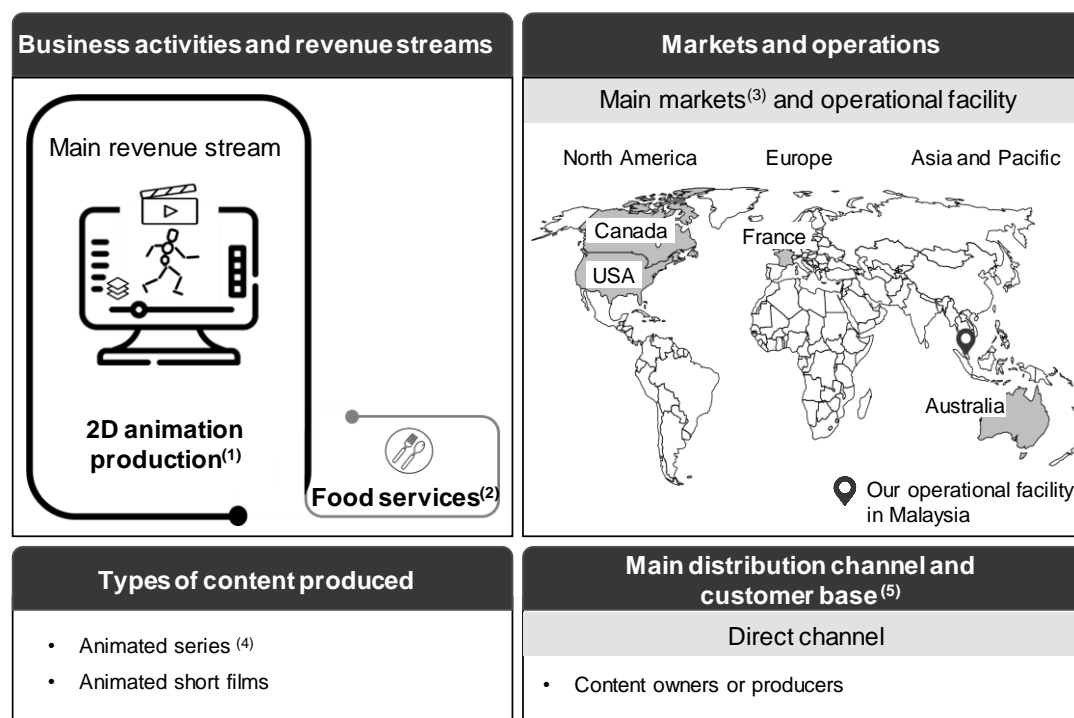
Please refer to Section 4 of this Prospectus for further details of our IPO.

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
TOTAL	14,923	100.00	17,675	100.00	23,485	100.00	11,028	100.00

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
Percentage (%)	13.89	25.00	20.00	15.38

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>
<u>Directors</u>	
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
<u>Key senior management</u>	
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) (%)	
Promoters and substantial shareholders										
Cat Ching	Malaysia	172,889,216	43.22	-	-	172,889,216	34.58	-	-	
See Chin Joo	Malaysian	1	*	172,889,216	⁽³⁾ 43.22	⁽⁴⁾ 300,001	0.06	172,889,216	⁽³⁾ 34.58	
Ooi Kok Hong	Malaysian	1	*	172,889,216	⁽³⁾ 43.22	⁽⁴⁾ 300,001	0.06	172,889,216	⁽³⁾ 34.58	
Substantial shareholder										
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.

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Combined statements of comprehensive income				
Revenue	14,923	17,675	23,485	11,028
Profit from operations ⁽¹⁾	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)	-	-
Combined statements of cash flows				
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)
Net changes in cash and cash equivalents	2,808	(3,878)	4,002	(6,575)
Cash and cash equivalents at beginning of the financial year	10,469	13,277	9,399	13,401
Cash and cash equivalents at end of the financial year	13,277	9,399	13,401	6,826
Other selected financial information				
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
Total	[●]	100.00	

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	⁽²⁾ 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 ⁽¹⁾ (%)	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.