

## 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>	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>	<sup>(10)</sup> 732,780 (represents 19.93% of our PAT)	<sup>(10)</sup> 762,840 (represents 11.76% of our PAT)	-	-	-
		<u>Interested major shareholder</u> Koo Hong @ Ku Hong Hai <sup>(3)</sup> Ku Chia Loon <sup>(4)</sup>	Disposal of Tapestream Pte Ltd <sup>(6)</sup>	-	-	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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