

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

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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)

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**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)

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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
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(Incorporated in Malaysia)

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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
Non current assets						
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>
Current assets						
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>
Total assets		<u>18,964,696</u>	<u>18,964,697</u>	<u>18,964,697</u>	<u>[•]</u>	<u>[•]</u>

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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
Equity						
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	[•]
Total equity		12,603,344	12,603,345	12,603,345	[•]	[•]
Non current liabilities						
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
		2,777,024	2,777,024	2,777,024	2,777,024	2,777,024
Current liabilities						
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
		3,584,328	3,584,328	3,584,328	3,584,328	3,584,328
Total liabilities		6,361,352	6,361,352	6,361,352	6,361,352	6,361,352
Total equity and liabilities		18,964,696	18,964,697	18,964,697	[•]	[•]

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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
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

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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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12. FINANCIAL INFORMATION (CONT'D)

KUCINGKO BERHAD

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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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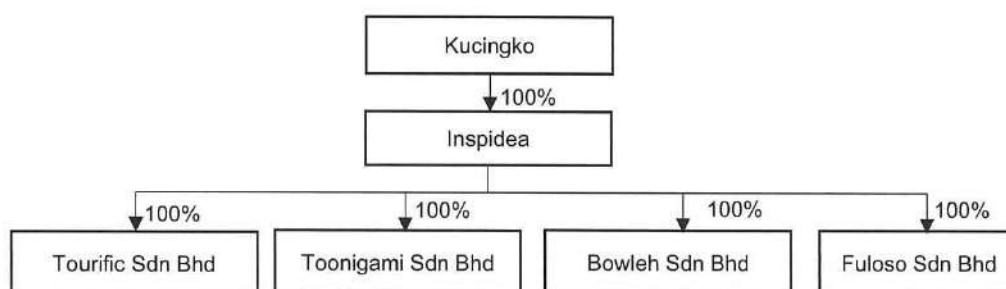
12. FINANCIAL INFORMATION (CONT'D)**KUCINGKO BERHAD**

(Formerly known as Kucingo Sdn Bhd)
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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

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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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12. FINANCIAL INFORMATION (CONT'D)**KUCINGKO BERHAD**

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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 ⁽¹⁾	Within 36 months	[•]	[•]
USA sales office ⁽¹⁾	Within 36 months	[•]	[•]
Working capital	Within 12 months	[•]	[•]
Listing expenses ⁽²⁾	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**

	RM
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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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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APPROVAL BY THE BOARD OF DIRECTORS

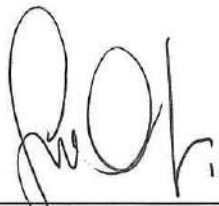
Approved and adopted by the Board of Directors of the Company in accordance with a resolution dated

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 ⁽¹⁾	-	-	-	-	-
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)
Profit from operations	4,892	8,099	9,393	6,567	3,776
Finance income	111	169	185	71	107
Finance costs	(113)	(117)	(144)	(56)	(76)
Net finance income/(costs)	(2)	52	41	15	31
PBT	4,890	8,151	9,434	6,582	3,807
Income tax expense	(1,213)	(1,667)	(1,455)	(603)	(786)
PAT/Total comprehensive income for the year/period	3,677	6,484	7,979	5,979	3,021
Net profit/(loss)/Total comprehensive income/(loss) attributable to:					
Owners of our Company	3,680	6,487	7,979	5,979	3,021
Non-controlling interest	(3)	(3)	-	-	-
	3,677	6,484	7,979	5,979	3,021
EBITDA ⁽²⁾	6,211	9,144	10,423	7,094	4,296
PBT margin (%) ⁽³⁾	32.77	46.12	40.17	52.73	34.52
PAT margin (%) ⁽⁴⁾	24.64	36.68	33.97	47.90	27.39
Basic EPS (sen) ⁽⁵⁾	0.92	1.62	1.99	1.49	0.76
Diluted EPS (sen) ⁽⁶⁾	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)
EBITDA	6,211	9,144	10,423	7,094	4,296

- (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
ASSETS				
Non-current assets				
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
Total non-current assets	3,603	2,559	4,021	4,383

12. FINANCIAL INFORMATION (CONT'D)

	Audited as at			
	31 December			30 June
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Current assets				
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
Total current assets	17,277	16,580	19,215	14,582
TOTAL ASSETS	20,880	19,139	23,236	18,965
EQUITY AND LIABILITIES				
Share capital	-	-	-	*
Invested equity	2,959	6,611	6,611	6,611
Retained earnings	12,080	7,907	9,175	5,992
Equity attributable to owners of our Group	15,039	14,518	15,786	12,603
Non-controlling interests	25	22	-	-
Total equity	15,064	14,540	15,786	12,603
LIABILITIES				
Non-current liabilities				
Borrowings	874	680	498	395
Lease liabilities	1,640	1,090	2,458	2,382
Total non-current liabilities	2,514	1,770	2,956	2,777
Current liabilities				
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
Total current liabilities	3,302	2,829	4,494	3,585
TOTAL LIABILITIES	5,816	4,599	7,450	6,362
TOTAL EQUITY AND LIABILITIES	20,880	19,139	23,236	18,965

* 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
Cash flows from/(used in) operating activities					
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)
Operating profit before working capital changes	6,207	7,852	10,101	6,780	4,293
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	7,707	6,953	12,138	7,619	1,083
Income tax paid	(3,539)	(1,603)	(1,600)	(719)	(584)
Income tax refunded	-	-	1	1	-
Net cash from operating activities	4,168	5,350	10,539	6,901	499
Cash flows from/(used in) investing activities					
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
Net cash from/(used in) investing activities	40	(1,386)	(176)	299	(484)
Cash flows from/(used in) financing activities					
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)
Net cash used in financing activities	(1,400)	(7,842)	(6,361)	(3,451)	(6,590)
Net increase/(decrease) in cash and cash equivalents	2,808	(3,878)	4,002	3,749	(6,575)
Cash and cash equivalents at beginning of year	10,469	13,277	9,399	9,399	13,401
Cash and cash equivalents at end of year	13,277	9,399	13,401	13,148	6,826
Cash and cash equivalents comprise:					
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)
	13,277	9,399	13,401	13,148	6,826

* Less than RM1,000

12. FINANCIAL INFORMATION (CONT'D)

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)

(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 ⁽¹⁾ (RM'000)	54	53	(23)	76
As a percentage of PBT ⁽²⁾ (%)	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.

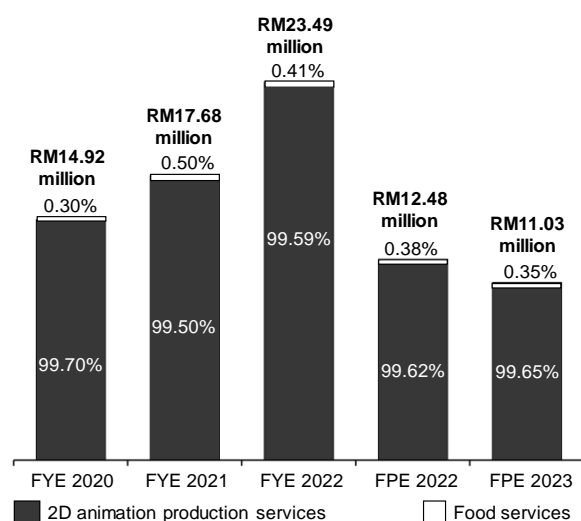
12. FINANCIAL INFORMATION (CONT'D)

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
Total Revenue	14,923	17,675	23,485	12,483	11,028

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	%
Revenue by business segments						
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
Total revenue	14,923	100.00	17,675	100.00	23,485	100.00

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Revenue by business segments				
2D animation production services	12,435	99.62	10,989	99.65
Food services	48	0.38	39	0.35
Total revenue	12,483	100.00	11,028	100.00

(ii) Revenue segmentation by geographical market

Revenue by geographical markets	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
North America	7,393	49.54	11,447	64.77	21,893	93.22
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	-	-	-	-
Europe	2,062	13.82	5,736	32.45	1,351	5.75
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
Asia Pacific	5,468	36.64	492	2.78	241	1.03
Australia	5,062	33.93	351	1.99	146	0.62
Malaysia ⁽¹⁾	45	0.30	88	0.50	95	0.41
Japan	-	-	53	0.29	-	-
Hong Kong	238	1.59	-	-	-	-
Singapore	123	0.82	-	-	-	-
Total revenue	14,923	100.00	17,675	100.00	23,485	100.00

12. FINANCIAL INFORMATION (CONT'D)

Revenue by geographical markets	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
North America	11,095	88.88	8,040	72.91
USA	7,867	63.02	4,930	44.70
Canada	3,228	25.86	3,110	28.21
Europe	1,194	9.57	2,607	23.64
United Kingdom	-	-	1,345	12.20
France	71	0.57	1,262	11.44
Netherlands	1,123	9.00	-	-
Asia Pacific	194	1.55	381	3.45
Australia	146	1.17	277	2.51
Singapore	-	-	65	0.59
Malaysia ⁽¹⁾	48	0.38	39	0.35
Total revenue	12,483	100.00	11,028	100.00

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	%
Other operating income						
Wage subsidy/grants from the government ⁽¹⁾	568	81.49	584	28.20	543	57.28
Dividend received	-	-	-	-	279	29.43
Others ⁽²⁾	129	18.51	199	9.61	126	13.29
Sub-total	697	100.00	783	37.81	948	100.00
Net allowance for expected credit loss, net of recovery	-	-	1,288	62.19	-	-
Total	697	100.00	2,071	100.00	948	100.00

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Other operating income				
Wage subsidy/grants from the government ⁽¹⁾	396	46.32	270	65.69
Dividend received	279	32.63	-	-
Others ⁽²⁾	180	21.05	141	34.31
Sub-total	855	100.00	411	100.00
Net allowance for expected credit loss, net of recovery	-	-	-	-

12. FINANCIAL INFORMATION (CONT'D)

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Total	855	100.00	411	100.00

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	%
Changes in inventories						
Food ingredients	21	100.00	66	100.00	60	100.00
Total	21	100.00	66	100.00	60	100.00

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Changes in inventories				
Food ingredients	31	100.00	29	100.00
Total	31	100.00	29	100.00

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 ⁽¹⁾	7,376	68.89	7,713	66.59	9,404	62.78
Depreciation ⁽²⁾	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 ⁽³⁾	733	6.84	531	4.59	944	6.30
Total	10,707	100.00	11,582	100.00	14,979	100.00

Operating expenses	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Staff costs ⁽¹⁾	4,457	66.13	5,071	66.44
Depreciation ⁽²⁾	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 ⁽³⁾	315	4.67	468	6.13
Total	6,740	100.00	7,633	100.00

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 20th 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
Total	111	100.00	169	100.00	185	100.00

	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Finance income				
Interest income from fixed deposits	71	100.00	107	100.00
Total	71	100.00	107	100.00

(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 ⁽¹⁾	107	94.69	82	70.09	116	80.56
Term loan	6	5.31	35	29.91	28	19.44
Total	113	100.00	117	100.00	144	100.00

12. FINANCIAL INFORMATION (CONT'D)

Finance costs	Unaudited		Audited	
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Interest expense on:				
Lease liabilities ⁽¹⁾	42	73.68	65	85.53
Term loan	15	26.32	11	14.47
Total	57	100.00	76	100.00

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) ⁽¹⁾	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
Cash and cash equivalent at the end of the financial periods	13,277	9,399	13,401	6,826

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 RM'000
	Payable within 12 months RM'000	Payable after 12 months RM'000	
Term loan ⁽¹⁾	204	395	599
Gearing ratio (times)⁽²⁾			0.05

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:

Maturity profile	Term loan
	RM'000
Less than 1 year	204
More than 1 to 2 years	212
More than 2 to 5 years	183
Total	599
Credit limit	1,000
Balance unutilised as at the LPD	-
Effective interest rates per annum	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) ⁽¹⁾	43	43	38	51
Trade payable turnover period (days) ⁽²⁾	8	3	*	10
Current ratio (times) ⁽³⁾	5.23	5.86	4.28	4.07
Gearing ratio (times) ⁽⁴⁾	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) ⁽¹⁾	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) ⁽¹⁾	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) ⁽¹⁾	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) ⁽¹⁾	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

12. FINANCIAL INFORMATION (CONT'D)

- (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 ⁽¹⁾	Start date ⁽²⁾ / Expected completion ⁽³⁾ date	Approximate percentage of completion as at the LPD (%)	Total contract value (RM million) ⁽⁴⁾	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:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Dividends declared	10,661	⁽³⁾ 6,703	⁽²⁾ 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⁾	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
Indebtedness				
Non-current				
Borrowings ⁽¹⁾	325	325	325	325
Lease liabilities	2,254	2,254	2,254	2,254
Current				
Borrowings ⁽¹⁾	207	207	207	207
Lease liabilities	524	524	524	524
Total indebtedness	3,310	3,310	3,310	3,310
Capitalisation				
Share Capital, representing total capitalisation	6,611	9,560	[•]	[•]
Total capitalisation	6,611	9,560	[•]	[•]
Total capitalisation and indebtedness	9,921	12,870	[•]	[•]
Gearing ratio (times) ⁽²⁾	0.08	0.06	[•]	[•]

Notes:

(1) Borrowings are secured and guaranteed.

(2) Computed based on total indebtedness (excluding lease liabilities) divided by total capitalisation.