9. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS WHICH MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND FUTURE PERFORMANCE, TOGETHER WITH INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We are dependent on certain major customers

Our revenue is based on contracts secured from customers from time to time. We are dependent on certain major customers, namely Customer A Group, Customer B Group, Customer C Group, Customer D, Customer H Group and Customer J where each of these customers accounted for more than 10.00% of our total revenue for at least one of the Financial Years Under Review as set out below:

Customer[(1)]	Length of relationship (years)[(2)]	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Customer A Group	16	4,939	33.10	1,479	8.37	4,275	18.20	2,060	7.31
Customer B Group	9	3,775	25.30	7,886	44.62	9,350	39.81	9,561	33.95
Customer C Group	8	2,386	15.99	1,331	7.53	2,459	10.47	(3)-	(3)-
Customer D	3	1,028	6.89	1,918	10.85	(3)-	(3)-	(3)-	(3)-
Customer H Group	(4)1	(3)-	(3)-	(3)-	(3)-	4,321	18.40	9,283	32.97
Customer J	12	(3)-	(3)-	(3)-	(3)-	(3)-	(3)-	3,790	13.46
Subtotal		**12,128**	**81.28**	**12,614**	**71.37**	**20,405**	**86.88**	**24,694**	**87.69**
Total revenue		**14,923**		**17,675**		**23,485**		**28,159**	

Notes:

(1) For further details on our customers, please refer to Section 7.14 of this Prospectus.

(2) The length of the relationship is as at FYE 2023.

(3) There was no revenue contribution from these major customers during the respective Financial Years Under Review.

(4) Representing approximately 1 year and 10 months as at FYE 2023.

The revenue contribution from the above major customers collectively accounted for 81.28%, 71.37%, 86.88% and 87.69% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. As the above major customers collectively accounted for a significant portion of our total revenue, the loss of any one or a few of these major customers, if they are not replaced promptly either at comparable or higher contract values, could adversely affect our business operations and financial performance. We will continue to participate in competitive bidding to secure contracts from these customers. Moving forward, our dependency on these major customers will be based on our ability to secure contracts from these customers as well as other new and existing customers.

Our ability to continue securing new contracts from these major customers are dependent on several factors which include, amongst others, our ability to fulfil these customers' specifications and requirements, competitive pricing and timely delivery of our 2D animation production projects. There is no assurance that we would be able to continue to retain these customers, or that the value of their contracts will not vary significantly from year to year.

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

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

As at the LPD, we have 10 on-going animation production projects with each of the contract value ranging between RM0.26 million to RM9.63 million. Furthermore, the contract period for our 10 on-going animation production projects ranges from 1 month up to 31 months. As at the LPD, our total unbilled order book amounted to RM23.32 million from these 10 on-going animation production projects which are expected to complete between FYE 2024 and FYE 2025. Further details on the order book are set out in Section 12.11 of this Prospectus.

In the event we are unable to continuously secure sufficient new and sizable projects, our order book will deplete over time. This may adversely affect our business sustainability and financial performance in the future. For further details of our on-going projects, please refer to Section 7.4.1.5 of this Prospectus.

For the Financial Years Under Review, our customer base decreased from 23 individual customers (18 groups of customer) for FYE 2020 to 14 individual customers (10 groups of customer) in FYE 2023. Nevertheless, our revenue continued to increase at a CAGR of 23.60% between FYE 2020 and FYE 2023. For the Financial Years Under Review, we have worked with over 28 customer groups and secured repeated engagements with 15 of our customer groups. While we will take proactive steps to seek for new project opportunities and to expand our customer base, there is no assurance that we will be able to continue to secure new and sizeable projects as well as maintain our revenue growth in the future.

9.1.3 Our business may be affected by the increasing popularity of free self-made life-action content or other free content broadcasted over social media platforms

As a 2D animation production service provider, our business may be affected by the performance of our customers' business in the entertainment industry which distribute content through conventional media such as television, pay-per-view and subscription-based streaming platforms such as Netflix, Amazon, Apple and Disney+.

Our customers' business may lose viewership arising from the increasing popularity of free self-made short live-action content or other free content broadcasted over various social media platforms such as YouTube, TikTok, Instagram, Twitter and Facebook. If these competing contents grow in popularity at the expense of 2D animated content broadcasted over conventional media, it may adversely affect our customers' business and subsequently the demand for our services.

As we have no control over the prospects and business strategies of our customers, our financial performance may be adversely affected in the event they allocate lower financial resources for the development of 2D animation content as part of their business strategy, or if they lose market share to other competing content which is broadcasted over various social media platforms.

9.1.4 Our business may be affected if the demand for 3D animation content increases at the expense of 2D animation content

As a producer of 2D animated content, our business competes with 3D animated content. There is a risk that the increasing demand for 3D animated content may grow at the expense of 2D animated content which would adversely affect our business operations and financial conditions.

3D animated content provides viewers with a different viewing experience compared to 2D animated content arising from its more life-like depiction of characters, background and other elements in the content. Nevertheless, the cost of production of 3D animated content is currently substantially higher compared to 2D animated content. Nevertheless, innovations and improvements in technology may reduce the cost of 3D animation production which would increase the cost competitive pressure against 2D animation production. Such technological innovations include the use of generative AI tools to produce 3D animated content which may significantly reduce the overall cost of production for 3D animated content.

Our Group will continue to monitor the development of 3D technologies and evaluate on ways to integrate such technologies into the 2D animation production pipeline, in view that both 2D animation and 3D animation may share similar animation production techniques such as using 3D background and 3D models in complex scenes while maintaining 2D aesthetics. As such, with the evolution of technology, the methodologies employed in the 3D animation production may be effectively adopted for the creation of 2D animation, and vice versa.

We have been specialising in 2D animation production and it is evident that we are able to sustain our business by placing our focus on 2D animation production based on the historical financial performance of our Group. Hence, we remain committed to expanding our business horizon in the 2D animation industry but will not discount venturing into 3D animation in the future. Our Group will train our animation production personnel to expand on skill sets that include the knowledge of 3D animation production. This could make our Group more versatile in animation production that leverage on hybrid model of 2D and 3D animation. Nevertheless, there is no assurance that the demand for our 2D animation production services may not be adversely affected by the increase in popularity of 3D animated content.

9.1.5 We are dependent on skilled manpower supply of animation production personnel

The execution of 2D animation production projects relies on creative and skilled animation production personnel. Notwithstanding that we have our in-house animation production personnel, we also subcontract some of our 2D animation production work to individual freelancers to ensure timely project completion as and when necessary.

Our in-house animation production personnel usually hold degrees, diplomas or certificates in animation or similar fields. We also consider other factors while engaging individual freelancers such as experience, technical proficiency, creativity, attention to detail and ability to work collaboratively within a team. In addition, we employ individual freelancers with a background in 2D animation production to support our 2D animation production services.

As at the LPD, we have engaged 20 individual freelancers. While we have access to a large pool of animation freelancers, there is no assurance that we will continue to have access to this talent pool. Any shortages in the supply of skilled manpower, either as potential employees or freelancers, or inability of our Group to train and retain current employees as well as the inability to replace the loss in headcounts, could adversely affect the quality standards and timely delivery of our 2D animation production projects, which in turn may adversely affect our reputation, business operations and financial performance.

9.1.6 We are subject to the risk of negative publicity and allegations including forced labour practices which may affect our reputation and business operation

The nature of our business in 2D animation production is labour-intensive and we are dependent on a large pool of personnel for our 2D animation production projects. For each of the years within the Financial Years Under Review and up to the LPD, we have between 133 and 243 animation production personnel who are either employed as full-time employees or contract employees. In addition, as at the LPD, we have engaged 20 individual freelancers to complement our full-time and contract employees.

In 2020, certain allegations of unethical labour practices were made against our Group, including allegation relating to employees' provident fund contribution, unrealistic quota system that unfairly assessed employee performance, unpaid wages, inadequate workforce allocation resulting in penalisation by customers and excessively long working hours. These allegations were publicly discussed on various public platforms. There is no corroborating evidence has emerged to support these allegations and our internal control reviewers have conducted thorough investigations to verify these allegations, and they came to the conclusion that there is no evidence to substantiate the validity of such allegations made for the period from 1 January 2020 to 31 December 2022. Notwithstanding these allegations are unsubstantiated, it may potentially generate negative publicity on our Group which could impact our customers' willingness to engage our services and may adversely affect our Group's business operations and financial conditions.

As at the LPD, we have not faced any legal proceedings, official disputes or actions related to allegations of unethical labour practices. However, there can be no assurance that we will not face allegations or disputes related to labour practices in the future which may harm our reputation, business operations and financial performance.

9.1.7 Our business and financial performance may be affected in the event of project delays, termination or suspension of contracts

Our 2D animation production projects are based on fixed contract value and agreed milestones as stipulated in the contracts. Although we closely monitor and manage our projects to adhere to the project schedule, there is a risk that we may not be able to complete our projects on time. The timely completion of our projects are dependent on many external factors including, amongst others, unanticipated delays during project planning, shortage of workers and global pandemics. In addition, our scope of work includes retakes to make corrections or adjustments to particular scenes based on customers' feedback which may potentially delay our project.

In the event of any delays in the timing of our deliverables, we may be subject to a deduction based on a percentage of the value of the corresponding production milestone as stipulated in our contracts or we may be subject to termination. If the delay is caused by the customer, we may negotiate with the customer to request for variation orders for the additional cost incurred as a result of the delay. For the Financial Years Under Review and up to the LPD, we have not experienced any deduction on the contract value or termination of contract or any claims and/or penalties from customers due to delay in the delivery of our production works.

Nevertheless, there can be no assurance that we will be able to continue to complete projects on time and within budget in the future. In the event of we are unable to complete projects on time and within budget, our business operation and financial performance may be adversely affected.

We are also subject to the risk of early contract termination or suspension of projects resulting from, amongst others, changes in our customers' business strategy, requirements, financial circumstances or market conditions affecting our customers, or failure to meet our contractual obligations. There can be no assurance that our customers will not terminate or suspend our contracts as these factors may be beyond our control. For the Financial Years Under Review and up to the LPD, 3 of our contracts were terminated or suspended by our customers as set out below:

(i) in January 2020, we secured a contract from a customer in Mexico for 2D animation production service for an animated content of approximately 16 minutes. However, the customer only provided us with a portion of the pre-production package which only allowed us to provide our animation production service for 4 minutes of animated content. In FYE 2020, we recognised RM0.01 million revenue for the partial work completed of the said project;

(ii) in May 2020, we secured a contract from a customer in USA for 2D animation production service for an animated content of approximately 440 minutes. However, the project was subsequently suspended by the customer due to internal restructuring of the customer. We have recognised RM0.02 million revenue in FYE 2020 and FYE 2021 respectively, for the partial work completed of the said project; and

(iii) in December 2020, we secured a contract from a customer in USA for 2D animation production service for an animated content of approximately 60 minutes. Subsequently, the contract was mutually terminated due to disagreement in workflow of the project. In FYE 2020, we recognised RM0.17 million revenue for the partial work completed of the said project.

There can be no assurance that we will not experience any early termination or suspension of projects in the future which may adversely affect our business operation and financial performance.

9.1.8 We are liable to content security risk where unauthorised disclosure, distribution of confidential information, breach of IP rights or other terms and conditions may lead to the termination of our contracts or legal proceedings against our Group

Our 2D animation production projects are based on the pre-production package provided by our customers which typically includes the storyboard, character and background design as well as information that are sensitive, confidential and/or protected under IP rights. Our production process also includes transmitting, receiving and storing work-in-progress as well as completed projects before these are uploaded to our customers' designated storage location. Under the terms of contract with our customers, we are required to keep all such information, data and contents strictly confidential and secured.

Our electronic infrastructure and systems comprise, amongst others, the following devices:

(i) servers, computers and mobile devices that either receive, process, store or transmit data;

(ii) data centres for storage of data and information; and

(iii) communications infrastructure including local area network and the internet to facilitate transmission and reception of data,

which are potentially vulnerable to physical or electronic intrusions, eavesdropping, cyber-attacks, malicious codes, ransomware or other destructive or disruptive actions. As with all electronic infrastructure and systems, we face the risk of, amongst others, sabotage, theft, destruction and/or loss of data, information and systems. Furthermore, we may be vulnerable to internal threats, such as unauthorised access by employees, or third-party subcontractors and individual freelancers who have access to this information.

Despite the implementation of various security measures, there is a risk that our security measures may be inadequate and we may be exposed to security breach intentionally or unintentionally by internal as well as external parties.

Since the commencement of our business, we have not experienced any termination of contracts, legal proceedings or penalties from our customers due to infringements concerning content security. Nevertheless, we may not be able to anticipate or implement adequate preventive measures against all security breaches and/or damage to our systems and/or human errors or careless actions from our employees or freelancers, any of which would adversely affect our reputation, business operations and financial performance.

9.1.9 We are dependent on technology and computer systems for our 2D animation production projects

The 2D animation production is a computer and technology-intensive operation which requires technology infrastructure including hardware, networks and software, as well as management systems to support the production process. In view of this, any errors or defects in the software, failure in hardware or networks, or failure of back-up facilities will affect the delivery of our 2D animation production works which could adversely affect our reputation and financial performance.

For the Financial Years Under Review and up to the LPD, we have not experienced any material interruptions or failures in our technology infrastructure and management system which resulted in delays or failure to complete our 2D animation production projects. However, there can be no assurance that we will not experience any disruptions in our technology infrastructure and/or management system which could adversely affect our business operations and financial performance in the future.

9.1.10 We are subject to foreign exchange fluctuation risks which may impact our competitive position and profitability

Our business is exposed to risk of foreign exchange fluctuations where 99.69%, 99.20%, 99.60% and 99.76% of our revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively were transacted mainly in foreign currencies including USD and CAD, and to a lesser extent, EUR, AUD, SGD and HKD. Meanwhile, our purchases of materials and services for the Financial Years Under Review were transacted in RM, HKD, USD, EUR, Philippine Peso and Indonesian Rupiah.

For the Financial Years Under Review, our revenue transactions and purchases in various currencies are as follows:

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
Revenue	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
USD	10,459	70.09	11,724	66.33	20,625	87.83	23,894	84.85
EUR	1,667	11.17	4,282	24.23	161	0.68	3,790	13.46
AUD	96	0.64	-	-	146	0.62	277	0.98
SGD	-	-	-	-	-	-	131	0.47
RM	46	0.31	141	0.80	94	0.40	67	0.24
CAD	2,417	16.20	1,528	8.64	2,459	10.47	-	-
HKD	238	1.59	-	-	-	-	-	-
Group revenue	**14,923**	**100.00**	**17,675**	**100.00**	**23,485**	**100.00**	**28,159**	**100.00**

Purchases	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	244	23.06	1,208	59.25	1,736	66.02	956	38.94
HKD	-	-	762	37.43	790	30.01	901	36.70
EUR	-	-	-	-	-	-	208	8.47
Philippine Peso	-	-	-	-	-	-	204	8.31
Indonesian Rupiah	-	-	-	-	-	-	186	7.58
USD	815	76.94	68	3.32	105	3.97	-	-
Group purchases	**1,059**	**100.00**	**2,038**	**100.00**	**2,631**	**100.00**	**2,455**	**100.00**

For further details on the impact of foreign exchange fluctuation on our financial performance during the Financial Years Under Review, please refer to Section 12.3.1 (viii) of this Prospectus. Our financial performance may be adversely affected if there are any strong unfavourable movements in exchange rates between RM and USD, CAD or other foreign currencies.

As at the LPD, we have foreign currency forward hedging facilities which may be utilised in the future depending on business operation's requirements. However, we do not have a formal hedging policy with respect to foreign exchange exposure. Rather, we monitor foreign exchange exposure on an ongoing basis and endeavour to keep net exposures to an acceptable level. Nevertheless, there is no assurance that any future fluctuations in foreign exchange rates will not materially and adversely affect our financial performance.

9.1.11 We may not be able to effectively execute our business strategies and plans promptly

Our business strategies and plans are to continue with our existing business activities in 2D animation production and leverage on our core competencies to grow our business. Our business strategies and future plans include domestic expansion in Malaysia by setting up branch offices in Sabah and Sarawak, expanding our technical resources and upgrading of existing operational office in Selangor as well as foreign expansion by setting up a sales office in the USA. For further information on our business strategies and future plans, please refer to Section 7.6 of this Prospectus. The prospects and future growth of our business is dependent on our ability to implement these strategies effectively and promptly.

There is no assurance that we will be successful in executing our business strategies and plans within the planned timeframe nor that we will be able to anticipate, minimise or mitigate all the business, financial and operational risks arising from the implementation of our business strategies and plans. In addition, we may experience delays in the implementation of our strategies and future plans due to amongst others, availability of skilled human resources, global and domestic economic conditions, regulatory changes and competition.

9.1.12 We are dependent on our Executive Directors and key senior management for the continuing success of our Group

Our business operations are dependent on the experience, knowledge and skills of our Executive Directors and key senior management.

Our Executive Director, See Chin Joo has over 22 years of experience in 2D animation production industry. He is responsible for providing management guidance, and strategic advice to the key management and personnel of our Group as well as overseeing the portfolio of finance, sales and marketing, and human resources processing of our Group.

Our Executive Director, Ooi Kok Hong has over 22 years of experience in 2D animation production industry and is responsible for providing strategic guidance and direction to the running of animation production, including talent acquisition, resource planning, process improvement, and technology development and deployment within our Group.

They are supported by our other key senior management with relevant experience in their respective field of works. The profiles of our Executive Directors and other key senior management are set out in Sections 5.1.2 and 5.4.2 of this Prospectus.

We recognise that our Group's future growth and continuing success depend, to a significant extent, on the capabilities and continuing efforts of our Executive Directors and key senior management. The loss of any of our Executive Directors or key senior management without any suitable and timely replacement may adversely affect our business operations and financial performance. Further, there is no assurance that we would be able to retain our Executive Directors or any of our key senior management or ensure a smooth transition should there be any material changes in key personnel in the future.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are subject to risks and uncertainties associated with technological changes and innovations

Our business operations involve extensive usage of technology in the production of 2D animation content. As such, any changes and innovations in such technology may affect our business. Certain technologies may be disruptive and may adversely affect our business operations. One such disruptive technology, amongst others, is generative AI, which is similar to ChatGPT.

Recent advancement in generative AI have demonstrated that it is capable of creating digital animation content. However, the conceptualisation, storyline and specific character personification, design and specification will still require human input. Workforce cost is a major component of the overall production cost in animation content. Generative AI has the potential to automate various aspects of the animation production process such as:

(i) asset creation, which involves the creation of digitally drawn series of images that simulate movements;

(ii) compositing, which involves the overlaying of various still images onto each frame of the animation content; and

(iii) animatics, incorporating all the production work and sound overlay into the required sequence and proper timing.

While generative AI tools are still at its early developmental stage, the technology may have the potential of reducing the cost of producing animation content by replacing some of the workforce. As animation production is a global industry, the reduction in the cost of production will invariably place pressure on the contract selling price of the animated content due to competitive forces. In the event the animation production companies have to reduce their contract selling price, this may affect the prospects of operators in the animation production industry.

Although AI generative tools can be used to generate new creative assets, the ownership of such assets is still a subject of legal ambiguity at this stage. The creative assets generated by AI may be subject to copyright protection, and ownership issues. This poses a challenge to the animation industry for the adoption of generative AI in the production of animated contents, which animation studios may perceive generative AI as a sensitive subject given the potential lawsuits that may arise from the use of unauthorised work. In 2023, we had also secured contract for 2D animation production that prohibit the adoption of generative AI in our production work. From this perspective, the creative assets generated by AI tools may not have any material commercial value. There is no assurance that the creative assets that are generated from AI tools will not have any commercial value in the future.

In addition, we cannot provide any assurance that the use of AI-generated content would not adversely affect the demand for traditionally created content including 2D animation. We will continue to monitor the development of technologies and evaluate on ways to integrate such technologies into the 2D animation production pipeline. This could mean adoption of AI for labour intensive tasks such as inbetweening and colouring. Furthermore, we will provide training to our animation production personnel to expand on skill sets that include the knowledge of AI. This could make our Group more versatile in animation production that leverage on the strength of AI. Nevertheless, in the event we fail to adopt innovative technologies like generative AI as abovementioned, we may be exposed to the risk of losing our competitiveness to technological advancement which may adversely affect our business operations and financial performance.

9.2.2 We are subject to domestic and foreign competition in the animation production industry

We operate in a competitive industry and we face competition from domestic and foreign industry players in terms of, amongst others, pricing, service product offerings, production capabilities and timely delivery of our 2D animation production projects. As the 2D animation production is a digital technology based service, the production process can be carried out remotely and delivered to the customer via the internet. From this perspective, competition for the 2D animation production industry is global in nature. Global competitors would include operators in countries such as Philippines, India, South Korea, Japan and China. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential domestic and foreign competitors, and this could adversely affect our financial performance.

9.2.3 We are subject to political, economic, social, market and regulatory considerations and the occurrence of force majeure events such as pandemic risk

Any adverse developments in the political, economic, social, market and regulatory conditions in Malaysia or our export markets could adversely affect our business operations and financial performance. Such developments include, amongst others, changes in audience' preference, strikes and work stoppages affecting the animation and entertainment industries, changes in political leadership, geopolitical events, general economic and business conditions, fluctuations in foreign exchange rates, interest rates, acts of terrorism, riots, wars, sanctions, expropriation, nationalisation, fiscal and monetary policies, inflation, deflation, methods of taxation, tax policies, foreign worker levy, exchange control measures, unemployment trends, deterioration of international bilateral relationships, the outbreak of diseases or pandemics and other matters that influence consumer and business confidence and spending.

Increasing volatility in financial markets may also cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia and our export markets may materially and adversely affect our business operations, financial performance and prospects.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares and it is uncertain whether a sustainable market will ever develop

Prior to the IPO, there has been no public trading for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, that such a market will be sustainable. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the selling prices at which holders would be able to obtain for our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and that the market price of our Shares will not decline below the IPO Price.

9.3.2 Our Share price and trading volume may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global stock market and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes in capital market, thus adding risks to the market price of our listed Shares. Nevertheless, the profitability of our Group is not dependent on the performance of the capital market as the business activities of our Group have no direct correlation with the performance of securities listed in the capital market.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:

(i) variation in our results and operations;

(ii) success or failure in our management team in implementing business and growth strategies;

(iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events and factors;

(v) additions or departures of our key management personnel;

(vi) fluctuations in stock market prices and volumes; or

(vii) involvement in litigation.

In addition, many of the risks described herein could materially and adversely affect the market price of our Shares. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated. Accordingly, there can be no assurance that our Shares will not trade lower than the IPO Price.

9.3.3 Delay in or cancellation of our Listing

(i) The occurrence of certain events, including the following, may cause a delay in or termination of our Listing:

(a) our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations under such agreement;

(b) our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25.00% of the total number of our Shares for which our Listing is sought being in the hands of at least 200 public shareholders holding at least 100 Shares each at the point of our Listing; or

(c) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

(ii) Where prior to the issuance and allotment of our IPO Shares:

(a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall repay all monies paid in respect of the applications for our Issue Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(b) our Listing is aborted, investors will not receive any of our Issue Shares, all monies paid in respect of all applications for our Issue Shares will be refunded free of interest within 14 days.

(iii) Where subsequent to the issuance and allotment of our IPO Shares:

(a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our Issue Shares shall be redeemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(b) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules to the extent that our Issue Shares form part of our share capital. Such cancellation can be implemented by either:

(aa) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

(bb) the sanction or our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a "related party transaction" is a transaction entered into by a listed issuer or its subsidiary, which involves the interest, direct or indirect, of a related party. A "related party" is defined as a director, major shareholder or person connected with such director or major shareholder (including director or major shareholder within the preceding 6 months before the transaction was entered into). "Major shareholder" means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

10.1.1 Our Group's related party transactions

Save as disclosed below, there are no other related party transactions, existing and/or potential, entered or to be entered into by our Group which involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the Financial Years Under Review and up to the LPD:

				Transaction value				
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020**	**FYE 2021**	**FYE 2022**	**FYE 2023**	**Between 1 January 2024 up to the LPD**
				(RM)	**(RM)**	**(RM)**	**(RM)**	**(RM)**
1.	Inspidea and Arboratory Limited	Interested Director and major shareholder (i) Ooi Kok Hong[1] (ii) See Chin Joo[2] Interested major shareholder Koo Hong @ Ku Hong Hai [3] Ku Chia Loon [4]	Payment of licence fees pursuant to the software licence agreement dated 1 December 2020 and software licence agreement dated 31 January 2021, both between Inspidea and Arboratory Limited in respect of the usage of the animation production management software titled "*Inspirator*"[5]	[10]732,780 (represents 19.93% of our PAT)	[10]762,840 (represents 11.76% of our PAT)	-	-	-
			Disposal of Tapestreum Pte Ltd[6]	-	-	96,625 (represents 1.21% of our PAT)	-	-

10. RELATED PARTY TRANSACTIONS *(CONT'D)*

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value FYE 2020 (RM)	FYE 2021 (RM)	FYE 2022 (RM)	FYE 2023 (RM)	Between 1 January 2024 up to the LPD (RM)
			Disposal of TSSRM Sdn Bhd[6]	-	-	391,203 (represents 4.90% of our PAT)	-	-
2.	Inspidea and Tessereum Limited	Interested Director and major shareholder (i) Ooi Kok Hong[1] (ii) See Chin Joo[2] Interested major shareholder Koo Hong @ Ku Hong Hai[3] Ku Chia Loon[4]	Payment of licence fees pursuant to the software sublicence agreement dated 1 January 2022, software sublicence agreement dated 1 January 2023 and software sublicence agreement dated 1 January 2024, all between Inspidea and Tessereum Limited in respect of the usage of the animation production management software titled "*Inspirator*"[7]	-	-	[11] 789,551 (represents 9.89% of our PAT)	900,906 (represents 10.78% of our PAT)	303,606
3.	Inspidea and TSSRM Sdn Bhd	Interested Director and major shareholder (i) Ooi Kok Hong[1]	Back charge of staff costs by Inspidea to TSSRM Sdn Bhd[8]	-	-	[12]417,953 (represents 5.24% of our PAT)	100,613 (represents 1.20% of our PAT)	-

10. RELATED PARTY TRANSACTIONS *(CONT'D)*

				Transaction value				
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020**	**FYE 2021**	**FYE 2022**	**FYE 2023**	**Between 1 January 2024 up to the LPD**
				(RM)	**(RM)**	**(RM)**	**(RM)**	**(RM)**
		(ii) See Chin Joo[2] Interested major shareholder Koo Hong @ Ku Hong Hai[3] Ku Chia Loon[4]						
4.	Inspidea and TSSRM Sdn Bhd	Interested Director and major shareholder (i) Ooi Kok Hong[1] (ii) See Chin Joo[2] Interested major shareholder Koo Hong @ Ku Hong Hai[3] Ku Chia Loon[4]	Cash advances by Inspidea to TSSRM Sdn Bhd for working capital expenditure purposes[9]	[12]5,000 (represents 0.14% of our PAT)	[12]7,350 (represents 0.11% of our PAT)	[12]9,500 (represents 0.12% of our PAT)	90,000 (represents 1.08% of our PAT)	-

10. RELATED PARTY TRANSACTIONS *(CONT'D)*

Notes:

(1) Ooi Kok Hong is our Executive Director and major shareholder through Cat Ching.

In respect of his interest in Arboratory Limited

He is also a director and indirect major shareholder of Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.

In respect of his interest in Tessereum Limited

He is also a director and major shareholder of Tessereum Limited by virtue of his direct shareholdings and indirect shareholdings through Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.

In respect of his interest in TSSRM Sdn Bhd

He is also a director and indirect major shareholder of TSSRM Sdn Bhd through Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.

(2) See Chin Joo is our Executive Director and major shareholder through Cat Ching.

In respect of his interest in Arboratory Limited

He is also a director and indirect major shareholder of Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.

In respect of his interest in Tessereum Limited

He is also an indirect major shareholder of Tessereum Limited through Arboratory Limited by virtue of his shareholding in Defyx Sdn Bhd.

In respect of his interest in TSSRM Sdn Bhd

He is also a director and indirect major shareholder of TSSRM Sdn Bhd through Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd.

(3) Koo Hong @ Ku Hong Hai is our major shareholder.

In respect of his interest in Arboratory Limited

He is also an indirect major shareholder of Arboratory Limited by virtue of his shareholdings in Netval Ventures.

In respect of his interest in Tessereum Limited

He is also an indirect major shareholder of Tessereum Limited through Arboratory Limited by virtue of his shareholdings in Netval Ventures.

10. RELATED PARTY TRANSACTIONS *(CONT'D)*

In respect of his interest in TSSRM Sdn Bhd

He is also an indirect major shareholder of TSSRM Sdn Bhd through Arboratory Limited by virtue of his shareholdings in Netval Ventures.

(4) Ku Chia Loon is our Non-Independent Non-Executive Director, and the son of our major shareholder, Koo Hong @ Ku Hong Hai. Notwithstanding, Ku Chia Loon is not deemed to be an interested Director by virtue of Koo Hong @ Ku Hong Hai's shareholdings in Netval Ventures given that Ku Chia Loon is not a Director (i.e. related party) when the transactions were entered.

(5) The transaction was carried out on arm's length basis and on normal commercial terms which are not detrimental to the non-interested shareholders, after taking into consideration other alternative animation production management software with similar characteristics and priced within similar range as the Inspirator software used by our Group. On 1 December 2021, Arboratory Limited has sublicenced the animation production management software titled "Inspirator" to its subsidiary, Tessereum Limited and we have entered into a software sublicence agreement with Tessereum Limited in respect of the usage of the animation production management software titled "Inspirator". For further details, please refer to No. 2 of the table above. As such, we will not continue with the software licencing agreement with Arboratory Limited in respect of the usage of the animation production management software titled "Inspirator" moving forward.

(6) The transactions were carried out on arm's length basis as the respective disposal considerations were based on the net assets of Tapestreum Pte Ltd and TSSRM Sdn Bhd respectively. The transactions were one-off and will not be repeated.

(7) The transaction was carried out on arm's length basis and on normal commercial terms which are not detrimental to the non-interested shareholders, after taking into consideration other alternative animation production management software with similar characteristics and priced within similar range as the TESSR software (formerly known as Inspirator) used by our Group. Notwithstanding the software sublicence agreement is a material transaction, the software sublicence agreement is replaceable without significant cost incurred in the event Kucingko decides to discontinue the agreement. Moving forward, our Group will continue to carry out this transaction as a recurrent related party transaction on arm's length basis.

(8) The payment of back charge of staff costs may not have been carried out on an arm's length basis and normal commercial terms as they are interest-free. However, such payments on behalf have been fully settled by the related party as at FYE 2023. Moving forward, TSSRM Sdn Bhd will make payment to Inspidea in respect of the staff costs on a monthly basis.

(9) The cash advances by Inspidea to TSSRM Sdn Bhd may not have been carried out on an arm's length basis and normal commercial terms as they are interest-free. However, such cash advances have been fully settled by TSSRM Sdn Bhd as at FYE 2023. Moving forward, Inspidea will not make any cash advances to TSSRM Sdn Bhd.

(10) Arboratory Limited is a wholly-owned subsidiary of Inspidea prior to its disposal on 30 June 2022. This transaction has been disclosed as a related party transaction in the Accountant's Report as it was prepared on the basis that our Group has excluded all business and activity that will not form part of Kucingko Group. Arboratory Limited was disposed from our Group on 30 June 2022 due to, amongst others, its core business of developing and commercialising software-as-a-service over the cloud infrastructure is different from the core business of our Group, which is in relation to animation production services. By separating Arboratory Limited from our Group, this will allow our Group to concentrate efforts and resources on our core business of animation production services.

10. RELATED PARTY TRANSACTIONS *(CONT'D)*

(11) Arboratory Limited owns Tessereum Limited via 37.5% of the ordinary shares and 100.00% of the convertible preference shares of Tessereum Limited. Upon full conversion of the convertible preference shares, Arboratory Limited will hold 96.56% ordinary shares of Tessereum Limited. Arboratory Limited in turn is a wholly-owned subsidiary of Inspidea prior to its disposal on 30 June 2022.This transaction has been disclosed as a related party transaction in the Accountant's Report as it was prepared on the basis that our Group has excluded all business and activity that will not form part of Kucingko Group.

(12) TSSRM Sdn Bhd is a wholly-owned subsidiary of Inspidea prior to its disposal on 31 December 2022. This transaction has been disclosed as a related party transaction in the Accountant's Report as it was prepared on the basis that our Group has excluded all business and activity that will not form part of Kucingko Group.

10. RELATED PARTY TRANSACTIONS *(CONT'D)*

The transactions with TSSRM Sdn Bhd for the payment of back charge of staff costs and cash advances for working capital expenditure purposes may not have been carried out on an arm's length basis. However, such payments on behalf and cash advances have been fully settled by the related party as at the date of this Prospectus and moving forward, we will no longer pay on behalf and provide cash advances for our related parties.

Save for the related party transactions mentioned in the paragraph above, our Directors (save for the interested Directors) are of the opinion that the other related party transactions were carried out on an arm's length basis and on normal commercial terms which are not detrimental to the non-interested shareholders.

Our Directors also confirm that there are no other related party transactions that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but not yet effected up to the date of this Prospectus.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek our shareholders' approval each time we enter into a material related party transaction. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate.

For any proposed related party transactions that involve the interest, direct or indirect, of the Directors, the interested Director shall:

(i) disclose their interest to our Board, of the nature and extent of their interest; and

(ii) abstain from any Board deliberation and voting on the relevant resolution in respect of such proposed related party transaction.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, the Directors and major shareholders, and/or persons connected with them which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Director and/or major shareholders will also undertake to ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will review the terms of the related party transactions to ensure that related party transactions are carried out on an arms' length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and not unfavourable to our Group, and are not detrimental to the non-interested shareholders. Our Audit and Risk Management Committee will also, amongst others, supervise and monitor any related party transactions and the terms thereof and report to our Board for further action. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.1.2 Related party transactions entered into that are unusual in their nature or conditions

There were no related party transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which our Company or any of our Subsidiaries were a party to in respect of the Financial Years Under Review and up to the LPD.

10.1.3 Loans or financial assistance made to or for the benefit of related parties

There are no outstanding loans or financial assistance (including guarantees of any kind) made by our Group to or for the benefit of any related parties during the Financial Years Under Review and up to the LPD.

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee reviews related party transactions to ensure no conflicts of interest arise within our Company or our Group. The Audit and Risk Management Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conducts. In reviewing the related party transactions, the following, amongst other things will be considered:

(i) the rationale and the cost/benefit to our Company is first considered;

(ii) where possible, comparative quotes will be taken into consideration;

(iii) that the transactions are carried out in the best interest of our Group and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to the detriment of our Group; and

(iv) that the transactions are not detrimental to our Company's non-interested shareholders.

All reviews by the Audit and Risk Management Committee are reported to our Board for its further action.

10.2.2 Our Group's policy on related party transactions

As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions shall be reviewed by the Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Group, on arm's length basis and are based on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to the detriment of our Group.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and the Malaysian Code on Corporate Governance upon our Listing. The procedures which may form part of the framework include, amongst others, the following:

(i) our Board shall ensure that majority of our Board members are independent directors and will undertake an annual assessment of our Independent Directors;

10. RELATED PARTY TRANSACTIONS *(CONT'D)*

(ii) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and

(iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

(The rest of this page is intentionally left blank)

11. CONFLICT OF INTEREST

11.1 INTEREST IN ENTITIES WHICH CARRY ON A SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE OUR CUSTOMERS OR SUPPLIERS

11.1.1 Interest in businesses or corporations that carry on a similar trade as that of our Group

As at the LPD, none of our Directors and substantial shareholders have any interest, whether direct or indirect, in other businesses or corporations that carry on a similar trade to that of our Group.

11.1.2 Interest in the business of our customers and/or suppliers

As at the LPD, none of our Directors and substantial shareholders have any interest, whether direct or indirect, in any entity which is a customer and/or supplier of our Group, save as disclosed below:

No.	Company name	Principal activity	Nature	Interested Director / substantial shareholder	Nature of interest
1.	Tessereum Limited	Developer for web based and mobile based software application	Tessereum Limited is related to our Directors and substantial shareholders. Tessereum Limited is our supplier for FYE 2022 and FYE 2023. The purchases from Tessereum Limited for FYE 2022 and FYE 2023 amounted to approximately RM0.79 million and RM0.90 million, accounting for 30.03% and 36.70% of our total purchases respectively.	Ooi Kok Hong and See Chin Joo, our Executive Directors and substantial shareholders. Ku Chia Loon, our Non-Independent Non-Executive Director. Koo Hong @ Ku Hong Hai, our substantial shareholder.	37.5% of the ordinary shares and 100% of the convertible preference shares(1) of Tessereum Limited is held by Arboratory Limited, which is in turn held by Defyx Sdn Bhd (43.22%) and Netval Ventures (56.78%). Ooi Kok Hong is the director and major shareholder of Tessereum Limited by virtue of his direct shareholdings (31.25% of the ordinary shares held in Tessereum Limited) and indirect shareholdings through Arboratory Limited by virtue of his shareholdings in Defyx Sdn Bhd. See Chin Joo is the indirect major shareholder of Tessereum Limited through Arboratory Limited by virtue of his direct shareholdings in Defyx Sdn Bhd.

11. CONFLICT OF INTEREST *(CONT'D)*

No.	Company Name	Principal Activity	Nature	Interested Director / Substantial Shareholder	Nature of Interest
					Ku Chia Loon is the son of Koo Hong @ Ku Hong Hai, who is an indirect major shareholder of Tessereum Limited through Arboratory Limited by virtue of his direct shareholdings in Netval Ventures. Koo Hong @ Ku Hong Hai is the indirect major shareholder of Tessereum Limited through Arboratory Limited by virtue of his direct shareholdings in Netval Ventures.

Note:

(1) Upon full conversion of the convertible preference shares, Arboratory Limited will hold 96.56% ordinary shares of Tessereum Limited.

Our Board (save for the interested Directors namely Ooi Kok Hong, See Chin Joo and Ku Chia Loon) is of the view that the interests of Ooi Kok Hong, See Chin Joo and Ku Chia Loon (through his father, Koo Hong @ Ku Hong Hai) and Koo Hong @ Ku Hong Hai in Tessereum Limited do not give rise to a conflict of interest situation due to the following:

(i) Tessereum Limited's business is not competing with our Group and our Group does not develop any animation production management software;

(ii) the transactions between our Group and Tessereum Limited were carried out on arm's length basis and normal commercial terms which are not detrimental to the non-interested shareholders, after taking into consideration other alternative animation production management software with similar characteristics and priced within similar range as the TESSR software used by our Group; and

(iii) our Group is not dependent on Tessereum Limited, in which the software sublicense agreement is replaceable without significant cost incurred in the event that that our Company decides to discontinue the agreement.

Moving forward, following our Listing, our Audit and Risk Management Committee will continue to review and assess the financial risk and matters in relation to any related party transactions and potential conflict of interest situations that may arise to ensure that transactions are carried out in the best interest of our Group. These matters may include any transaction, procedure or course of conduct within our Group that raise questions of management integrity.

11.2 MONITORING AND OVERSIGHT OF CONFLICT OF INTEREST

Upon Listing, the Audit and Risk Management Committee will assess the financial risk and matters relating to any potential conflict of interest situation that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management integrity, to ensure that transactions are carried out on terms that are not detrimental and in the best interest of our Group. Any future dealings with parties in which the Directors and substantial shareholders of our Company have interest, direct or indirect, will be based on established procedures for related party transactions to ensure that they are carried out on an arms' length basis.

Notwithstanding the above, the interests that are held by our Directors and substantial shareholders and the interests that may be held by our Directors and substantial shareholders in the future in other businesses or corporations which are carrying on a similar trade as our Group and/or our customers or suppliers may give rise to a conflict of interest situation with our business. Where such interests give rise to a conflict of interest situation, our Directors and substantial shareholders and persons connected to them shall abstain from deliberating and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interest. Such transactions will be carried out on arm's length basis and on normal commercial terms.

11.3 DECLARATION BY THE ADVISERS ON CONFLICT OF INTEREST

11.3.1 Declaration by Kenanga IB

Kenanga IB confirms that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO.

11.3.2 Declaration by Foong & Partners

Foong & Partners confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors as to Malaysian law in respect of our IPO.

11.3.3 Declaration by Russell Bedford

Russell Bedford confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our IPO.

11.3.4 Declaration by Vital Factor

Vital Factor confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our IPO.

12.1 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

Russell Bedford
taking you further

Russell Bedford LC PLT
(LLP0030621-LCA & AF1237)
Chartered Accountants
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Date: 30 May 2024

The Board of Directors
KUCINGKO BERHAD
(Formerly known as Kucingo Sdn Bhd)
H-G-03A, Glomac Square
Jalan SS6/16A
Kelana Jaya
47301 Petaling Jaya

Dear Sirs

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 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 31 December 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 31 December 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 31 December 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.

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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 involves 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.

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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	LEW CHUI HOONG
LLP0030621-LCA & AF 1237	03481/01/2026 J
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANT

Kuala Lumpur

KUCINGKO BERHAD
(Formerly known as Kucingo Sdn Bhd)
(Incorporated in Malaysia)

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	Audited as at 31 December 2023 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
Non current assets					
Plant and equipment		3,152,700	3,152,700	3,152,700	3,152,700
Right of use assets		2,575,412	2,575,412	2,575,412	2,575,412
Goodwill		62,819	62,819	62,819	62,819
Deferred tax assets		12,500	12,500	12,500	12,500
		5,803,431	5,803,431	5,803,431	5,803,431
Current assets					
Inventories		6,879	6,879	6,879	6,879
Trade receivables		2,593,919	2,593,919	2,593,919	2,593,919
Other receivables, deposits and prepayments		901,834	901,834	901,834	901,834
Contract assets		856,365	856,365	856,365	856,365
Fixed deposits with licensed banks		7,175,000	7,175,000	7,175,000	7,175,000
Cash and bank balances	5(a)	8,046,875	8,046,875	38,046,875	36,217,462
		19,580,872	19,580,872	49,580,872	47,751,459
Total assets		25,384,303	25,384,303	55,384,303	53,554,890

STAMPED FOR THE PURPOSE OF IDENTIFICATION ONLY
Russell Bedford LC PLT
(LLP0030621-LCA & AF1237)
Chartered Accountants

KUCINGKO BERHAD
(Formerly known as Kucingo Sdn Bhd)
(Incorporated in Malaysia)

STAMPED FOR THE PURPOSE OF IDENTIFICATION ONLY
Russell Bedford LC PLT
(LLP0030621-LCA & AF1237)
Chartered Accountants

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (continued)

	Note	Audited as at 31 December 2023 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	5(b)	3	9,560,003	39,560,003	38,852,003
Invested equity	5(c)	6,611,427	-	-	-
Merger reserve	5(d)	-	(2,948,573)	(2,948,573)	(2,948,573)
Retained earnings	5(e)	11,328,771	11,328,771	11,328,771	10,207,358
Total equity		17,940,201	17,940,201	47,940,201	46,110,788
Non current liabilities					
Borrowings		290,069	290,069	290,069	290,069
Lease liabilities		2,167,432	2,167,432	2,167,432	2,167,432
		2,457,501	2,457,501	2,457,501	2,457,501
Current liabilities					
Trade payables		129,964	129,964	129,964	129,964
Other payables and accruals		2,303,339	2,303,339	2,303,339	2,303,339
Contract liabilities		754,686	754,686	754,686	754,686
Borrowings		558,429	558,429	558,429	558,429
Lease liabilities		509,896	509,896	509,896	509,896
Tax payable		730,287	730,287	730,287	730,287
		4,986,601	4,986,601	4,986,601	4,986,601
Total liabilities		7,444,102	7,444,102	7,444,102	7,444,102
Total equity and liabilities		25,384,303	25,384,303	55,384,303	53,554,890

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PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (continued)

	Audited as at 31 December 2023 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	3	400,000,000	500,000,000	500,000,000
Net assets	17,940,201	17,940,201	47,940,201	46,110,788
Net assets per ordinary shares	5,980,067	0.04	0.10	0.09
Gearing ratio (times)	0.05	0.05	0.02	0.02

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NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 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 31 December 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 31 December 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 3 to the pro forma combined statements of financial position had the events or transactions been undertaken on 31 December 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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2.1 **Merger accounting**

The acquisition of Inspidea Sdn Bhd ("Inspidea") as described in Note 3.1 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 acquired 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. **Listing scheme**

The following proposals were undertaken in conjunction with, and as an integral part of the listing.

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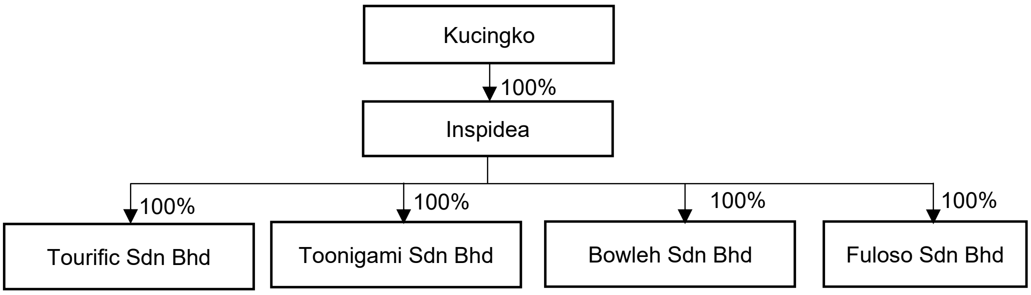
3.1 **Acquisition of Inspidea ("Acquisition")**

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 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 31 December 2023	(6,611,427)
Merger reserve	2,948,573

3.2 **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 RM0.30 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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3.2 **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 RM0.30 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 RM39,560,003 comprising 500,000,000 ordinary shares will be listed on the ACE Market of Bursa Malaysia Securities Berhad.

3.3 **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.

4. **Pro forma adjustments to the Pro Forma Combined Statements of Financial Position as at 31 December 2023**

The pro forma combined statements of financial position of the Group as at 31 December 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 31 December 2023.

4.1 **Pro Forma I**

Pro Forma I incorporates the effect of the Acquisition of Inspidea as set out in Note 3.1 above.

4.2 **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 3.2(a) above.

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4.3 **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 3.2(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	17,767,396	59.22
USA sales office [(1)]	Within 36 months	4,376,811	14.59
Working capital	Within 12 months	4,255,793	14.19
Listing expenses [(2)]	Immediate	3,600,000	12.00
		30,000,000	100.00

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 RM708,000 directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM2,892,000 that is attributable to the Listing will be expensed off to the profit or loss. As of 31 December 2023, RM1,770,587 (2022: RM397,818) has been paid and charged to the profit or loss account of the Group.

5. **Effects on the Pro Forma Combined Statements of Financial Position**

(a) Cash and bank balances

	RM
At 31 December 2023/ As per Pro Forma I	8,046,875
Arising from IPO	30,000,000
As per Pro Forma II	38,046,875
Arising from defrayment of estimated listing expenses	(1,829,413)
As per Pro Forma III	36,217,462

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5. **Effects on the Pro Forma Combined Statements of Financial Position** (continued)

(b) Share capital

	No. of shares	RM
At 31 December 2023	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	30,000,000
As per Pro Forma II	500,000,000	39,560,003
Arising from defrayment of estimated listing expenses	-	(708,000)
As per Pro Forma III	500,000,000	38,852,003

(c) Invested equity

	No. of convertible preference share	No. of ordinary shares	RM
At 31 December 2023	88,509	2,331,861	6,611,427
Arising from Acquisition	(88,509)	(2,331,861)	(6,611,427)
As per Pro Forma I, II and III	-	-	-

(d) Merger reserve

	RM
At 31 December 2023	-
Arising from Acquisition	(2,948,573)
As per Pro Forma I, II and III	(2,948,573)

(e) Retained earnings

	RM
At 31 December 2023/ As Pro Forma I and II	11,328,771
Arising from defrayment of estimated listing expenses	(1,121,413)
As per Pro Forma III	10,207,358

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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
30 MAY 2024

On behalf of the Board of Directors

OOI KOK HONG

SEE CHIN JOO

12.2 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout the Financial Years 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 Years Under Review which have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	14,923	17,675	23,485	28,159
GP[(1)]	-	-	-	-
Other operating income	697	783	948	650
Changes in inventories	(21)	(66)	(60)	(54)
Staff costs	(7,376)	(7,712)	(9,405)	(10,995)
Depreciation	(1,319)	(1,045)	(1,030)	(1,182)
Allowance for expected credit loss, net of recovery	-	1,288	-	-
Other operating expenses	(2,012)	(2,824)	(4,545)	(5,860)
Profit from operations	**4,892**	**8,099**	**9,393**	**10,718**
Finance income	111	169	185	225
Finance costs	(113)	(117)	(144)	(146)
Net finance income/(costs)	(2)	52	41	79
PBT	**4,890**	**8,151**	**9,434**	**10,797**
Income tax expense	(1,213)	(1,667)	(1,455)	(2,438)
PAT/Total comprehensive income for the year	**3,677**	**6,484**	**7,979**	**8,359**
Net profit/(loss)/Total comprehensive income/(loss) attributable to:				
Owners of our Company	3,680	6,487	7,979	8,359
Non-controlling interest	(3)	(3)	-	-
	3,677	**6,484**	**7,979**	**8,359**
EBITDA[(2)]	6,211	9,144	10,423	11,900
PBT margin (%)[(3)]	32.77	46.12	40.17	38.34
PAT margin (%)[(4)]	24.64	36.68	33.97	29.68
Basic EPS (sen)[(5)]	0.92	1.62	1.99	2.09
Diluted EPS (sen)[(6)]	0.74	1.30	1.60	1.67

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			
		FYE 2020	***FYE 2021***	***FYE 2022***	***FYE 2023***
		RM'000	***RM'000***	***RM'000***	***RM'000***
PAT		*3,677*	*6,484*	*7,979*	*8,359*
Add:	*Finance costs*	*113*	*117*	*144*	*146*
	Income tax expense	*1,213*	*1,667*	*1,455*	*2,438*
	Depreciation	*1,319*	*1,045*	*1,030*	*1,182*
Less:	*Finance income*	*(111)*	*(169)*	*(185)*	*(225)*
EBITDA		***6,211***	***9,144***	***10,423***	***11,900***

(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, 2022 and 2023 which have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited as at 31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
ASSETS				
Non-current assets				
Plant and equipment	1,283	902	1,061	3,153
Right of use assets	2,189	1,576	2,884	2,575
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**	**5,804**

12. FINANCIAL INFORMATION *(CONT'D)*

	Audited as at 31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets				
Inventories	-	3	4	7
Trade receivables	1,241	2,924	1,976	2,594
Other receivables, deposits and prepayments	1,788	1,783	974	902
Contract assets	-	-	760	856
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	8,047
Total current assets	**17,277**	**16,580**	**19,215**	**19,581**
TOTAL ASSETS	**20,880**	**19,139**	**23,236**	**25,385**
EQUITY AND LIABILITIES				
Share capital	-	-	-	*
Invested equity	2,959	6,611	6,611	6,611
Retained earnings	12,080	7,907	9,175	11,331
Equity attributable to owners of our Group	**15,039**	**14,518**	**15,786**	**17,942**
Non-controlling interests	25	22	-	-
Total equity	**15,064**	**14,540**	**15,786**	**17,942**
LIABILITIES				
Non-current liabilities				
Borrowings	874	680	498	290
Lease liabilities	1,640	1,090	2,458	2,167
Total non-current liabilities	**2,514**	**1,770**	**2,956**	**2,457**
Current liabilities				
Trade payables	31	2	5	130
Other payables and accruals	2,160	1,506	2,606	2,303
Contract liabilities	-	170	922	755
Borrowings	126	194	201	558
Lease liabilities	591	550	497	510
Tax payable	394	407	263	730
Total current liabilities	**3,302**	**2,829**	**4,494**	**4,986**
TOTAL LIABILITIES	**5,816**	**4,599**	**7,450**	**7,443**
TOTAL EQUITY AND LIABILITIES	**20,880**	**19,139**	**23,236**	**25,385**

* *Less than RM1,000.*

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 Years Under Review, which have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from/(used in) operating activities				
Profit before tax	4,890	8,151	9,434	10,797
Adjustments for:				
Bad debts recovered	-	(1,288)	-	-
Deposits written off	1	-	-	-
Depreciation	1,319	1,045	1,030	1,182
Dividend income	-	-	(279)	-
Gain on				
- derecognition of lease liabilities	-	-	(24)	-
- disposal of plant and equipment	(5)	(4)	(13)	(6)
- disposal of subsidiaries	-	-	(6)	-
Interest expense	113	117	144	146
Interest income	(111)	(169)	(185)	(225)
Plant and equipment written off	-	-	-	44
Operating profit before working capital changes	**6,207**	**7,852**	**10,101**	**11,938**
Increase in inventories	-	(3)	*	(3)
Decrease/(Increase) in trade and other receivables	760	(383)	941	(595)
Changes in contract assets/liabilities	-	170	(8)	(263)
Increase/(Decrease) in trade and other payables	740	(683)	1,104	(253)
Cash generated from operating activities	**7,707**	**6,953**	**12,138**	**10,824**
Income tax paid	(3,539)	(1,603)	(1,600)	(1,970)
Income tax refunded	-	-	1	*
Net cash from operating activities	**4,168**	**5,350**	**10,539**	**8,854**
Cash flows from/(used in) investing activities				
Purchase of plant and equipment	(60)	(51)	(566)	(2,703)
Subscription of shares in a subsidiary	-	-	(30)	-
Advances to subsidiaries of Inspidea	(16)	(7)	-	-
(Advances to)/Repayments from a company in which the directors have interest	-	-	(427)	49
(Increase)/Decrease in fixed deposits with maturity/pledged of more than 3 months	-	(1,500)	150	(650)

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Decrease in fixed deposits pledged	-	-	220	-
Dividend received	-	-	279	-
Proceeds from disposal of plant and equipment	5	3	13	6
Interest received	111	169	185	225
Net cash from/(used in) investing activities	**40**	**(1,386)**	**(176)**	**(3,073)**
Cash flows from/(used in) financing activities				
Dividends paid	(1,716)	(10,660)	(5,450)	(6,204)
Proceeds from issuance of shares	-	3,652	-	*
Proceeds from borrowings	1,000	-	-	-
Repayments of borrowings	-	(126)	(175)	(201)
Repayments of lease liabilities	(571)	(591)	(592)	(583)
Advances from/(Repayments to) a director	*	-	-	74
Interest paid	(113)	(117)	(144)	(146)
Net cash used in financing activities	**(1,400)**	**(7,842)**	**(6,361)**	**(7,060)**
Net increase/(decrease) in cash and cash equivalents	2,808	(3,878)	4,002	(1,279)
Cash and cash equivalents at beginning of year	10,469	13,277	9,399	13,401
Cash and cash equivalents at end of year	**13,277**	**9,399**	**13,401**	**12,122**
Cash and cash equivalents comprise:				
Cash and bank balances	6,600	2,109	5,826	8,047
Fixed deposits with licensed banks	7,647	9,760	9,675	7,175
Bank overdraft	-	-	-	(350)
	14,247	11,869	15,501	14,872
Less: Fixed deposits pledged with licensed bank	(970)	(970)	(750)	(750)
Less: Fixed deposits with initial maturity of more than 3 months	-	(1,500)	(1,350)	(2,000)
	13,277	**9,399**	**13,401**	**12,122**

* *Less than RM1,000*

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 Years 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 Years Under Review. In addition, the revenue contribution from the said major customers collectively accounted for 81.28%, 71.37%, 86.88% and 87.69% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 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 53% for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

As at the LPD, we have a total unbilled order book of RM23.32 million from 10 on-going 2D animation projects which are expected to be completed between FYE 2024 and FYE 2025. 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.

(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 Years 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.

(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 Years Under Review, our revenue transacted in foreign currencies accounted for 99.69%, 99.20%, 99.60% and 99.76% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. This mainly includes foreign currencies such as USD and CAD, and to a lesser extent, EUR, AUD, SGD, and HKD. Meanwhile, our purchases were transacted in RM, HKD, USD, EUR, Philippine Peso and Indonesian Rupiah. 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.

The impact of foreign exchange fluctuation on our financial performance during the Financial Years Under Review are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
Net gain / (loss) on foreign exchange[(1)] (RM'000)	54	53	(23)	116
As a percentage of PBT[(2)] (%)	1.10	0.65	(0.24)	1.08

Notes:

(1) Computed based on the difference between realised gain and realised loss on foreign exchange for the Financial Years Under Review.

(2) Computed based on net gain or loss on foreign exchange divided by PBT for the Financial Years Under Review.

For the Financial Years 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 31 December 2023, our borrowing of term loan and overdraft collectively amounted to approximately RM0.85 million which are 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 FYE 2023, our finance cost was RM0.15 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 Years 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)*

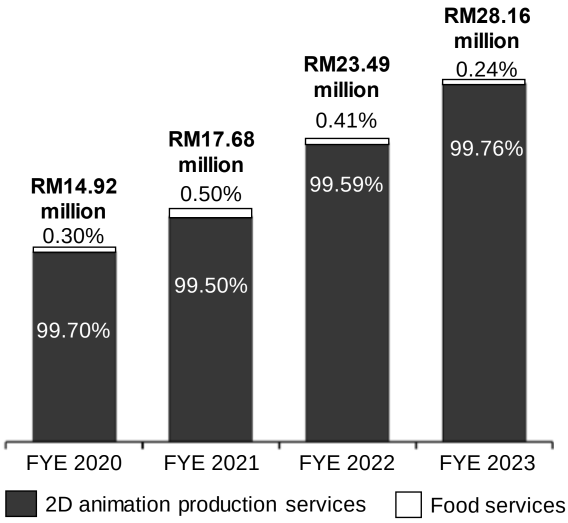
12.3.2 Overview of our results of operations

For the Financial Years 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 99.76% (RM28.09 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FYE 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 0.24% (RM0.07 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FYE 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.



Revenue	Financial Year Ended 2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
2D animation production	14,878	17,587	23,390	28,092
Food services	45	88	95	67
Total Revenue	**14,923**	**17,675**	**23,485**	**28,159**

Between FYE 2020 and FYE 2023, revenue from our 2D animation production segment increased at a CAGR of 23.60% from RM14.88 million in FYE 2020 to RM28.09 million in FYE 2023. Between FYE 2020 and FYE 2023, revenue from the 2D animation production segment accounted for over 99.00% of our total revenue for each of the Financial Years 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 Years 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 73.92% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. Our customers from countries within Asia Pacific region accounted for 36.64%, 2.78%, 1.03% and 1.91%, while the customers from countries within European region accounted for 13.82%, 32.45%, 5.75% and 24.17% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

12.3.3 Revenue

(i) Revenue segmentation by business segments

Revenue by business segments	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
2D animation production services	14,878	99.70	17,587	99.50	23,390	99.59	28,092	99.76
Food services	45	0.30	88	0.50	95	0.41	67	0.24
Total revenue	**14,923**	**100.00**	**17,675**	**100.00**	**23,485**	**100.00**	**28,159**	**100.00**

(ii) Revenue segmentation by geographical market

Revenue by geographical markets	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
North America	**7,393**	**49.54**	**11,447**	**64.77**	**21,893**	**93.22**	**20,815**	**73.92**
USA	*1,495*	*10.02*	*3,494*	*19.77*	*14,727*	*62.71*	*12,738*	*45.24*
Canada	*5,887*	*39.45*	*7,953*	*45.00*	*7,166*	*30.51*	*8,077*	*28.68*
Mexico	*11*	*0.07*	-	-	-	-	-	-
Europe	**2,062**	**13.82**	**5,736**	**32.45**	**1,351**	**5.75**	**6,805**	**24.17**
France	*1,700*	*11.39*	*4,282*	*24.22*	*160*	*0.68*	*3,790*	*13.46*
United Kingdom	*362*	*2.43*	-	-	*68*	*0.29*	*3,015*	*10.71*
Netherlands	-	-	*1,454*	*8.23*	*1,123*	*4.78*	-	-
Asia Pacific	**5,468**	**36.64**	**492**	**2.78**	**241**	**1.03**	**539**	**1.91**
Australia	*5,062*	*33.93*	*351*	*1.99*	*146*	*0.62*	*277*	*0.98*
Singapore	*123*	*0.82*	-	-	-	-	*195*	*0.69*
Malaysia(1)	*45*	*0.30*	*88*	*0.50*	*95*	*0.41*	*67*	*0.24*
Japan	-	-	*53*	*0.29*	-	-	-	-
Hong Kong	*238*	*1.59*	-	-	-	-	-	-
Total revenue	**14,923**	**100.00**	**17,675**	**100.00**	**23,485**	**100.00**	**28,159**	**100.00**

Note:

(1) Revenue contributions from Malaysia were in relation to our food services segment for the Financial Years 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.

<u>North America region</u>

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);

  (bb) 1 animation project 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.

<u>European region</u>

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 United Kingdom.

<u>Asia Pacific region</u>

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.

(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.

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 (Netherland). 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 (United Kingdom) amounting to approximately RM0.07 million following the commencement of the project in FYE 2022.

(c) FYE 2023 compared to FYE 2022

Our total revenue increased by RM4.67 million or 19.90% to RM28.16 million in FYE 2023 (FYE 2022: RM23.49 million). This was mainly attributable to the increase in revenue from our 2D animation production services segment by RM4.70 million or 20.10% to RM28.09 million in FYE 2023 (FYE 2022: RM23.39 million).

North America region

Revenue from the countries within North America region decreased by RM1.08 million or 4.92% to RM20.82 million in FYE 2023 (FYE 2022: RM21.89 million), mainly due to the following:

- decrease in revenue following the completion of 14 animation projects between FYE 2022 and FYE 2023, which collectively decreased revenue by RM16.21 million. This included:

  (aa) 7 animation projects from the subsidiaries of Customer B Group (USA/Canada) where revenue decreased by RM8.68 million;

  (bb) 2 animation projects from a subsidiary of Customer H Group (Canada) where revenue decreased by RM3.58 million;

  (cc) 3 animation projects from the subsidiaries of Customer C Group (Canada) where revenue decreased by RM2.46 million;

(dd) 1 animation project from Customer I (USA) where revenue decreased by RM0.95 million; and

(ee) 1 animation project from a subsidiary of Customer E Group (USA) where revenue decreased by RM0.54 million.

- decrease in revenue by RM2.21 million or 51.80% from an on-going project from a subsidiary of Customer A Group (USA) attributable to lower revenue recognised in FYE 2023 for the said project.

The decrease was partly moderated by the increase in revenue by RM17.35 million for animation projects as below:

- increase in revenue by RM9.85 million contributed by the commencement of 5 animation projects, which includes the commencement of:

  (aa) 1 animation project from a subsidiary of Customer B Group (USA) which increased our revenue by RM4.67 million;

  (bb) 2 animation projects from subsidiaries of Customer H Group (Canada) which collectively increased our revenue by RM3.95 million;

  (cc) 1 animation project from Customer K (USA) which increased our revenue by RM0.92 million; and

  (dd) 1 animation project from a subsidiary of Customer E Group (USA) which increased our revenue by RM0.31 million.

- increase in revenue by RM4.22 million attributed to an animation project secured from a subsidiary of Customer B Group (USA).

- increase in revenue by RM3.28 million contributed by higher revenue from the completion of an animation project from a subsidiary of Customer H Group (Canada).

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 RM5.45 million or 403.70% to RM6.80 million in FYE 2023 (FYE 2022: RM1.35 million). This was mainly driven by higher revenue from France and United Kingdom as set out below:

- increase in revenue by RM3.79 million from an on-going animation project from Customer J (France).

- revenue contribution from the commencement of an animation projects from a subsidiary of Customer G Group (United Kingdom), which accounted for RM1.62 million in FYE 2023.

- higher revenue from the completion of an animation project from a subsidiary of Customer H Group (United Kingdom) which increased revenue by RM1.32 million.

The increase was partially offset by the decrease in revenue of RM1.28 million, following the completion of 3 animation projects in FYE 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 RM0.30 million or 123.65% to RM0.54 million in FYE 2023 (FYE 2022: RM0.24 million). This was mainly attributable to:

- the revenue contribution of RM0.20 million from customers in Singapore for the commencement of 2 new animation projects secured and these projects were completed in FYE 2023; and
- the completion of an animation project from a customer in Australia in FYE 2023, which increased our revenue by RM0.13 million.

The increase in revenue was partially offset by the decrease in revenue from food services by RM0.30 million or 29.47% to RM0.07 million in FYE 2023 (FYE 2022: RM0.10 million).

12.3.4 Other operating income

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**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	439	67.54
Dividend received	-	-	-	-	279	29.43	-	-
Others[(2)]	129	18.51	199	9.61	126	13.29	211	32.46
Sub-total	**697**	**100.00**	**783**	**37.81**	**948**	**100.00**	**650**	**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**	**650**	**100.00**

Notes:

(1) Includes wage subsidy pertaining to the Wage Subsidy Program for FYE 2020, FYE 2021, FYE 2022 and FYE 2023. In FYE 2022 and FYE 2023, it also includes a government grant of approximately RM0.02 million and RM0.18 million from the MDEC respectively. In FYE 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 Tapestreum Pte Ltd.

(c) FYE 2023 compared to FYE 2022

Other operating income decreased by RM0.30 million or 31.43% to RM0.65 million in FYE 2023 (FYE 2022: RM0.95 million), mainly due to no dividend income and lower wage subsidy received from the Government in FYE 2023.

12.3.5 Changes in inventories

Changes in inventories	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Food ingredients	21	100.00	66	100.00	60	100.00	54	100.00
Total	**21**	**100.00**	**66**	**100.00**	**60**	**100.00**	**54**	**100.00**

For the Financial Years Under Review, the inventories were for our food services segment.

(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) FYE 2023 compared to FYE 2022

Changes in inventories decreased by approximately RM0.01 million to RM0.05 million in FYE 2023 (FYE 2022: RM0.06 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		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs(1)	7,376	68.89	7,713	66.59	9,404	62.78	10,995	60.96
Depreciation(2)	1,319	12.32	1,045	9.02	1,030	6.88	1,182	6.55
Other operating expenses	2,012	18.79	2,824	24.39	4,545	30.34	5,860	32.49
- IT Expenses	1,030	9.62	1,410	12.17	1,328	8.87	1,381	7.66
- Subcontractor costs	89	0.83	727	6.28	1,317	8.79	1,096	6.08
- Professional fees	153	1.43	150	1.30	498	3.32	1,763	9.77
- Company event expenses	7	0.07	6	0.05	458	3.06	96	0.53
- Others(3)	733	6.84	531	4.59	944	6.30	1,524	8.45
Total	**10,707**	**100.00**	**11,582**	**100.00**	**14,979**	**100.00**	**18,037**	**100.00**

Notes:

(1) Includes salaries, allowances, bonuses, statutory contributions and other employee-related expenses.

(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 RM0.35 million 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) FYE 2023 compared to FYE 2022

Operating expenses increased by RM3.06 million or 20.42% to RM18.04 million in FYE 2023 (FYE 2022: RM14.98 million), mainly contributed by the increase in staff costs by RM1.59 million or 16.92% to RM11.00 million in FYE 2023 (FYE 2022: RM9.40 million). This was mainly attributed to the increase in number of headcounts for our animation technical personnel from 169 in FYE 2022 to 209 in FYE 2023.

In addition, other operating expenses increased by RM1.32 million or 28.93% to RM5.86 million in FYE 2023 (FYE 2022: RM4.55 million), mainly from the increase in professional fees by RM1.27 million which mainly relates to expenses for our Listing.

12.3.7 Finance income

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
Finance income	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest income from fixed deposits	111	100.00	169	100.00	185	100.00	225	100.00
Total	**111**	**100.00**	**169**	**100.00**	**185**	**100.00**	**225**	**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) FYE 2023 compared to FYE 2022

Our interest income from fixed deposits increased by RM0.04 million or 21.62% to RM0.23 million in FYE 2023 (FYE 2022: RM0.19 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		FYE 2023	
Finance cost	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest expense on:								
Lease liabilities[(1)]	107	94.69	82	70.09	116	80.56	125	85.62
Term loan	6	5.31	35	29.91	28	19.44	21	14.38
Overdraft	-	-	-	-	-	-	*	*
Total	**113**	**100.00**	**117**	**100.00**	**144**	**100.00**	**146**	**100.00**

Note:

* *Less than RM1,000 / 0.01%*

(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) FYE 2023 compared to FYE 2022

Finance cost remained relatively consistent at RM0.14 million in FYE 2022 and RM0.15 million in FYE 2023. Our interest expense on lease liabilities increased by RM0.02 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.

12.3.9 Operating Profit, PBT, PAT and effective tax rate

	Audited			
PBT, PAT and effective tax rate	**FYE 2020**	**FYE 2021**	**FYE 2022**	**FYE 2023**
PBT (RM'000)	4,890	8,151	9,434	10,797
PBT margin (%)	32.77	46.12	40.17	38.34
Operating profit (RM'000)(1)	4,193	6,080	8,486	10,147
Operating profit margin (%)	28.10	34.40	36.13	36.03
Total taxation (RM'000)	1,213	1,667	1,455	2,438
Effective tax rate (%)	24.81	20.45	15.42	22.58
PAT (RM'000)	3,677	6,484	7,979	8,359
PAT margin (%)	24.64	36.68	33.97	29.68

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 our 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.

(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) FYE 2023 compared to FYE 2022

Our PBT increased by RM1.36 million or 14.44% to RM10.80 million in FYE 2023 (FYE 2022: RM9.43 million). This was mainly attributed to our revenue growth of RM4.67 million or 19.90% in FYE 2023 which was driven by our 2D animation production services segment.

Our PBT margin declined from 40.17% in FYE 2022 to 38.34% in FYE 2023 and this was mainly due to the decrease in other operating income, coupled with higher operating expenses arising from higher staff costs and professional fees incurred during the FYE 2023.

For FYE 2023, our effective tax rate was 22.58%, 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 RM0.38 million or 4.76% to RM8.36 million in FYE 2023 (FYE 2022: RM7.98 million), mainly attributed to the higher revenue contribution as discussed earlier. Our PAT margin declined from 33.97% in FYE 2022 to 29.68% in FYE 2023 and this was mainly attributed to the lower other operating income as well as higher proportion of operating expenses and tax expenses against revenue, mainly arising from higher professional expenses which mainly relates to expenses for our Listing as well as staff cost.

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 31 December 2023, we have:

(i) cash and bank balances with licensed banks of RM8.05 million;

(ii) fixed deposits with licensed banks of RM7.18 million; and

(iii) working capital of RM14.59 million, being the difference between current assets of RM19.58 million and current liabilities of RM4.99 million.

As at the LPD, we have credit facilities of RM1.50 million comprising term loan and overdraft, of which RM0.50 million has yet to be utilised.

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 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 Years 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	FYE 2023 RM'000
Net cash from/(used in) operating activities	4,168	5,350	10,539	8,854
Net cash from/(used in) investing activities	40	(1,386)	(176)	(3,073)
Net cash from/(used in) financing activities	(1,400)	(7,842)	(6,361)	(7,060)
Net increase /(decrease) in cash and cash equivalents	2,808	(3,878)	4,002	(1,279)
Cash and cash equivalents at the beginning of the financial year	10,469	13,277	9,399	13,401
Cash and cash equivalent at the end of the financial years	**13,277**	**9,399**	**13,401**	**12,122**

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.

(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.

FYE 2023

For FYE 2023, our net cash from operating activities amounted to RM8.85 million after taking into account, amongst others, the following:

- increase in trade and other receivables by RM0.60 million which was mainly attributed to a higher outstanding balance of trade receivables as at 31 December 2023 arising from billings issued to our customers mainly Customer B Group, Customer J and Customer H Group for animation production services;

- decrease in contract liabilities by RM0.26 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 trade payables by RM0.25 million which was mainly attributed to lower accrual expenses such as bonus payments and professional fees; and

- income tax paid of RM1.97 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

- 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 Tapestreum 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.

FYE 2023

In FYE 2023, our net cash used in investing activities amounted to RM3.07 million. This was mainly attributed to the following:

- RM2.70 million for the purchase of plant and equipment which includes the following:

  (aa) RM1.46 million for the renovation of our current office in Glomac Square, Petaling Jaya;

  (bb) RM0.87 million for the purchase of computer and related equipment;

  (cc) RM0.30 million for the purchase of office equipment; and

  (dd) RM0.07 million for the purchase of 1 unit of motor vehicle;

- RM0.65 million for the placement of fixed deposits.

This was partially offset by the RM0.23 million of interest received from fixed deposits with licensed banks.

(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;
- 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.

FYE 2023

For FYE 2023, our net cash used in financing activities amounted to RM7.06 million. This was mainly attributed to the following:

- RM6.20 million of dividends paid to the shareholders of Inspidea;
- RM0.58 million for the repayment of lease liabilities pertaining to the rental payments of our offices and staff accommodation;
- RM0.20 million for the repayment of bank borrowings mainly term loan; and
- RM0.15 million for interest paid mainly for term loan.

This was partially offset by RM0.07 million of advances from a director.

12.4.3 Bank borrowing

As at 31 December 2023, our Group's total bank borrowing is set out below:

	As at 31 December 2023		
Type of borrowing	**Payable within 12 months**	**Payable after 12 months**	**Total**
	RM'000	**RM'000**	**RM'000**
Term loan[(1)]	208	290	498
Overdraft	350	-	350
	558	**290**	**848**
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 Years Under Review and up to the LPD.

As at 31 December 2023, our bank borrowing is interest bearing which is a fixed-rate borrowing. The details of the bank borrowing as at 31 December 2023 are set out below:

Maturity profile	**Term loan**	**Overdraft**	**Total**
	RM'000	**RM'000**	**RM'000**
Less than 1 year	208	350	558
More than 1 to 2 years	215	-	215
More than 2 to 5 years	75	-	75
Total	**498**	**350**	**848**
Credit limit	1,000	500	1,500
Balance unutilised as at the LPD	-	500	500
Effective interest rates per annum	4.20%	7.51%	

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 and overdraft 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 RM1.50 million of term loan, of which RM0.50 million has yet to be 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.

12.7 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 Years Under Review are as follows:

	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
Trade receivable turnover period (days)[(1)]	43	43	38	30
Trade payable turnover period (days)[(2)]	8	3	*	10
Current ratio (times)[(3)]	5.23	5.86	4.28	3.93
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 years over total revenue of the respective financial years, and multiplied by 365 days for each financial year.

(2) Based on average trade payables as at the beginning and end of the respective financial years over total purchases of the respective financial years, and multiplied by 365 multiplied by 365 days for each financial year.

(3) Based on current assets over current liabilities.

(4) Based on total bank borrowing (term loan and overdraft) over total equity.

(i) Trade receivable turnover period

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Trade receivables (RM'000)	1,241	2,923	1,976	2,594
Trade receivable turnover period (days)(1)	43	43	38	30

Note:

(1) Based on average trade receivables as at the beginning and end of the respective financial years over total revenue of the respective financial years, and multiplied by 365 days for each financial year.

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 FYE 2023, our average trade receivables turnover period improved from 38 days in FYE 2022 to 30 days in FYE 2023 which was mainly due to timely collection from customers.

The ageing analysis of our Group of trade receivables as at 31 December 2023 is as follows:

		Past Due			
	Not past due	1-30 days	31-90 days	More than 90 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	2,330	264	-	-	2,594
% contribution	*89.84*	*10.16*	-	-	*100.00*
Subsequent collections as at the LPD	2,330	264	-	-	2,594
Net trade receivables after subsequent collections	-	-	-	-	-

As at the LPD, we have collected all of the trade receivables which were outstanding as at 31 December 2023.

(ii) Trade payable turnover period

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Trade payables (RM'000)	31	2	5	130
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 years over total purchases of the respective financial years, and multiplied by 365 days and multiplied by 365 days for each financial year.

The normal credit term granted was 30 days for the Financial Years 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.

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 FYE 2023, mainly attributed to the amount owing to a computer and software supplier, which has yet to pass due as at 31 December 2023. As at the LPD, the outstanding amount had been settled.

The ageing analysis of our Group's trade payables as at 31 December 2023 is as follows:

		Past Due			
	Not past due	**1-30 days**	**31-90 days**	**More than 90 days**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trade payables	130	-	-	-	130
% contribution	*100.00*	-	-	-	*100.00*
Subsequent payments as at the LPD	130	-	-	-	130
Net trade payables after subsequent payments	-	-	-	-	-

As at the LPD, we have settled all of the trade payables which were outstanding as at 31 December 2023.

(iii) Current ratio

	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	17,277	16,580	19,215	19,581
Current liabilities	3,301	2,828	4,494	4,986
Current ratio (times) (1)	5.23	5.86	4.28	3.93

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 3.93 times as at 31 December 2023. This was mainly attributed to the increase in tax payables and bank borrowings mainly overdraft.

(iv) Gearing ratio

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bank borrowing	**1,000**	**874**	**699**	**848**
- *Term loan*	*1,000*	*874*	*699*	*498*
- *Overdraft*				*350*
Total equity	15,064	14,540	15,786	17,940
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 31 December 2023, mainly attributable to utilisation of overdraft for working capital.

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 RM8,000 as at 31 December 2021, 31 December 2022 and 31 December 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

(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 RM23.32 million from 10 on-going projects which will be recognised progressively between FYE 2024 and FYE 2025.

	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 2024 (RM million)	FYE 2025 (RM million)
1.	Project KP-1	Customer J	August 2022 / July 2024	57.74%	9.63	5.56	4.07	4.07	-
2.	Project MP-1	Customer M	May 2024 / September 2025	- [(5)]	9.00	-	9.00	3.16	5.84
3.	Project BP-9	Customer B Group	April 2023 / June 2024	73.36%	8.82	6.47	2.35	2.35	-
4.	Project AP-3	Customer A Group	December 2021 / July 2024	95.73%	7.50	7.18	0.32	0.32	-
5.	Project HP-4	Customer H Group	July 2023 / July 2024	41.99%	6.24	2.62	3.62	3.62	-
6.	Project BP-11	Customer B Group	January 2024 / January 2025	7.98%	1.88	0.15	1.73	1.64	0.09
7.	Project GP-4	Customer G Group	March 2024 / August 2024	7.25%	1.38	0.10	1.28	1.28	-
8.	Project BP-12	Customer B Group	March 2024 / July 2024	- [(5)]	0.38	-	0.38	0.38	-
9.	Project BP-13	Customer B Group	April 2024 / September 2024	- [(5)]	0.31	-	0.31	0.31	-
10.	Project BP-14	Customer B Group	May 2024 / June 2024	- [(5)]	0.26	-	0.26	0.26	-

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.

(5) The 2D animation production works has yet to commenced as at the LPD.

12.12 SIGNIFICANT CHANGES/EVENTS

On 15 April 2024, the ordinary shares of Inspidea increased from 2,331,861 to 4,910,703 as a result of the conversion of 88,509 convertible preference shares. The new ordinary shares rank pari passu with the then existing shares of Inspidea.

Save for the above, there are no significant changes that has occurred which may have a material effect on our financial position and results of operation since 31 December 2023 up to the LPD.

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 years 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 Years Under Review are as follows:

	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Dividends declared	10,661	(3)6,703	(2)6,204	5,019
Dividends paid	1,716	10,661	6,703	6,204
PAT	3,677	6,484	7,979	8,359
Dividend payout ratio(1)	46.67%	164.42%	84.01%	74.22%

***Notes**:*

(1) Computed as dividends paid divided by PAT which also include dividends paid in specie.

(2) The declared dividend was subsequently paid in March 2023.

(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, FYE 2022 and FYE 2023 were funded via internally generated funds.

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 30 April 2024, 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 30 April 2024 and is provided for illustration purposes only.

		(I)	**(II)**	**(III)**
	Unaudited as at 30 April 2024	**After Acquisition**	**After (I) and the IPO**	**After (II) and the utilisation of proceeds**
	RM '000	**RM '000**	**RM '000**	**RM '000**
Indebtedness				
Non-current				
Borrowings[(1)]	219	219	219	219
Lease liabilities	1,993	1,993	1,993	1,993
Current				
Borrowings[(1)]	210	210	210	210
Lease liabilities	517	517	517	517
Total indebtedness	**2,939**	**2,939**	**2,939**	**2,939**
Capitalisation				
Share capital, representing total capitalisation	6,611	9,560	39,560	38,852
Total capitalisation	**6,611**	**9,560**	**39,560**	**38,852**
Total capitalisation and indebtedness	**9,550**	**12,499**	**42,499**	**41,791**
Gearing ratio (times)[(2)]	0.06	0.04	0.01	0.01

Notes:

(1) Borrowings are secured and guaranteed.

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

KUCINGKO BERHAD
(Formerly known as Kucingo Sdn Bhd)
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT ON THE COMBINED FINANCIAL STATEMENTS

Russell Bedford LC PLT
(LLP-0030621-LCA & AF 1237)
Chartered Accountants

KUCINGKO BERHAD
(Formerly known as Kucingo Sdn Bhd)

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Date: 30 May 2024

The Board of Directors
KUCINGKO BERHAD
(Formerly known as Kucingo Sdn Bhd)
H-G-03A, Glomac Square
Jalan SS6/16A
Kelana Jaya
47301 Petaling Jaya

Dear Sirs

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF KUCINGKO BERHAD (formerly known as Kucingo Sdn Bhd)

Opinion

We have audited the combined financial statements of the Kucingko Berhad (formerly known as Kucingo Sdn Bhd) ("Kucingko" or "the Company") and its combining entities as defined in Note 2.2.1 (collectively referred to as the "Group"), which comprises the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and notes to the combined financial statements, including a summary of significant accounting policies as set out on page 11 to 59.

The combined financial statements of the Group have been prepared for inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire enlarged share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the combined financial statements give a true and fair view of the combined financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022, and 31 December 2023, and of their combined financial performance and their combined cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards and the Prospectus Guidelines as issued by the Securities Commission Malaysia.

Basis for opinion

We conducted our audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing. Our responsibilities under those standards are further described in the Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements section of our reporting accountants' report.

We are independent of the Group in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the MIA By-Laws and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of the directors for the combined financial statements

The Directors of the Company are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Reporting accountants' responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the combined financial statements.

As part of an audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountants' report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Reporting accountants' responsibilities for the audit of the combined financial statements (continued)

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on distribution and use

This report is made solely to comply with the Prospectus Guidelines as issued by the Securities Commission Malaysia and for the inclusion in the prospectus to be issued in connection with the admission of Kucingko to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and for no other purposes and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

RUSSELL BEDFORD LC PLT
LLP0030621-LCA & AF 1237
CHARTERED ACCOUNTANTS

LEW CHUI HOONG
03481/01/2026 J
CHARTERED ACCOUNTANT

Kuala Lumpur

KUCINGKO BERHAD
(Formerly known as Kucingo Sdn Bhd)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Audited			
		FOR THE FINANCIAL YEAR ENDED 31 DECEMBER			
		2023	**2022**	**2021**	**2020**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	4	28,158,724	23,485,035	17,675,422	14,922,805
Other operating income		649,877	948,449	782,864	697,195
Changes in inventories		(54,297)	(60,345)	(65,997)	(20,658)
Staff costs	5	(10,995,132)	(9,404,425)	(7,712,751)	(7,376,079)
Depreciation		(1,181,685)	(1,030,437)	(1,045,011)	(1,319,468)
Allowance for expected credit loss, net of recovery		-	-	1,288,390	-
Other operating expenses		(5,860,624)	(4,544,834)	(2,824,085)	(2,011,913)
Profit from operations	6	10,716,863	9,393,443	8,098,832	4,891,882
Finance income	7	225,282	185,095	169,041	111,492
Finance costs	8	(146,029)	(144,391)	(116,753)	(112,955)
Net finance income/(costs)		79,253	40,704	52,288	(1,463)
Profit before tax		10,796,116	9,434,147	8,151,120	4,890,419
Income tax expense	9	(2,438,069)	(1,454,854)	(1,666,736)	(1,213,046)
Net profit/Total comprehensive income for the year		8,358,047	7,979,293	6,484,384	3,677,373
Net profit/(loss)/Total comprehensive income/(loss) attributable to:					
Owners of the Company		8,358,047	7,979,293	6,486,667	3,679,913
Non controlling interest		-	-	(2,283)	(2,540)
		8,358,047	7,979,293	6,484,384	3,677,373

KUCINGKO BERHAD
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COMBINED STATEMENTS OF FINANCIAL POSITION

		Audited			
		AS AT 31 DECEMBER			
	Note	**2023 RM**	**2022 RM**	**2021 RM**	**2020 RM**
Non current assets					
Plant and equipment	10	3,152,700	1,060,776	901,877	1,282,807
Right of use assets	11	2,575,412	2,884,599	1,576,483	2,189,231
Investment in subsidiaries	12	-	-	5,449	5,449
Goodwill	13	62,819	62,819	62,819	62,819
Deferred tax assets	14	12,500	12,500	12,500	62,300
		5,803,431	4,020,694	2,559,128	3,602,606
Current assets					
Inventories	15	6,879	3,801	3,378	-
Trade receivables	16	2,593,919	1,976,051	2,923,350	1,241,055
Other receivables, deposits and prepayments	17	901,834	973,979	1,783,013	1,787,720
Contract assets	4	856,365	760,460	-	-
Tax recoverable		-	-	1,083	1,083
Fixed deposits with licensed banks	18	7,175,000	9,675,000	9,760,000	7,647,159
Cash and bank balances	19	8,046,875	5,826,158	2,108,908	6,600,231
		19,580,872	19,215,449	16,579,732	17,277,248
Total assets		25,384,303	23,236,143	19,138,860	20,879,854
Equity					
Share capital	20	3	-	-	-
Invested equity	20	6,611,427	6,611,427	6,611,427	2,959,176
Retained earnings		11,328,771	9,174,851	7,906,308	12,080,337
Equity attributable to owners of the Group		17,940,201	15,786,278	14,517,735	15,039,513
Non-controlling interests		-	-	22,436	24,719
Total equity		17,940,201	15,786,278	14,540,171	15,064,232
Non current liabilities					
Borrowings	21	290,069	498,137	680,376	874,380
Lease liabilities	22	2,167,432	2,457,922	1,089,852	1,639,990
		2,457,501	2,956,059	1,770,228	2,514,370
Current liabilities					
Trade payables	23	129,964	5,016	1,747	30,789
Other payables and accruals	24	2,303,339	2,606,304	1,505,703	2,159,822
Contract liabilities	4	754,686	921,857	169,514	-
Borrowings	21	558,429	200,868	194,004	125,620
Lease liabilities	22	509,896	497,379	550,138	591,102
Tax payable		730,287	262,382	407,355	393,919
		4,986,601	4,493,806	2,828,461	3,301,252
Total liabilities		7,444,102	7,449,865	4,598,689	5,815,622
Total equity and liabilities		25,384,303	23,236,143	19,138,860	20,879,854

KUCINGKO BERHAD
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COMBINED STATEMENTS OF CHANGES IN EQUITY

Audited	**Invested equity RM**	**Retained earnings RM**	**Equity attributable to owners of the Company RM**	**Non controlling interest RM**	**Total RM**
At 1 January 2020	2,959,176	10,116,746	13,075,922	27,259	13,103,181
Dividends (Note 25)	-	(1,716,322)	(1,716,322)	-	(1,716,322)
Net profit/(loss)/Total comprehensive income/(loss) for the year	-	3,679,913	3,679,913	(2,540)	3,677,373
At 31 December 2020	2,959,176	12,080,337	15,039,513	24,719	15,064,232
Transactions with owners:					
Issue of shares (Note 20)	3,652,251	-	3,652,251	-	3,652,251
Dividends (Note 25)	-	(10,660,696)	(10,660,696)	-	(10,660,696)
Total transactions with owners	3,652,251	(10,660,696)	(7,008,445)	-	(7,008,445)
Net profit/(loss)/Total comprehensive income/(loss) for the year	-	6,486,667	6,486,667	(2,283)	6,484,384
At 31 December 2021	6,611,427	7,906,308	14,517,735	22,436	14,540,171
Transactions with owners:					
Dividends (Note 25)	-	(6,703,186)	(6,703,186)	-	(6,703,186)
Acquisition of non controlling interest	-	(7,564)	(7,564)	(22,436)	(30,000)
Total transactions with owners	-	(6,710,750)	(6,710,750)	(22,436)	(6,733,186)
Net profit/Total comprehensive income for the year	-	7,979,293	7,979,293	-	7,979,293
At 31 December 2022	6,611,427	9,174,851	15,786,278	-	15,786,278

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COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

Audited	**Share capital RM**	**Invested equity RM**	**Retained earnings RM**	**Total RM**
At 1 January 2023	-	6,611,427	9,174,851	15,786,278
Transactions with owners:				
Issue of shares (Note 20)	3	-	-	3
Dividends (Note 25)	-	-	(6,204,127)	(6,204,127)
Total transactions with owners	3	-	(6,204,127)	(6,204,124)
Net profit/Total comprehensive income for the year	-	-	8,358,047	8,358,047
At 31 December 2023	3	6,611,427	11,328,771	17,940,201

KUCINGKO BERHAD
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(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS

	Audited			
	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER			
	2023	**2022**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Cash flows from/(used in) operating activities				
Profit before tax	10,796,116	9,434,147	8,151,120	4,890,419
Adjustments for:				
Bad debts recovered	-	-	(1,288,390)	-
Deposits written off	-	-	-	1,000
Depreciation	1,181,685	1,030,437	1,045,011	1,319,468
Dividend income	-	(278,951)	-	-
Plant and equipment written off	44,240	-	-	-
Gain on				
- derecognition of lease liabilities	-	(24,851)	-	-
- disposal of plant and equipment	(5,876)	(13,149)	(3,220)	(4,960)
- disposal of subsidiaries	-	(5,829)	-	-
Interest expense	146,029	144,391	116,753	112,955
Interest income	(225,282)	(185,095)	(169,041)	(111,492)
Operating profit before working capital changes	11,936,912	10,101,100	7,852,233	6,207,390
Increase in inventories	(3,078)	(423)	(3,378)	-
(Increase)/Decrease in trade and other receivables	(595,257)	941,417	(381,848)	759,695
Changes in contract assets/liabilities	(263,076)	(8,117)	169,514	-
(Decrease)/Increase in trade and other payables	(251,717)	1,103,870	(683,161)	740,324
Cash generated from operating activities	10,823,784	12,137,847	6,953,360	7,707,409
Income tax paid	(1,970,185)	(1,599,827)	(1,603,500)	(3,539,337)
Income tax refunded	21	1,083	-	-
Net cash from operating activities	8,853,620	10,539,103	5,349,860	4,168,072
Cash flows from/(used in) investing activities				
Purchase of plant and equipment	(2,703,139)	(565,534)	(51,333)	(59,462)
Subscription of shares in a subsidiary	-	(30,000)	-	-
Advances to subsidiaries of Inspidea	-	-	(7,350)	(15,877)
Repayments from/(Advances to) a a company in which the directors have interest	49,534	(427,454)	-	-
Decrease/(Increase) in fixed deposits with maturity of more than 3 months	(650,000)	150,000	(1,500,000)	-
Decrease in fixed deposits pledged	-	220,000	-	-
Dividend received	-	278,951	-	-
Proceeds from disposal of plant and equipment	5,876	13,149	3,220	4,960
Interest received	225,282	185,095	169,041	111,492
Net cash (used in)/from investing activities	(3,072,447)	(175,793)	(1,386,422)	41,113

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COMBINED STATEMENTS OF CASH FLOWS (continued)

	Audited			
	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
Cash flows from/(used in) financing activities				
Dividends paid	(6,204,127)	(5,449,538)	(10,660,696)	(1,716,322)
Proceeds from issuance of shares	3	-	3,652,251	-
Proceeds from borrowings	-	-	-	1,000,000
Repayments of borrowings	(200,868)	(175,375)	(125,620)	-
Repayments of lease liabilities	(583,496)	(591,756)	(591,102)	(570,887)
Advances from/(Repayments to) a director	73,700	-	-	(638)
Interest paid	(146,029)	(144,391)	(116,753)	(112,955)
Net cash used in financing activities	(7,060,817)	(6,361,060)	(7,841,920)	(1,400,802)
Net (decrease)/increase in cash and cash equivalents	(1,279,644)	4,002,250	(3,878,482)	2,808,383
Cash and cash equivalents at beginning of year	13,401,158	9,398,908	13,277,390	10,469,007
Cash and cash equivalents at end of year	12,121,514	13,401,158	9,398,908	13,277,390
Cash and cash equivalents comprise:				
Cash and bank balances	8,046,875	5,826,158	2,108,908	6,600,231
Fixed deposits with licensed banks	7,175,000	9,675,000	9,760,000	7,647,159
Bank overdraft	(350,361)	-	-	-
	14,871,514	15,501,158	11,868,908	14,247,390
Less: Fixed deposits pledged with licensed banks	(750,000)	(750,000)	(970,000)	(970,000)
Less: Fixed deposits with initial maturity of more than 3 months	(2,000,000)	(1,350,000)	(1,500,000)	-
	12,121,514	13,401,158	9,398,908	13,277,390

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COMBINED STATEMENTS OF CASH FLOWS (continued)

Reconciliation of liabilities arising from financing activities

Audited	1.1.2023 RM	Cash flows RM	Non cash changes RM	31.12.2023 RM
Amount due to a director	-	73,700	-	73,700
Lease liabilities	2,955,301	(583,496)	305,523	2,677,328
Borrowings	699,005	(200,868)	-	498,137

Audited	1.1.2022 RM	Cash flows RM	Non cash changes RM	31.12.2022 RM
Lease liabilities	1,639,990	(591,756)	1,907,067	2,955,301
Borrowings	874,380	(175,375)	-	699,005

Audited	1.1.2021 RM	Cash flows RM	Non cash changes RM	31.12.2021 RM
Lease liabilities	2,231,092	(591,102)	-	1,639,990
Borrowings	1,000,000	(125,620)	-	874,380

Audited	1.1.2020 RM	Cash flows RM	Non cash changes RM	31.12.2020 RM
Amount due to a director	638	(638)	-	-
Lease liabilities	2,801,979	(570,887)	-	2,231,092
Borrowings	-	1,000,000	-	1,000,000

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. **General information**

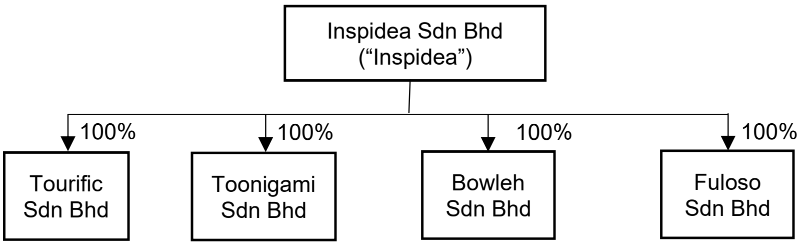
The Company was incorporated on 23 March 2023 under the Companies Act 2016 as a private limited liability company under the name of Kucingo Sdn Bhd. The Company was incorporated for the purpose of being an investment holding company and listing vehicle for the Group pursuant to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities Malaysia Berhad ("listing"). On 24 July 2023, the Company changed its name to Kucingko Sdn Bhd. On 11 September 2023, the Company was converted to a public limited company and assumed its current name of Kucingko Berhad.

The registered office of the Company is located at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur.

The principal place of business of the Company is located at H-G-03A, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya.

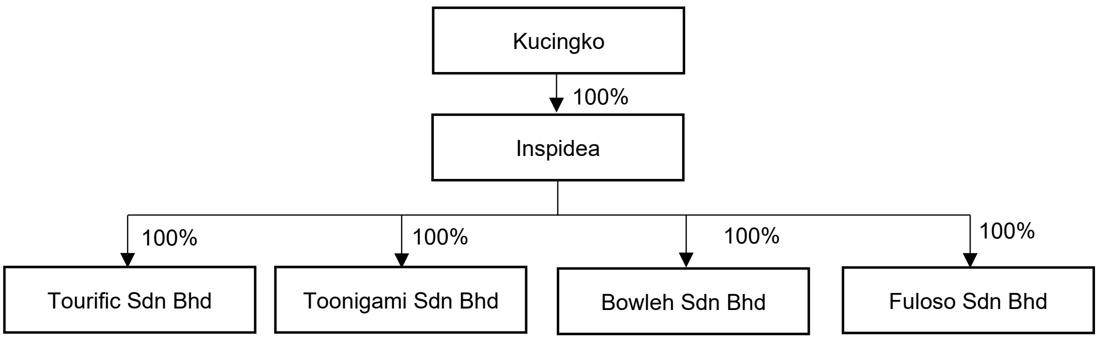
1.1 **Group structure**

The group structure prior to the pre-listing reorganisation and prior to the listing (also referred to as "Inspidea Group") is as follows:



On 21 November 2023, the Company had entered into a conditional share sale agreement with the shareholders of Inspidea to acquire the entire equity interest in Inspidea comprising 4,910,703 ordinary shares for a total purchase consideration of RM9,560,000. The purchase consideration is to be satisfied by the issuance of 399,999,997 new shares in Kucingko Berhad (formerly known as Kucingo Sdn Bhd) ("Kucingko") ("Shares") to the parties nominated by the shareholders of Inspidea at an issue price of RM0.0239 each.

The corporate structure of Kucingko Berhad (formerly known as Kucingo Sdn Bhd) ("Kucingko") and its subsidiaries (hereinafter referred to as the "Group") following the completion of acquisition of Inspidea is as follows:



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1.2 **List of entities and principal activities prior to the listing**

Company	Note	Country of incorporation	Effective equity interest 31.12.2023	31.12.2022	31.12.2021	31.12.2020	Principal activity
Inspidea Sdn Bhd		Malaysia	N/A	N/A	N/A	N/A	Animation entertainment production and distribution
Tourific Sdn Bhd		Malaysia	100.00%	100.00%	100.00%	100.00%	Computer software development and internet services
Toonigami Sdn Bhd		Malaysia	100.00%	100.00%	100.00%	100.00%	Provision of computer animation solutions and services
TSSRM Sdn Bhd ("TSSRM")	(c)	Malaysia	-	-	100.00%	100.00%	Provision of computer animation solutions and services
Fuloso Sdn Bhd ("Fuloso")		Malaysia	100.00%	100.00%	70.00%	70.00%	Provision of games and content development and production, marketing and distribution of games and digital content
Bowleh Sdn Bhd ("Bowleh")	(d)	Malaysia	100.00%	99.99%	99.99%	99.99%	Restaurant operator
Tapestreum Pte Ltd ("Tapestreum")	(b)	Singapore	-	-	100.00%	100.00%	Publishing of gaming software and applications and provision of computer animation solutions and services
Arboratory Limited ("Arboratory")	(a)	Hong Kong	-	-	100.00%	100.00%	Publishing of computer software development and application
Subsidiary of Arboratory Limited							
Tessereum Limited ("TSR")	(a)	Hong Kong	-	-	96.56%	-	Developing digital contents, games, web-based apps and mobile based apps

There have been no significant changes in the nature of the principal activities during these financial years under review.

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1.2 **List of entities and principal activities prior to the listing** (continued)

Notes:

(a) On 30 June 2022, Inspidea declared a special single tier interim dividend in specie via a share distribution of 2,348,830 shares in Arboratory to the existing shareholders of Inspidea. Upon completion of the share dividend distribution, Inspidea ceased to have control in Arboratory and Arboratory ceased to be a subsidiary of Inspidea.

(b) On 15 December 2022, Inspidea disposed of its entire shareholdings in Tapestreum for a cash consideration of RM96,625. As a result of the disposal, Tapestreum ceased to be a subsidiary of Inspidea.

(c) On 31 December 2022, Inspidea entered into a Share Sale Agreement ("SSA") with Arboratory to dispose Inspidea's 100% equity holdings in TSSRM for a cash consideration of RM391,203. Pursuant to the SSA, Inspidea ceased to have control in TSSRM and TSSRM ceased to be a subsidiary of Inspidea.

(d) On 27 July 2023, Inspidea acquired 1 ordinary share from a non controlling shareholder of Bowleh, for a cash consideration of RM1. With the acquisition, Bowleh became a wholly owned subsidiary of Inspidea.

2. **Principal accounting policies**

2.1 **Statement of compliance**

The combined financial statements have been prepared and presented in accordance with the Malaysian Financial Reporting Standards ("MFRS") and the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

2.2 **Basis of preparation of the combined financial statements**

2.2.1 **Basis of preparation and accounting**

The combined financial statements of the Company for the financial years ended ("FYE") 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 (collectively referred as "relevant financial years") have been prepared pursuant to the listing which consist of the financial statements of the following entities under common control for each of the financial years.

Entities under common control	**2020**	**2021**	**2022**	**2023**	**Accounting standards applied**
Kucingko Berhad (formerly known as Kucingo Sdn Bhd)	+	+	+	*	>
Inspidea Sdn Bhd	*	*	*	*	>
Tourific Sdn Bhd	*	*	*	*	>
Toonigami Sdn Bhd	*	*	*	*	>
Fuloso Sdn Bhd	*	*	*	*	>
Bowleh Sdn Bhd	*	*	*	*	>

The audited financial statements of all the companies within the Group for the relevant financial years reported above were not subject to any qualification or modification.

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2.2.1 **Basis of preparation and accounting** (continued)

+ No financial statements were available as the Company was incorporated on 23 March 2023
* The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by Russell Bedford LC PLT
> The audited financial statements of all the companies within the Group for the relevant financial years were prepared in accordance with the MFRS and IFRS

The Group has excluded all business and activity that will not form part of the new legal group of Kucingko Berhad (formerly known as Kucingo Sdn Bhd) from the combined financial statements (carve out basis). As TSSRM, Tapestreum, Arboratory and TSR have been disposed of in FYE 31 December 2022, the financial statements of these entities are not included in the combined financial statements for FYE 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

The financial information presented in the combined financial statements may not correspond to those in the consolidated financial statements of the Group had the relevant proposed transaction to legally constitute the Group been incorporated in the consolidated financial statements for the respective years. Consequently, the financial information from the combined financial statements do not purport to predict the financial position, results of operations and cash flows of the combining entities during the reporting periods.

The Group has adopted the new and revised MFRS and their related interpretations that become mandatory for the current reporting period. The adoption of these new and revised MFRS and IC Interpretations does not result in significant changes in accounting policies of the Group.

The amendments to MFRS 101 Disclosure of Accounting Policies became effective for application during the current reporting period. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments have an impact on the manner in which the Group's accounting policies are disclosed, but not on the measurement, recognition or presentation of any components in the Group's combined financial statements.

The Group has not adopted the new standards, amendments to published standards and IC Interpretations that have been issued but not yet effective. These new standards, amendments to published standards and IC Interpretations do not result in significant changes in accounting policies of the Group upon their initial application.

2.2.2 **Significant accounting policies**

Significant accounting policies are being disclosed as the combined financial statements contain comparatives of FYE 31 December 2020, 31 December 2021 and 31 December 2022 where the amendments to MFRS 101 Disclosure of Accounting Policies have yet to become effective.

Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM").

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2.2.2 **Significant accounting policies** (continued)

Basis of combination

(i) Combining entities

The combined financial statements of the Group comprises the financial statements of the combining entities as disclosed in Note 2.2.1.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreement, ultimate collective power to govern the financial statements and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substances of the combining companies, which were under common control throughout the relevant period.

The identified assets and liabilities of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

(ii) Business combination

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised as expenses in the period in which the costs are incurred and the services are received.

For each business combination, non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at the present ownership instruments' proportionate share of the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), over the net fair value of the acquiree's net identifiable assets and liabilities is recorded as goodwill in the combined statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which control is obtained, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of Inspidea, and are presented within equity in the combined statement of financial position, separately from equity attributable to owners of Inspidea. Non-controlling interests are presented in the combined statements of comprehensive income as an allocation of the profit or loss and the comprehensive income for the reporting period between non-controlling interests and the owners of Inspidea. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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2.2.2 **Significant accounting policies** (continued)

Basis of combination (continued)

(ii) Business combination (continued)

Changes in Inspidea's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of Inspidea.

Upon the loss of control of a subsidiary, the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary are derecognised. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If any interest in the previous subsidiary is retained, then such interest is measured at fair value at the date that control is loss. Subsequently, it is accounted for as equity accounted investee or as an equity instrument financial asset depending on the level of influence retained.

(iii) Transactions eliminated on combination

All intra-group balances, income and expenses and unrealised gain and losses resulting from intra-group transactions are eliminated in full.

Revenue from contracts with customers

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

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2.2.2 **Significant accounting policies** (continued)

Revenue from contracts with customers (continued)

a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at a point in time at which the customer obtains control of the promised goods or services.

Revenue is recognised only when it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the goods or services sold.

Contract assets and liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. A contract asset is stated at cost less accumulated impairment losses, if any.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers the goods or services to the customer, a contract liability is recognised when payment is made or the payment is due (whichever is earlier). Contract liability is recognised as revenue when the Group performs under the contract.

Foreign currencies

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

The principal exchange rates for every unit of foreign currency ruling at the reporting date are as follows:

	31.12.2023	**31.12.2022**	**31.12.2021**	**31.12.2020**
	RM	**RM**	**RM**	**RM**
Canadian Dollar	3.120	3.120	3.289	3.153
Euro	5.122	4.680	4.805	4.941
Hong Kong Dollar	0.530	0.530	0.534	0.518
Singapore Dollar	3.514	-	-	-
United States Dollar	4.681	4.567	4.239	4.017

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2.2.2 **Significant accounting policies** (continued)

Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contribution to defined contribution plans such as Employees Provident Fund are recognised as an expense as incurred.

Income tax

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the 'liability' method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Impairment of assets

The carrying amount of assets subject to accounting for impairment (primarily non financial asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment loss is recognised in profit or loss in the reporting period in which it arises.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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2.2.2 **Significant accounting policies** (continued)

Impairment of assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in profit or loss.

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the assets and is recognised in profit or loss.

Depreciation on plant and equipment is calculated to write off the cost of the assets to its residual values on a straight line basis at the following annual rates based on their estimated useful lives:

Furniture and fittings	12%
Office equipment	12% - 33%
Renovation	12%
Motor vehicle	33%

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

Investment in subsidiaries

A subsidiary is a company controlled by Inspidea. Control exists when Inspidea has power over its investee, exposed or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Inspidea's investment in subsidiaries is stated at cost less impairment losses, if any.

Goodwill on consolidation

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over Inspidea's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities. Goodwill is subsequently measured at cost less any accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

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2.2.2 **Significant accounting policies** (continued)

Inventories

Inventories consist of food and beverages are stated at the lower of cost and net realisable value. Cost of inventories is determined on a first in first out basis. Cost of inventories comprises the cost of purchase plus the cost of bringing the inventories to their present location and condition. Net realisable value represents the estimated selling prices less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Leases

As a lessee

i) Right of use assets

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Subsequent to initial measurement, the right of use asset is depreciated on a straight line basis over the shorter of the lease term and the estimated useful life as follows:

Office premises	3 – 10 years
Apartment	3 – 4 years

Right of use asset is subject to impairment and is adjusted for any remeasurement of lease liabilities.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

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2.2.2 **Significant accounting policies** (continued)

Leases (continued)

As a lessee (continued)

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in revenue or other operating income, as appropriate, in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Financial instruments

Financial instruments are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instrument.

A financial instrument (unless it is a trade receivable without a significant financing component) is recognised initially at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. A trade receivable without significant financing component is initially measured at the transaction price.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income in profit or loss.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

On initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at fair value through profit or loss or at amortised cost, as appropriate.

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2.2.2 **Significant accounting policies** (continued)

Financial instruments (continued)

(i) Financial assets at amortised cost

A financial asset is classified at amortised cost if it meets both of the following conditions:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method and are subject to impairment. Gains or losses are recognised in profit or loss when the financial assets at amortised cost are derecognised or impaired, and through the amortisation process (finance income).

(ii) Financial liabilities at amortised cost

Financial liabilities are classified at amortised cost if they are not:

a) contingent consideration of an acquirer in a business combination;
b) financial guarantee contracts;
c) loan commitments;
d) designated at fair value through profit or loss; or
e) liabilities that arise when a transfer of a financial asset that does not qualify for derecognition or when the continuing involvement approach applies.

Subsequent to initial recognition, financial liabilities at amortised cost are measured using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities at amortised cost are derecognised, and through the amortisation process (finance cost).

(iii) Equity instruments

Equity instruments issued by the Group are recorded at the fair value of the proceeds received net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the reporting period in which they are approved.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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2.2.2 **Significant accounting policies** (continued)

Expected credit losses

The Group recognises an allowance for expected credit losses ("ECL") for financial assets at amortised cost and contract assets.

ECL are generally based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECL are recognised in profit or loss.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. Where appropriate, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Loss allowances for debt instruments measured at amortised cost are deducted from the gross carrying amount of the assets.

Low credit risk

A financial instrument is determined to have low credit risk if:

a) the financial instrument has a low risk of default;
b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

Significant increase in credit risk

When determining whether the credit risk of a debt instrument has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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2.2.2 **Significant accounting policies** (continued)

Expected credit losses (continued)

Definition of default

The Group considers a debt instrument to be in default when:

a) The Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group; or

b) The financial asset is more than 90 days past due.

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable events:

a) Significant financial difficulties of the debtor;
b) A breach of contract, such as a default or past due event;
c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
d) It becoming probable that the borrower will enter into bankruptcy or other financial reorganisations; or
e) Disappearance of an active market for that financial asset because of financial difficulties.

Write off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Current versus non-current classification

Assets and liabilities are presented based on a current/non-current classification. An asset is current when it is:

a) Expected to be realised or intended to be sold or consumed in the normal operating cycle;

b) Held primarily for the purpose of trading;

c) Expected to be realised within twelve months after the reporting period; or

d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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2.2.2 **Significant accounting policies** (continued)

Current versus non-current classification (continued)

A liability is current when:

a) It is expected to be settled in the normal operating cycle;

b) It is held primarily for the purpose of trading;

c) It is due to be settled within twelve months after the reporting period; or

d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Statements of cash flows

Statements of cash flows is prepared using the indirect method.

Cash equivalents are short term deposits with maturities of three months or less, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of pledged fixed deposits and fixed deposits with maturity of more than three months and bank overdraft.

3. **Critical accounting estimates and judgements**

In the preparation of the financial statements, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, which are described above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

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4. **Revenue**

4.1 **Disaggregation of revenue**

	Audited FYE 31 December			
	2023 RM	2022 RM	2021 RM	2020 RM
Type of goods or services				
Rendering of services	28,092,089	23,389,717	17,587,710	14,877,692
Sales of goods	66,635	95,318	87,712	45,113
	28,158,724	23,485,035	17,675,422	14,922,805

	Audited FYE 31 December			
	2023 RM	2022 RM	2021 RM	2020 RM
Geographical markets				
Australia	277,307	145,608	350,768	5,061,740
Canada	8,077,284	7,166,073	7,953,627	5,887,222
France	3,789,966	160,142	4,282,436	1,699,532
Hong Kong	-	-	-	238,327
Japan	-	-	53,290	-
Malaysia	66,635	95,318	87,712	45,113
Mexico	-	-	-	10,807
Netherlands	-	1,122,598	1,454,008	-
Singapore	195,130	-	-	122,595
United Kingdom	3,014,542	68,554	-	362,947
United States of America	12,737,860	14,726,742	3,493,581	1,494,522
	28,158,724	23,485,035	17,675,422	14,922,805

	Audited FYE 31 December			
	2023 RM	2022 RM	2021 RM	2020 RM
Timing of revenue recognition				
Goods transferred at a point in time	66,635	95,318	87,712	45,113
Services transferred at a point in time	28,092,089	23,389,717	17,587,710	14,877,692
Total revenue from contracts with customers	28,158,724	23,485,035	17,675,422	14,922,805

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4.2 **Contract balance**

	Audited As at 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Contract liabilities	754,686	921,857	169,514	-
Contract assets	856,365	760,460	-	-

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date.

The contract liabilities primarily relates to the Group's obligation to transfer goods or services to customers for which the Group has received the consideration in advance or has billed the customers.

The following table provides information of the contract balance:

	Audited As at 31 December 2023 RM	2022 RM	2021 RM	2020 RM
At beginning of year	(161,397)	(169,514)	-	-
Advance consideration received/ Billings issued during the year	(10,965,240)	(5,097,125)	(742,019)	-
Revenue recognised during the year	11,228,316	5,105,242	572,505	-
At end of year	101,679	(161,397)	(169,514)	-

4.3 **Performance obligations**

Nature of goods and services	**Satisfaction of performance obligations**	**Significant payment terms**
Animation entertainment production and distribution	Revenue is recognised at a point in time when the services are rendered	Generally due within 30 to 45 days from billing date
Sale of food and beverages	Revenue recognised upon delivery of product	Cash basis

4.4 **Transaction price allocated to the remaining performance obligations**

For practical expediency, no information is provided on the remaining performance obligations as at reporting date that have an original expected duration of one year or less as allowed under the paragraph 121(a) of MFRS 15.

4.5 **Financing components**

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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5. **Staff costs**

	Audited FYE 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Defined contribution plan	1,194,169	809,107	682,288	763,514
Other employee related expenses	369,293	278,620	188,860	227,607
Salaries, allowance and bonus	9,431,670	8,316,698	6,841,603	6,384,958
	10,995,132	9,404,425	7,712,751	7,376,079

The key management personnel comprises executive directors of the combined entities and whose remuneration is analysed as follows:

	Audited FYE 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Total remuneration	503,665	571,836	372,240	272,700

6. **Profit from operations**

	Audited FYE 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Profit from operations is arrived arrived at after charging/ (crediting)				
Auditors' remuneration				
- current year	59,764	57,106	45,074	41,000
- under/(over) provision in prior years	106	6,316	-	(1,016)
Bad debts recovered	-	-	(1,288,390)	-
Deposits written off	-	-	-	1,000
Expenses relating to short term leases on premises	117,600	9,000	1,274	10,611
Directors' remuneration of Inspidea Group				
- fees	100,000	126,400	90,000	-
- other than fees	403,665	445,436	282,240	272,700
Plant and equipment written off	44,240	-	-	-
Dividend income	-	(278,951)	-	-
Realised (gain)/loss on foreign exchange	(116,116)	22,961	(53,078)	(54,172)
Gain on:				
- derecognition of lease liabilities	-	(24,851)	-	-
- disposal of plant and equipment	(5,876)	(13,149)	(3,220)	(4,960)
- disposal of subsidiaries of Inspidea	-	(5,829)	-	-
Government grant income	(180,000)	-	-	-
Rental income	(39,777)	(54,944)	(60,487)	(6,200)

Government grant income is in respect of a Malaysia Digital Acceleration Grant received by the Group from the Malaysian Digital Economy Corporation ("MDEC").

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7. **Finance income**

	Audited FYE 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Interest income from fixed deposits	225,282	185,095	169,041	111,492

8. **Finance costs**

	Audited FYE 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Interest expense on:				
Bank overdraft	360	-	-	-
Lease liabilities	124,405	116,144	82,498	107,113
Term loan	21,264	28,247	34,255	5,842
	146,029	144,391	116,753	112,955

9. **Income tax expense**

	Audited FYE 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Expected current income tax payable				
- current year	(2,230,169)	(1,435,752)	(1,607,622)	(1,185,109)
- under provision in prior years	(207,900)	(19,102)	(9,314)	(80,237)
	(2,438,069)	(1,454,854)	(1,616,936)	(1,265,346)
Deferred tax (Note 14)				
- current year	-	-	(13,000)	44,200
- (over)/under provision in prior years	-	-	(36,800)	8,100
	-	-	(49,800)	52,300
	(2,438,069)	(1,454,854)	(1,666,736)	(1,213,046)

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9. **Income tax expense** (continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Audited			
	FYE 31 December			
	2023	**2022**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Profit before tax	10,796,116	9,434,147	8,151,120	4,890,419
Taxation at statutory tax rate of 24%	(2,591,100)	(2,264,200)	(1,956,300)	(1,173,700)
Expenses not deductible for tax purposes	(391,769)	(52,252)	(43,422)	(208,000)
Effect of lower tax rate for small and medium sized industries	52,700	42,000	42,000	34,300
Income not subject to tax	63,100	94,900	352,200	126,291
Deferred tax assets not recognised	(48,000)	(43,200)	(49,100)	-
Tax incentives	684,900	787,000	34,000	80,200
Over/Under provision in prior years				
- current tax	(207,900)	(19,102)	(9,314)	(80,237)
- deferred tax	-	-	(36,800)	8,100
Income tax expense for the year	(2,438,069)	(1,454,854)	(1,666,736)	(1,213,046)

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10. **Plant and equipment**

Audited	**Furniture and fittings RM**	**Office equipment RM**	**Motor vehicle RM**	**Renovation RM**	**Total RM**
Cost					
At 1 January 2020	581,452	5,851,996	-	2,663,129	9,096,577
Additions	-	49,962	-	9,500	59,462
Disposals	-	(28,450)	-	-	(28,450)
Write offs	-	(3,925)	-	-	(3,925)
At 31 December 2020	581,452	5,869,583	-	2,672,629	9,123,664
Additions	2,375	48,651	-	307	51,333
Disposals	-	(11,359)	-	-	(11,359)
Write offs	-	(64,623)	-	-	(64,623)
At 31 December 2021	583,827	5,842,252	-	2,672,936	9,099,015
Additions	-	265,284	-	300,250	565,534
Disposals	-	(222,947)	-	-	(222,947)
At 31 December 2022	583,827	5,884,589	-	2,973,186	9,441,602
Additions	4,158	1,165,550	73,700	1,459,731	2,703,139
Disposals	-	(19,589)	-	-	(19,589)
Write offs	(30,053)	(2,056,433)	-	(926,959)	(3,013,445)
At 31 December 2023	557,932	4,974,117	73,700	3,505,958	9,111,707
Accumulated depreciation					
At 1 January 2020	422,008	5,022,367	-	1,722,137	7,166,512
Charge for the year	42,647	461,743	-	202,330	706,720
Disposals	-	(28,450)	-	-	(28,450)
Write offs	-	(3,925)	-	-	(3,925)
At 31 December 2020	464,655	5,451,735	-	1,924,467	7,840,857
Charge for the year	34,152	222,563	-	175,548	432,263
Disposals	-	(11,359)	-	-	(11,359)
Write offs	-	(64,623)	-	-	(64,623)
At 31 December 2021	498,807	5,598,316	-	2,100,015	8,197,138
Charge for the year	28,461	206,148	-	172,026	406,635
Disposals	-	(222,947)	-	-	(222,947)
At 31 December 2022	527,268	5,581,517	-	2,272,041	8,380,826
Charge for the year	19,826	323,920	14,187	209,042	566,975
Disposals	-	(19,589)	-	-	(19,589)
Write offs	(30,053)	(2,056,433)	-	(882,719)	(2,969,205)
At 31 December 2023	517,041	3,829,415	14,187	1,598,364	5,959,007
Carrying amount					
At 31 December 2023	40,891	1,144,702	59,513	1,907,594	3,152,700
At 31 December 2022	56,559	303,072	-	701,145	1,060,776
At 31 December 2021	85,020	243,936	-	572,921	901,877
At 31 December 2020	116,797	417,848	-	748,162	1,282,807

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11. **Right of use assets**

Audited	**Office premises RM**	**Apartment RM**	**Total RM**
Cost			
At 1 January 2020/ 31 December 2020	2,499,633	302,346	2,801,979
Derecognition upon lease completion	(103,415)	-	(103,415)
At 31 December 2021	2,396,218	302,346	2,698,564
Lease modifications	(918,897)	-	(918,897)
Additions	2,414,369	-	2,414,369
At 31 December 2022	3,891,690	302,346	4,194,036
Lease modifications	-	305,523	305,523
Write offs	-	(60,898)	(60,898)
At 31 December 2023	3,891,690	546,971	4,438,661
Accumulated depreciation			
At 1 January 2020	-	-	-
Charge for the year	508,692	104,056	612,748
At 31 December 2020	508,692	104,056	612,748
Charge for the year	508,692	104,056	612,748
Derecognition upon lease completion	(103,415)	-	(103,415)
At 31 December 2021	913,969	208,112	1,122,081
Charge for the year	529,568	94,234	623,802
Lease modifications	(436,446)	-	(436,446)
At 31 December 2022	1,007,091	302,346	1,309,437
Charge for the year	524,694	90,016	614,710
Write offs	-	(60,898)	(60,898)
At 31 December 2023	1,531,785	331,464	1,863,249
Carrying amount			
At 31 December 2023	2,359,905	215,507	2,575,412
At 31 December 2022	2,884,599	-	2,884,599
At 31 December 2021	1,482,249	94,234	1,576,483
At 31 December 2020	1,990,941	198,290	2,189,231

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12. **Investment in subsidiaries**

	Audited			
	As at 31 December			
	2023	**2022**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Unquoted shares, at cost				
At beginning of year	-	5,449	5,449	5,449
Subscription of shares in subsidiaries	-	1,730,198	-	-
Disposal of subsidiaries	-	(481,999)	-	-
Transfer of shares via share dividend	-	(1,253,648)	-	-
At end of year	-	-	5,449	5,449

The details of the subsidiaries are as follows:

		Group's effective interest				
		As at 31 December				
Subsidiaries of Inspidea	**Country of incorporation**	**2023**	**2022**	**2021**	**2020**	**Principal activity**
TSSRM Sdn Bhd	Malaysia	-	-	100%	100%	Provision of computer animation solutions and services
Tapestreum Pte Ltd *	Singapore	-	-	100%	100%	Publishing of gaming software and applications and provision of computer animation solutions and services
Arboratory Limited #	Hong Kong	-	-	100%	100%	Publishing of computer software development and application
Subsidiary of Arboratory Limited						
Tessereum Limited #	Hong Kong	-	-	96.56%	-	Developing digital contents, games, web-based apps and mobile based apps

* No statutory audit requirement
# The financial statements of the subsidiaries are not audited by Russell Bedford LC PLT

The financial statements of the above subsidiaries are not included in the combined financial statements as explained in Note 2.2.1.

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12.1 **Acquisition and subscription of shares in subsidiaries of Inspidea**

(a) On 29 January 2021, a subsidiary of Inspidea, Arboratory, incorporated a subsidiary, TSR by subscribing to 12,000 ordinary shares and 5,500 Convertible Preference shares representing 96.56% of the issued and paid up share capital of TSR for a total cash consideration of HKD562,000. TSR is principally involved in developing digital contents, games, web-based apps and mobile based apps.

(b) On 15 February 2022, Inspidea further subscribed for an additional 105,900 ordinary shares in TSSRM for RM105,900 by way of capitalisation of amount due from TSSRM. The equity interest of Inspidea in TSSRM remain unchanged.

(c) On 29 June 2022, Inspidea further subscribed for an additional 2,338,830 ordinary shares in Arboratory for RM1,248,328 by way of capitalisation of amount due from Arboratory. The equity interest of Inspidea in Arboratory remain unchanged.

(d) On 30 November 2022, Inspidea further subscribed for additional 375,970 ordinary shares in TSSRM for RM375,970 by way of capitalisation of amount due from TSSRM. The equity interest of Inspidea in TSSRM remain unchanged.

12.2 **Disposal of subsidiaries of Inspidea**

The disposal of subsidiaries of Inspidea is explained in Note 1.2.

13. **Goodwill**

	Audited			
	As at 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
At beginning/end of year	62,819	62,819	62,819	62,819

14. **Deferred tax assets**

	Audited			
	As at 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
At beginning of year	12,500	12,500	62,300	10,000
Recognised in profit or loss (Note 9)				
- current year	-	-	(13,000)	44,200
- (over)/under provision in prior years	-	-	(36,800)	8,100
At end of year	12,500	12,500	12,500	62,300

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14. **Deferred tax assets** (continued)

Presented after appropriate offsetting as follows:

	Audited As at 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
Deferred tax assets	12,500	12,500	14,800	66,700
Deferred tax liabilities	-	-	(2,300)	(4,400)
	12,500	12,500	12,500	62,300

Deferred tax liabilities are in respect of the following:

	Audited As at 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
Tax effects of excess of capital allowances over related depreciation of plant and equipment	-	-	(2,300)	(4,400)

Deferred tax assets are in respect of the following:

	Audited As at 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
Gross				
Excess of depreciation of plant and equipment over related tax capital allowances	-	8,000	-	-
Unutilised tax losses to be utilised up to financial year ending				
- 31 December 2029	111,600	111,600	79,200	79,200
- 31 December 2030	128,900	128,900	106,300	160,300
- 31 December 2031	56,100	56,100	57,500	-
- 31 December 2032	152,900	153,500	-	-
- 31 December 2033	197,000	-	-	-
Unabsorbed capital allowances	90,900	81,000	72,700	38,300
	737,400	539,100	315,700	277,800
Less: Deferred tax assets recognised	(52,100)	(52,100)	(61,700)	(277,800)
Deferred tax assets not recognised	685,300	487,000	254,000	-

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14. **Deferred tax assets** (continued)

	Audited As at 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Tax effects				
Excess of depreciation of plant and equipment over related tax capital allowances	-	2,000	-	-
Unutilised tax losses to be utilised up to financial year ending				
- 31 December 2029	26,800	26,800	19,000	19,000
- 31 December 2030	30,900	30,900	25,500	38,500
- 31 December 2031	13,500	13,500	13,800	-
- 31 December 2032	36,700	36,800	-	-
- 31 December 2033	47,300	-	-	-
Unabsorbed capital allowances	21,800	19,500	17,400	9,200
	177,000	129,500	75,700	66,700
Less: Deferred tax assets recognised	(12,500)	(12,500)	(14,800)	(66,700)
Deferred tax assets not recognised	164,500	117,000	60,900	-

Portion of deferred tax assets have not been recognised as it is not probable that taxable profit will be available in the foreseeable future to utilise these tax benefits.

15. **Inventories**

	Audited As at 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Food and beverage at cost	6,879	3,801	3,378	-

	Audited FYE 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Amount of inventories recognised as an expense	54,297	60,345	65,997	20,658

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16. **Trade receivables**

	Audited As at 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Amount due from subsidiaries of Inspidea	-	-	-	247,116
Third parties	2,593,919	1,976,051	2,923,350	993,939
	2,593,919	1,976,051	2,923,350	1,241,055

The Group's normal trade credit terms range from 30 days to 45 days (2022: 30 days to 45 days; 2021: 30 days to 45 days; 2020: 30 days to 45 days).

The following table details the credit risk exposure on the Group's trade receivables.

	Audited As at 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Not impaired or past due	2,330,377	1,663,001	1,604,458	1,241,055
1 – 30 days past due not impaired	263,542	136,425	836,638	-
31 – 60 days past due not impaired	-	176,625	160,313	-
More than 60 days past due not impaired	-	-	321,941	-
	2,593,919	1,976,051	2,923,350	1,241,055

The foreign currency exposure profile of trade receivables is as follows:

	Audited As at 31 December 2023 RM	2022 RM	2021 RM	2020 RM
Canadian Dollar	-	-	294,686	496,502
Euro	753,349	-	-	274,019
Singapore Dollar	31,539	-	-	-
Hong Kong Dollar	-	-	-	247,116
United States Dollar	1,809,031	1,976,051	2,601,879	223,418

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17. **Other receivables, deposits and prepayments**

	Audited			
	As at 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
Amount due from subsidiaries of Inspidea				
- outstanding sales consideration for software	-	-	1,238,740	1,238,740
- unsecured interest free advances receivable on demand	-	-	113,538	106,188
Amount due from companies in which the directors have interest				
- proceeds on disposal of other investments	487,828	487,828	-	-
- unsecured interest free advances receivable on demand	-	49,534	-	-
Deposits	210,738	184,932	175,549	176,822
Prepayments	203,268	251,685	255,186	265,970
	901,834	973,979	1,783,013	1,787,720

18. **Fixed deposits with licensed banks**

Fixed deposits with licensed banks of the Group of RM750,000 (2022: RM750,000; 2021: RM970,000; 2020: RM970,000) have been pledged with licensed banks to secure for the facilities granted to the Group.

19. **Cash and bank balances**

The foreign currency exposure profile of cash and bank balances is as follows:

	Audited			
	As at 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
Canadian Dollar	312	312	315	404,282
Euro	950	950	310,429	387,011
Hong Kong Dollar	53	53	-	-
United States Dollar	3,026,370	3,870,935	170,993	649,250

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20. **Share capital and invested equity**

(i) Share capital

	Audited As at 31 December 2023 No. of shares	Audited As at 31 December 2023 RM
Ordinary shares		
At beginning of year	-	-
Issued during the year*	3	3
At end of year	3	3

* The financial statements of the Company had not been included in the combined financial statements for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 as the Company was only incorporated on 23 March 2023 to facilitate the listing. The Company was incorporated with an issued and paid up share capital consisting of 2 ordinary shares.

On 15 September 2023, the Company increased its issued and paid up share capital from RM2 to RM3 through the issuance and allotment of 1 ordinary share of RM1 each for cash. This share ranks pari passu with the then existing shares of the Company.

(ii) Invested equity

	Audited As at 31 December 2023 No. of shares	2022 No. of shares	2021 No. of shares	2020 No. of shares
Ordinary shares				
At beginning of year	2,331,861	2,331,861	559,176	559,176
Issued during the year	-	-	1,772,685	-
At end of year	2,331,861	2,331,861	2,331,861	559,176
Convertible Preference Share ("CPS")				
At beginning of year	88,509	88,509	24,000	24,000
Issued during the year	-	-	64,509	-
At end of year	88,509	88,509	88,509	24,000
	2,420,370	2,420,370	2,420,370	583,176

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20. **Share capital and invested equity** (continued)

(ii) Invested equity (continued)

	Audited			
	As at 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
Ordinary shares				
At beginning of year	2,331,861	2,331,861	559,176	559,176
Issued during the year	-	-	1,772,685	-
At end of year	2,331,861	2,331,861	2,331,861	559,176
Convertible Preference Share ("CPS")				
At beginning of year	4,279,566	4,279,566	2,400,000	2,400,000
Issued during the year	-	-	1,879,566	-
At end of year	4,279,566	4,279,566	4,279,566	2,400,000
	6,611,427	6,611,427	6,611,427	2,959,176

For the purpose of these combined financial statements, the invested equity represents the share capital of Inspidea.

The holders of ordinary shares are entitled to receive dividends as and when declared by Inspidea. All ordinary shares carry one vote per share without restrictions.

The terms of the CPS are as follows:

(a) Conversion right

The holders of the CPS will have the option at any time to convert all or any portion of CPS at the applicable conversion ratio into new ordinary shares.

(b) Conversion ratio

The CPS shall be convertible into fully paid-up ordinary shares equivalent to a specified percentage of the enlarged capital of Inspidea pursuant to the terms of the Shareholders Agreement dated 28 November 2005, Supplemental Shareholders Agreement dated 18 November 2018 and Supplemental Shareholders Agreement dated 21 April 2021 (collectively referred to as "Agreements").

(c) Dividends

The holders of CPS are entitled to participate in dividends of Inspidea with the ordinary shareholders on an "as if converted" basis for any dividend declared, pursuant to the terms of the Agreements.

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20. **Share capital and invested equity** (continued)

(ii) Invested equity (continued)

(d) Voting right

The holders of CPS shall have the right to the relevant number of votes equivalent to the number of ordinary shares into which the CPS are convertible on any resolutions at any general meeting of Inspidea upon:

(i) any resolution which attempts to vary the rights attached to the CPS howsoever;
(ii) any resolution for the winding up of Inspidea;
(iii) which in the opinion of any holder of the CPS will affect the interest of such holder in any manner whatsoever; and/or
(iv) in any event, pursuant to the applicable provisions of the Companies Act 2016.

(e) Preference

In the event of a liquidation, dissolution, winding up or distribution in specie of the assets of Inspidea, the holders of CPS shall be ranked in priority to the ordinary shareholders of Inspidea for payment of up to the total issue price of the CPS held.

21. **Borrowings**

	Audited			
	As at 31 December			
	2023 **RM**	**2022** **RM**	**2021** **RM**	**2020** **RM**
Non current portion:				
Term loan	290,069	498,137	680,376	874,380
Current portion:`				
Bank overdraft	350,361	-	-	-
Term loan	208,068	200,868	194,004	125,620
	558,429	200,868	194,004	125,620
	848,498	699,005	874,380	1,000,000
The non current portion of term loan is payable as follows:				
Later than 1 year and not later than 2 years	215,413	208,013	200,905	194,004
Later than 2 years and not later than 5 years	74,656	290,124	479,471	624,404
Later than 5 years	-	-	-	55,972
	290,069	498,137	680,376	874,380

The term loan is secured by way of:

(i) Guarantee cover for 80% of the facility and interest from the Government of Malaysia under Special Relief Facility Scheme administered by Syarikat Jaminan Pembiayaan Perniagaan for an aggregate tenure of five years commencing on the date one day after the expiry of the moratorium period; and
(ii) Joint and several guarantee by certain directors of Inspidea.

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21. **Borrowings** (continued)

The effective interest rates are as follows:

	Audited As at 31 December			
	2023 %	2022 %	2021 %	2020 %
Bank overdraft	7.51	-	-	-
Term loan	4.20	4.20	4.20	4.20

22. **Lease liabilities**

	Audited As at 31 December			
	2023 RM	2022 RM	2021 RM	2020 RM
Current portion	509,896	497,379	550,138	591,102
Non current portion	2,167,432	2,457,922	1,089,852	1,639,990
	2,677,328	2,955,301	1,639,990	2,231,092
The non current portion of lease liabilities is payable as follows:				
Later than 1 year and not later than 2 years	531,722	408,572	473,268	550,138
Later than 2 years and not later than 5 years	752,224	908,855	616,584	1,089,852
Later than 5 years	883,486	1,140,495	-	-
	2,167,432	2,457,922	1,089,852	1,639,990

	Audited As at 31 December			
	2023 %	2022 %	2021 %	2020 %
Weighted average effective interest rate	4.20	4.20	4.20	4.20

The Group had total cash outflows for leases of RM825,501 (2022: RM716,900; 2021: RM674,874; 2020: RM688,611).

23. **Trade payables**

The normal trade credit terms granted to the Group is 30 days (2022: 30 days; 2021: 30 days; 2020: 30 days).

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24. **Other payables and accruals**

	Audited As at 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
Software subscription license payable to a company in which the directors have interest	145,748	202,983	-	-
Amount due to a director	73,700	-	-	-
Other payables and accruals	2,083,891	2,403,321	1,505,703	2,159,822
	2,303,339	2,606,304	1,505,703	2,159,822

The foreign currency exposure profile of other payables and accruals is as follows:

	Audited As at 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
Hong Kong Dollar	145,748	202,983	-	-

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25. **Dividends**

	Amount of dividend Audited FYE 31 December			
	2023 RM	**2022 RM**	**2021 RM**	**2020 RM**
Single tier second interim dividend of RM0.58 per ordinary shares for year 2019	-	-	-	324,322
Single tier second interim dividend of RM58.00 per CPS for year 2019	-	-	-	1,392,000
Single tier interim dividend of RM5.54 per ordinary shares for year 2020	-	-	3,502,981	-
Special single tier interim dividend of RM11.32 per ordinary shares for year 2020	-	-	7,157,715	-
Single tier interim dividend of RM17.80 per CPS for year 2021	-	1,575,460	-	-
Single tier interim dividend of RM0.61 per ordinary share for year 2021	-	1,424,767	-	-
Special single tier interim dividend of RM7.44 per CPS for year 2021*	-	658,350	-	-
Special single tier interim dividend of RM0.26 per ordinary share for year 2021*	-	595,298	-	-
Single tier final dividend of RM14.50 per CPS for year 2021	-	1,283,380	-	-
Single tier final dividend of RM0.50 per ordinary shares for year 2021	-	1,165,931	-	-
Single tier final dividend of RM36.90 per CPS	3,265,982	-	-	-
Single tier final dividend of RM1.26 per ordinary share	2,938,145	-	-	-
	6,204,127	6,703,186	10,660,696	1,716,322

* The dividends were declared and paid in specie via a share dividend distribution of 2,348,830 shares in Arboratory to the existing shareholders of Inspidea.

Subsequent to the reporting date, the following dividends were declared:

	RM
In respect of financial year ended 31 December 2023:	
- Single tier final dividend of RM29.79 per Convertible Preference Share, declared on 15 March 2024 and payable on 29 March 2024	2,636,241
- Single tier final dividend of RM1.022 per ordinary share, declared on 15 March 2024 and payable on 29 March 2024	2,383,162

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26. **Significant related party disclosures**

26.1 **Identities of related parties**

For the purposes of these combined financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice verse, or where the Group and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Combining entities as disclosed in Note 2.2.1 of the combined financial statements;
(ii) Companies in which the directors have interest; and
(iii) Key management personnel who are defined as those personnel having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

26.2 **Related party transactions**

Significant transactions with related parties are as follows:

	Audited			
	FYE 31 December			
	2023	**2022**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
With companies in which the directors have interest:				
Subscription of software license	900,906	789,551	762,840	732,780
Rendering of service	-	-	-	369,711
Reimbursement of staff costs	100,613	417,953	-	-
Dividend income	-	278,951	-	-

26.3 **Compensation of key management personnel**

The key management personnel comprise directors of the combined entities whose remuneration are disclosed in Note 5.

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27. **Segment information**

For management purposes, the Group is organised into business units based on the nature of business and has four reportable operating segments as follows:

Animation services	-	Animation entertainment production and distribution
Information Technology ("IT") services	-	Software and hardware distribution, IT and network infrastructure support and technology training
Food and beverage	-	Restaurant operator
Others	-	Investment holding and other businesses that do not fall into above segments

All the above reportable segments operate in Malaysia.

Management monitors the operating results of its business units as well as relying on the segment information as disclosed below for the purpose of making decision about resource allocation and performance assessment.

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27.1 **Business segment**

The following table provides an analysis of Group's revenue, results, assets, liabilities and other information by business segment.

Audited	**Animation services RM**	**IT services RM**	**Food and beverage RM**	**Others RM**	**Elimination RM**	**Total RM**
31 December 2023						
Revenue						
External revenue	28,092,089	-	66,635	-	-	28,158,724
Inter-segment revenue	819,536	1,377,881	47,980	-	(2,245,397)	-
Total revenue	28,911,625	1,377,881	114,615	-	(2,245,397)	28,158,724
Results						
Profit/(Loss) from operations	10,805,880	13,719	(221,992)	(116,132)	235,388	10,716,863
Finance income	218,546	5,077	-	1,659	-	225,282
Finance costs	(146,029)	-	-	-	-	(146,029)
Profit/(Loss) before tax	10,878,397	18,796	(221,992)	(114,473)	235,388	10,796,116
Income tax expense	(2,437,009)	(671)	-	(389)	-	(2,438,069)
Net profit/(loss) for the year	8,441,388	18,125	(221,992)	(114,862)	235,388	8,358,047

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27.1 **Business segment** (continued)

Audited	**Animation services RM**	**IT services RM**	**Food and beverage RM**	**Others RM**	**Elimination RM**	**Total RM**
31 December 2022						
Revenue						
External revenue	23,389,717	-	95,318	-	-	23,485,035
Inter-segment revenue	282,365	913,748	69,131	-	(1,265,244)	-
Total revenue	23,672,082	913,748	164,449	-	(1,265,244)	23,485,035
Results						
Profit/(Loss) from operations	9,408,873	(288)	(201,952)	(6,929)	193,739	9,393,443
Finance income	182,637	1,707	-	751	-	185,095
Finance costs	(144,391)	-	-	-	-	(144,391)
Profit/(Loss) before tax	9,447,119	1,419	(201,952)	(6,178)	193,739	9,434,147
Income tax expense	(1,454,321)	(380)	-	(153)	-	(1,454,854)
Net profit/(loss) for the year	7,992,798	1,039	(201,952)	(6,331)	193,739	7,979,293

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27.1 **Business segment** (continued)

Audited	**Animation services RM**	**IT services RM**	**Food and beverage RM**	**Others RM**	**Elimination RM**	**Total RM**
31 December 2021						
Revenue						
External revenue	17,587,710	-	87,712	-	-	17,675,422
Inter-segment revenue	208,374	804,630	63,360	-	(1,076,364)	-
Total revenue	17,796,084	804,630	151,072	-	(1,076,364)	17,675,422
Results						
Profit/(Loss) from operations	8,278,093	53,766	(111,506)	(8,147)	(113,374)	8,098,832
Finance income	166,404	1,799	-	838	-	169,041
Finance costs	(116,753)	-	-	-	-	(116,753)
Profit/(Loss) before tax	8,327,744	55,565	(111,506)	(7,309)	(113,374)	8,151,120
Income tax expense	(1,616,256)	(13,380)	(36,800)	(300)	-	(1,666,736)
Net profit/(loss) for the year	6,711,488	42,185	(148,306)	(7,609)	(113,374)	6,484,384
Non-controlling interests	2,283	-	-	-	-	2,283
Net profit/(loss) attributable to owners of the Company	6,713,771	42,185	(148,306)	(7,609)	(113,374)	6,486,667

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27.1 **Business segment** (continued)

Audited	**Animation services RM**	**IT services RM**	**Food and beverage RM**	**Others RM**	**Elimination RM**	**Total RM**
31 December 2020						
Revenue						
External revenue	14,877,692	-	45,113	-	-	14,922,805
Inter-segment revenue	-	581,174	70,990	-	(652,164)	-
Total revenue	14,877,692	581,174	116,103	-	(652,164)	14,922,805
Results						
Profit/(Loss) from operations	5,157,032	(108,064)	(135,297)	(8,912)	(12,877)	4,891,882
Finance income	109,063	1,983	-	446	-	111,492
Finance costs	(112,955)	-	-	-	-	(112,955)
Profit/(Loss) before tax	5,153,140	(106,081)	(135,297)	(8,466)	(12,877)	4,890,419
Income tax expense	(1,264,903)	25,057	26,800	-	-	(1,213,046)
Net profit/(loss) for the year	3,888,237	(81,024)	(108,497)	(8,466)	(12,877)	3,677,373
Non-controlling interests	2,540	-	-	-	-	2,540
Net profit/(loss) attributable to owners of the Company	3,890,777	(81,024)	(108,497)	(8,466)	(12,877)	3,679,913

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27.1 **Business segment** (continued)

Audited	**Animation services RM**	**IT services RM**	**Food and beverage RM**	**Others RM**	**Elimination RM**	**Total RM**
As at 31 December 2023						
Assets and liabilities						
Segment assets	25,566,353	481,415	110,315	89,076	(862,856)	25,384,303
Segment liabilities	7,456,274	220,572	803,489	135,479	(1,171,712)	7,444,102
Other information						
Capital expenditure on plant and equipment and right of use assets	2,739,687	-	400	-	(36,948)	2,703,139
Depreciation	1,170,379	-	22,191	-	(10,885)	1,181,685
Audited						
As at 31 December 2022						
Assets and liabilities						
Segment assets	23,307,413	295,628	130,109	73,019	(570,026)	23,236,143
Segment liabilities	7,434,595	52,910	601,291	4,563	(643,494)	7,449,865
Other information						
Capital expenditure on plant and equipment and right of use assets	2,989,782	-	-	-	(9,879)	2,979,903
Depreciation	987,878	-	45,852	-	(3,293)	1,030,437

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27.1 **Business segment** (continued)

Audited	**Animation services RM**	**IT services RM**	**Food and beverage RM**	**Others RM**	**Elimination RM**	**Total RM**
As at 31 December 2021						
Assets and liabilities						
Segment assets	19,732,766	253,864	171,611	79,592	(1,098,973)	19,138,860
Segment liabilities	4,774,560	12,185	440,841	4,805	(633,702)	4,598,689
Other information						
Capital expenditure on plant and equipment	190,749	-	340	-	(139,756)	51,333
Depreciation	1,011,379	-	53,087	-	(19,455)	1,045,011

Audited	**Animation services RM**	**IT services RM**	**Food and beverage RM**	**Others RM**	**Elimination RM**	**Total RM**
As at 31 December 2020						
Assets and liabilities						
Segment assets	21,017,247	246,950	276,623	85,896	(746,862)	20,879,854
Segment liabilities	5,762,084	47,456	397,547	3,500	(394,965)	5,815,622
Other information						
Capital expenditure on plant and equipment	52,127	-	7,335	-	-	59,462
Depreciation	1,266,905	-	52,563	-	-	1,319,468

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27.1 **Business segment** (continued)

	Animation services RM	IT services RM	Food and beverage RM	Others RM	Elimination RM	Total RM
Audited						
31 December 2023						
Non-cash items other than depreciation						
Allowance for expected credit loss	261,209	-	-	-	(261,209)	-
Plant and equipment written off	44,240	-	-	-	-	44,240
Audited						
31 December 2022						
Non-cash items other than depreciation						
Allowance for expected credit loss	431,965	-	-	-	(431,965)	-
Impairment loss of investment in a subsidiary	149,999	-	-	-	(149,999)	-
Gain on derecognition of lease liabilities	(24,851)	-	-	-	-	(24,851)
Audited						
31 December 2021						
Non-cash items other than depreciation						
Not applicable	-	-	-	-	-	-
Audited						
31 December 2020						
Non-cash items other than depreciation						
Deposits written off	1,000	-	-	-	-	1,000

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27.2 **Customers segment information**

Revenue from transactions with major customers arising from animation services segment that individually accounted for 10 percent or more of the Group's revenue are summarised below:

	Audited FYE 31 December			
	2023	**2022**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Customer A	9,376,792	8,895,297	7,885,946	4,925,429
Customer B	6,278,522	4,320,895	1,918,290	3,775,158
Customer C	3,789,966	4,274,563	-	2,386,002
Customer D	2,903,132	2,458,859	-	-
	22,348,412	19,949,614	9,804,236	11,086,589

28. **Financial instruments and financial risk management**

28.1 **Categories of financial instruments**

The following table sets out the financial instruments as at the reporting date:

	Audited As at 31 December			
	2023	**2022**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Financial assets				
Amortised cost				
- trade and other receivables	3,292,485	2,698,345	4,451,177	2,762,805
- fixed deposits with licensed banks	7,175,000	9,675,000	9,760,000	7,647,159
- cash and bank balances	8,046,875	5,826,158	2,108,908	6,600,231
	18,514,360	18,199,503	16,320,085	17,010,195
Financial liabilities				
Amortised cost				
- trade and other payables	2,433,303	2,611,320	1,507,450	2,190,611
- borrowings (fixed rate)	848,498	699,005	874,380	1,000,000
- lease liabilities (fixed rate)	2,677,328	2,955,301	1,639,990	2,231,092
	5,959,129	6,265,626	4,021,820	5,421,703

28.2 **Financial risk management objectives and policies**

The Group's overall financial risk management programme seeks to minimise potential adverse effects on financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

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28.2 **Financial risk management objectives and policies** (continued)

Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The carrying amounts of monetary assets and monetary liabilities denominated in currency other than the functional currency of the Group companies at the reporting date are disclosed in the respective notes to the financial statements.

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of the Group. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusted at the period end for a 10% change in foreign currency rates. If the relevant foreign currencies strengthen by 10% against the functional currency, profit before tax will increase/(decrease) by:

	Audited			
	FYE 31 December			
	2023	**2022**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Canadian Dollar	-	31	29,500	90,078
Euro	75,400	95	31,043	66,103
Hong Kong Dollar	(14,600)	(20,293)	-	24,712
Singapore Dollar	3,200	-	-	-
United States Dollar	483,500	584,699	277,287	87,267

The opposite applies if the relevant foreign currencies weaken by 10% against the functional currency.

Interest rate risk management

The Group's primary interest rate risk relates to interest bearing debts. The information on maturity dates and effective interest rates of financial liabilities are disclosed in their respective notes.

No sensitivity analysis is prepared as the Group is not exposed to interest rate risk. The interest rates on interest bearing debts are fixed.

Credit risk management

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. The Group minimises credit risk by dealing exclusively with high credit worthy counterparties. At reporting date, there were no significant concentrations of credit risk other than as follows:

	Audited			
	As at 31 December			
	2023	**2022**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Bank balances with two financial institutions	13,832,149	14,325,194	9,184,990	12,593,916

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28.2 **Financial risk management objectives and policies** (continued)

Credit risk management (continued)

The Group's credit risk grading framework for ECL model is as follows:

Category	**Definition**	**Basis for recognition of ECL**
Performing	The debtor has a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
Default	Amount is > 90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

i) Trade receivables and contract assets

For trade receivables and contract assets, the Group has applied the simplified approach to measure the loss allowance at lifetime expected credit losses. Where appropriate, the Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. In determining the ECL of other trade receivables, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

ii) Other receivables

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

iii) Cash and bank balances (including fixed deposits)

The cash and bank balances are held with reputable financial institutions with high credit ratings and no history of default. Impairment on cash and bank balances has been measured on a 12-month ECL and reflects the short term maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the financial institutions. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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28.2 **Financial risk management objectives and policies** (continued)

Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. The Group finances its operations by a combination of equity and bank borrowings. In addition, the Group has available banking facilities to meet its liquidity and working capital requirements.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

		Contractual cash flows (including interest payments)				
	Carrying amount	Total	On demand or within 1 year	Within 1 to 2 years	Within 2 to 5 years	More than 5 years
Audited	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
As at 31 December 2023						
Non interest bearing debts	2,433,303	2,433,303	2,433,303	-	-	-
Interest bearing debts	848,498	892,407	596,177	222,132	74,098	-
Lease liabilities	2,677,328	3,082,800	612,600	612,600	912,600	945,000
	5,959,129	6,408,510	3,642,080	834,732	986,698	945,000
Audited						
As at 31 December 2022						
Non interest bearing debts	2,611,320	2,611,320	2,611,320	-	-	-
Interest bearing debts	699,005	740,440	222,132	222,132	296,176	-
Lease liabilities	2,955,301	3,465,000	612,000	504,000	1,104,000	1,245,000
	6,265,626	6,816,760	3,445,452	726,132	1,400,176	1,245,000

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28.2 **Financial risk management objectives and policies** (continued)

Liquidity risk management (continued)

		Contractual cash flows (including interest payments)				
Audited	**Carrying amount RM**	**Total RM**	**On demand or within 1 year RM**	**Within 1 to 2 years RM**	**Within 2 to 5 years RM**	**More than 5 years RM**
As at 31 December 2021						
Non interest bearing debts	1,507,450	1,507,450	1,507,450	-	-	-
Interest bearing debts	874,380	962,612	222,132	222,132	518,348	-
Lease liabilities	1,639,990	1,760,900	608,400	510,000	642,500	-
	4,021,820	4,230,962	2,337,982	732,132	1,160,848	-
Audited						
As at 31 December 2020						
Non interest bearing debts	2,190,611	2,190,611	2,190,611	-	-	-
Interest bearing debts	1,000,000	1,110,700	148,088	222,132	666,396	74,084
Lease liabilities	2,231,092	2,434,500	673,600	608,400	1,152,500	-
	5,421,703	5,735,811	3,012,299	830,532	1,818,896	74,084

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28.3 **Capital structure and capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while providing an adequate return to stakeholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the statements of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity that are managed as capital.

The debt-to-adjusted capital ratios at the end of each reporting period were as follows:

	Audited			
	As at 31 December			
	2023	**2022**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Total debts	848,498	3,654,306	2,514,370	3,231,092
Less: Cash and bank balances and fixed deposits	(15,221,875)	(15,501,158)	(11,868,908)	(14,247,390)
Net cash	(14,373,377)	(11,846,852)	(9,354,538)	(11,016,298)
Total equity/Adjusted capital	17,940,201	15,786,278	14,540,171	15,064,232
Debt-to-adjusted capital ratio (times)	N/A	N/A	N/A	N/A

There were no changes in the Group's approach to capital management during these reporting periods.

29. **Fair value measurements**

29.1 **Financial instruments not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of the Group's borrowings and lease liabilities approximate their carrying amounts as these instruments were entered/initially recognised with interest rates which are reasonable approximation of the market interest rates on or near reporting date.

30. **Events subsequent to the reporting period**

On 15 April 2024, the ordinary shares of Inspidea increased from 2,331,861 to 4,910,703 as a result of the conversion of 88,509 convertible preference shares. The new ordinary shares rank pari passu with the then existing shares of Inspidea.

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STATEMENT BY DIRECTORS

The directors nominated by KUCINGKO BERHAD (formerly known as Kucingo Sdn Bhd) state that, in the opinion of the directors, the combined financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and of their financial performance and their cash flows for the years ended on 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

Signed on behalf of the Board of Directors of Kucingko Berhad (formerly known as Kucingo Sdn Bhd) in accordance with a resolution of the directors,

OOI KOK HONG

SEE CHIN JOO

Kuala Lumpur

Dated: 30 MAY 2024

14. STATUTORY AND OTHER GENERAL INFORMATION

14.1 EXTRACT OF OUR CONSTITUTION

Subject to the receipt of the approvals and fulfilment of the conditions as may be imposed by the relevant authorities as set out in Section 2 of this Prospectus, the following provisions relating to the selected matters are reproduced from our Constitution.

The words and expressions appearing in this section shall bear the same meanings used in our Constitution or the context otherwise requires.

"Act"	The Companies Act, 2016, as amended, substituted or re-enacted from time to time.
"Applicable Laws"	All laws, by-laws, regulations, rules, orders and/or official direction for the time being in force and any statutory modification, amendment or re-enactment thereof affecting our Company and our subsidiaries, including but not limited to the Act, Listing Requirements, Rules and every other directives or requirements imposed on our Company by the Companies Commission of Malaysia, Securities Commission Malaysia and/or other relevant regulatory bodies and/or authorities.
"Authorised Nominee"	An authorised nominee defined under the Central Depositories Act
"Auditors"	The auditors of our Company for the time being
"Boad"	The Board of Directors of our Company for the time being
"Central Depositories Act"	The Securities Industry (Central Depositories) Act 1991 and regulations made thereunder, as amended, substituted or re-enacted from time to time.
"Constitution"	Our Constitution as originally framed or as altered from time to time.
"Company"	Kucingko Berhad (formerly known as Kucingo Sdn Bhd) (Registration No. 202301011068 (1504989-A)) or such other names to which it may be changed from time to time.
"Deposited Security(ies)"	Shall have the meaning given in Section 2 of the Central Depositories Act.
"Depositor"	A holder of a Securities Account, as defined in Section 2 of the Central Depositories Act.
"Depository"	Bursa Malaysia Depository Sdn. Bhd. (Registration No.: 198701006854 (165570-W))
"Directors"	Our Directors of our Company for the time being (inclusive of alternate director or nominee director).
"Electronic Address"	Any electronic mail address or mobile or contact number used for the purpose of sending or receiving documents or information by electronic means.

"Electronic Communication"	Include, but shall not limited to, unless the contrary intention appears, references to delivery of documents or information in electronic form by electronic means to the Electronic Address or any other address or number of the addressee, as permitted by the law.
"Electronic Form"	Document or information sent or supplied in electronic form are those sent by "electronic communication" or by any other means while in an electronic form whereby a recipient of such document or information would be able to retain a copy.
"Exchange"	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (Company No. 635998-W)) and any other share, stock, or securities exchange upon which the shares of our Company may be listed.
"Exempt Authorised Nominee"	An authorised nominee defined under the Central Depositories Act which is exempted from compliance with provisions of Section 25A(1) of the Central Depositories Act.
"Listing Requirements"	Unless the context otherwise requires, means the ACE Market Listing Requirements of the Exchange including any relevant practice and/or guidance notes, directives, guidelines issued pursuant thereto and any amendment, supplemental, modification to the same that may be made from time to time.
"Market Day"	Any day on which the stock market of the Exchange is open from trading in securities.
"Member"	Any person for the time being holding shares in our Company and whose name appears in the Register of Members (with the exception of the Depository or its nominee company in whose name the Deposited Security is registered) and shall include any depositor whose name appears in the Record of Depositors.
"Office"	The registered office of our Company for the time being.
"Omnibus Account"	A securities account in which ordinary shares of our Company are held in our Company for multiple beneficial owners in one (1) securities account and includes a securities account maintained by an Exempt Authorised Nominee on behalf of a Foreign Depository.
"Record of Depositors"	A record provided by the Depository to our Company or its registrar or its issuing house pursuant to an application under Chapter 24 of the Rules of the Depository.
"Registrar"	Any person appointed to perform the duties of the Registrar of our Company for the time being.
"Rules/Rules of the Depository"	Rules of the Depository and any appendices thereto as they may be amended or modified from time to time.
"Seal"	The common seal of our Company.
"Secretary"	Any person (or persons jointly) appointed to perform the duties of the Secretary of our Company for the time being and shall include an assistant or deputy secretary.

"Securities Account"	An account established by the Depository for a Depositor for all recordings of deposits of securities and for dealings in such securities by the Depositor as permitted under the Central Depositories Act or the Rules.
"Securities Laws"	As defined under the Securities Commission Malaysia Act 1993, which shall include the Securities Commission Malaysia Act 1993, CMSA, Central Depositories Act and any guidelines, written notices and circulars issued by the Securities Commission Malaysia.
"Security/Securities"	Shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007.

14.1.1 Changes to share capital and variation of class rights

The provisions in our Constitution in respect of the changes in capital and variation of class rights are as follows:

Clause 11 – Authority of Directors to allot shares	Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of our Constitution and the Act and the Central Depositories Act and to the provisions of any resolution of our Company, shares in our Company may be issued by our Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as our Directors may think fit but our Directors in making any issue of shares shall comply with the following conditions:- (a) no issue of shares shall be made which will have the effect of transferring a controlling interest in our Company to any person, company or syndicate without the prior approval of the Members at the meeting of Members; (b) in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in our Constitution or in the resolution creating the same; and (c) every issue of shares or options to employees and/or Directors shall be approved by the Members in a meeting of Members and such approval shall specifically detail the amount of shares or options to be issued to each Director.

Clause 16 – Allotment and issuance of securities	Our Company must ensure that all new issue of securities for which listing is sought on the Exchange are made by way of crediting the Securities Accounts of the allottees with such securities save and except where it is specifically exempted from compliance with Section 38 of the Central Depositories Act, in which it shall so similarly be exempted from compliance with this requirement. For this purpose, our Company must notify the Depository of the names of the allottees and all such particulars required by the Depository, to enable Depository to make the appropriate entries in the Securities Accounts of such allottees. Subject to the Applicable Laws, our Company must allot the securities and despatch notices of allotment to the allottees and make application for the quotation of such securities within the stipulated time frame as may be prescribed by the Exchange.
Clause 19 – Alteration of class rights	Whenever the capital of our Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of our Constitution (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares capital of the class or group, or with the sanction of any special resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst our Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class or group. To every such separate general meeting all the provisions of our Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 292 of the Act, shall, with such adaptations as are necessary, apply.
Clause 54 – Power to increase capital	Subject to Applicable Laws and our Constitution, our Company may from time to time, whether all the shares for the time being issued shall have been fully called up or not, by ordinary resolution increase its share capital by the creation and issuance of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as our Company by the resolution authorising such increase may directs.

Clause 55 – Power to alter capital	Our Company may alter its share capital by passing an ordinary resolution to:- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; (b) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares or subject to the Act, reclassify any class of shares into other class of shares; (c) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Any resolution whereby any share is sub-divided may determine that, as between the holders of shares resulting from such subdivision, one or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the other or others of such shares; and (d) cancel any shares which at the date of the passing of the resolution which have been forfeited, have not been taken or agreed to be taken by any persons and diminish the amount of its share capital by the amount of the shares so cancelled.
Clause 56 – Power to reduce capital	Our Company may by special resolution reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

14.1.2 Transfer of securities

The provision in our Constitution in respect of the arrangements for transfer of securities and restrictions on their free transferability are as follows:

Clause 45– Transfer of Deposited Securities	Subject to the Applicable Laws and our Constitution, the transfer of any Deposited Securities of our Company, shall be made by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, our Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

Clause 46 – Transferor's right	The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.
Clause 47 – Person under disability	No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

14.1.3 Remuneration of Directors

The provisions in our Company's Constitution in respect of the remuneration of Directors are as follows:

Clause 103 – Fees and benefits for Directors	The fees of our Directors and any benefits payable to our Directors including any compensation for loss of employment of a Director or former Director shall from time to time be determined by an ordinary resolution of our Company in meeting of Members and shall (unless such resolution otherwise provided) be divisible among our Directors as they may agree PROVIDED ALWAYS that:- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover, which shall not exceed the amount approved by the Members in meeting of Members; (b) salaries payable to executive Directors may not include a commission on or percentage of turnover; (c) fees and any benefits payable to Directors shall be subject to annual shareholder approval at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting; and (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.
Clause 104 – Reimbursement of expenses	Our Directors (include alternate Directors) shall be entitled to be reimbursed for all travelling, hotel and other reasonable expenses as may be incurred by them in attending and returning from meetings of our Directors or of any committee of our Directors or meetings of Members or otherwise howsoever in connection with or about the business of our Company in the course of the performance of their duties as Directors.

Clause 105 – Special Remuneration	Subject to the Act and our Constitution, our Directors may grant special remuneration to any Director who (on request by our Directors) is willing to:- (a) render any special or extra services to our Company; or (b) to go or reside outside his country of domicile or residence in connection with the conduct of any of our Company's affairs. Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by any such methods as may be determined by the Board but shall not include a commission on or a percentage of turnover provided that in the case of non-executive Director, the said remuneration shall not include a commission on or percentage of profits.
Clause 135 – Remuneration of Managing Director and/or Executive Director	The remuneration of the Managing Director and/or Executive Directors may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes, but such remuneration shall not include a commission on or percentage of turnover.

14.1.4 Voting and borrowing powers of our Directors

The provisions in our Constitution in respect of the voting and borrowing powers of Directors are as follows:

Clause 108 – Borrowing powers of Directors	(a) Our Directors may exercise all the powers of our Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of our Company, or of any third party subject to the Applicable Laws, as they may think fit. (b) Our Directors shall not borrow any money or mortgage or charge any of our Company or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party. (c) Our Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charged specifically affecting the property of our Company and shall duly comply with the requirements of Section 353 of the Act in regard to the registration of mortgages and charges therein specified or otherwise.

(d) If our Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from our Company, our Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of our Company by way of indemnity to secure our Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

Clause 125 – Declaration of Interest and restriction of voting

(a) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract or arrangement with our Company, shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with another company in which he is interested either as an officer of that other company or as a holder or shares or other securities in that other company.

(b) Subject to Clause 125(a), a Director may vote in respect of:

(i) any arrangement for giving any Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of our Company or any of its subsidiaries; or

(ii) any arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by deposit of a security.

By Ordinary Resolution of our Company, the provisions of this Clause may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause may be ratified.

Clause 126 – Directors retained from voting in interested transactions	Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with our Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of our Company.

14.2 SHARE CAPITAL

(i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.

(ii) As at the LPD, our Company has only 1 class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(iii) Save as disclosed in this Prospectus, no shares, stocks or debentures of our Company have been issued or proposed to be issued as fully or partly paid-up in cash or otherwise, within the 2 years immediately preceding the date of this Prospectus.

(iv) Save for the LTIP, none of the share capital of our Group is under option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.

(v) Save for the Pink Form Allocations reserved for subscription by the eligible Directors and employees as disclosed in Section 4.3.1(ii) of this Prospectus, LTIP as disclosed in Section 4.3.6 of this Prospectus and subject to our Listing as disclosed in Section 6 of this Prospectus, there is currently no other scheme involving our Directors and employees in the share capital of our Group.

(vi) As at the date of this Prospectus, save for the LTIP, our Group does not have any outstanding warrants, options, convertible securities or uncalled capital.

(vii) Save as disclosed in this Prospectus, and save as provided for under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our Subsidiaries or upon the declaration or payment of any dividend or distribution thereon.

14.3 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Save as disclosed in Section 14.4 below, there is no limitation on the right to own our Shares including any limitation on the right of a non-resident or foreign shareholder to hold or exercise voting rights on our Shares imposed by Malaysian law or by our Constitution.

14.4 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14.5 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contract which is not in the ordinary course of our Group's business within the Financial Years Under Review and up to the date of this Prospectus:

(i) letter of agreement dated 15 December 2022 between Inspidea (as seller) and Arboratory Limited (as acquirer) in respect of the sale of 100.00% equity interest in Tapestreum Pte Ltd for a consideration of SGD29,642.11 or approximately RM96,625.00, which has been completed on the even date;

(ii) letter of agreement dated 30 December 2022 between Inspidea (as seller) and Arboratory Limited (as acquirer) in respect of the sale of 100.00% equity interest in TSSRM Sdn Bhd for a consideration of RM391,202.79, which has been completed on the even date;

(iii) share sale agreement dated 21 November 2023 entered into between our Company (as acquirer), Netval Ventures, See Chin Joo and Ooi Kok Hong (as seller) for the Acquisition, which was completed on 9 May 2024; and

(iv) the Underwriting Agreement, further details of which are set out in Section 4.10 of this Prospectus.

14.6 MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, neither our Company nor our Subsidiaries are engaged in any governmental, legal, claims or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings, whether as plaintiff or defendant or as a third party which may have or have had, material or significant effects on our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

14.7 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company. As such, there are no governmental laws, decree, regulation or other requirement which may affect the repatriation of capital and the remittance of profit by or to our Group.

14.8 CONSENTS

The written consents of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretary, Solicitors, Share Registrar and Issuing House listed in the Corporate Directory of this Prospectus for the inclusion of their names and all references thereto in the form and context in which such names appear in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of our Auditors and Reporting Accountants for the inclusion of its name, the Accountants' Report and the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statement of Financial Position, and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

The written consent of our Independent Market Researcher for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

14.9 RESPONSIBILITY STATEMENT

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

(ii) Kenanga IB as the Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

14.10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during normal business hours for a period of 6 months from the date of this Prospectus:

(i) our Constitution;

(ii) the IMR Report prepared by IMR as included in Section 8 of this Prospectus;

(iii) the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statement of Financial Position as included in Section 12.1 of this Prospectus;

(iv) the Accountants' Report as included in Section 13 of this Prospectus;

(v) our material contracts as referred to in Section 14.5 of this Prospectus;

(vi) the letters of consent as referred to in Section 14.8 of this Prospectus; and

(vii) the audited financial statements of our Company and our Subsidiaries for the Financial Years Under Review.

KUCINGKO BERHAD
(FORMERLY KNOWN AS KUCINGO SDN BHD)
(Registration No. 202301011068 (1504989-A))

THE BY-LAWS OF THE LONG TERM INCENTIVE PLAN OF KUCINGKO BERHAD (FORMERLY KNOWN AS KUCINGO SDN BHD)

1. DEFINITIONS

1.1 In these By-Laws, except where the context otherwise requires, the following expressions shall have the following meanings:

"Act"	:	Companies Act 2016
"Award Date"	:	The date of the letter or electronic mail of which an LTIP Award is offered by the LTIP Committee to the Eligible Persons to participate in the Scheme
"Board"	:	The Board of Directors of the Company
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"By-Laws"	:	The rules, terms and conditions contained in these by-laws governing the Scheme, as amended from time to time in accordance with By-Law 28
"CDS"	:	Central Depository System
"CDS Account"	:	An account established by Bursa Depository for a depositor for the recording of deposits and withdrawal of securities and for dealings in such securities by a depositor
"Company"	:	Kucingko Berhad (formerly known as Kucingo Sdn Bhd)
"Constitution"	:	The Constitution of the Company, as amended from time to time
"Date of Acceptance"	:	The date on which the LTIP Committee shall receive the written notice accepting an ESOS Award accompanied by a payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the ESOS from an Eligible Person in accordance with By-Law 7.1
"Date of Expiry"	:	The last day of the Duration of the Scheme as defined in By-Law 25.2
"Director"	:	A director within the meaning of Section 2 of the Act, which for the avoidance of doubt, excludes an alternate director
"Disciplinary Proceedings"	:	Proceedings instituted by any company in the Group against any Grantee or Eligible Person for any alleged misbehaviour, misconduct and/or any other acts of such Grantee or Eligible Person deemed to be unacceptable by the said company whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee or Eligible Person

"Duration of the Scheme"	:	The duration of the Scheme as defined in By-Law 25.1 and includes any extension thereof in accordance with By-Law 25.2
"Effective Date"	:	The date on which the Scheme comes into force as provided in By-Law 25.1
"Eligible Person"	:	An Executive Director or Employee who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 4
"Employee"	:	Any person in the employment and on the payroll of any company within the Group
"Entitlement Date"	:	The date (and as at the close of business) on which shareholders' name must appear in the Company's record of depositors maintained at Bursa Depository in order to be entitled to any dividends, rights, allotments and/or other distributions
"ESGS"	:	The employee share grant scheme for the Company to grant Shares at no consideration to Eligible Persons according to the terms of these By-Laws
"ESGS Grant"	:	A grant of Shares made in writing by the LTIP Committee from time to time to an Eligible Person to participate in the ESGS in the manner provided in By-Law 11
"ESGS Grantee"	:	An Eligible Person who has accepted an ESGS Grant in the manner as provided in By-Law 12
"ESGS Vesting Date"	:	Such date as may be determined by the LTIP Committee on which all or some of the Shares awarded under an ESGS Grant to an Eligible Person is/are vested in accordance with By-Law 13
"ESOS"	:	The employee share option scheme for the benefit of the Eligible Persons to subscribe for new Shares according to the terms of these By-Laws
"ESOS Award"	:	An award of such number of ESOS Options made in writing by the LTIP Committee from time to time to an Eligible Person to participate in the ESOS in the manner provided in By-Law 6
"ESOS Grantee"	:	An Eligible Person who has accepted an ESOS Award in the manner provided in By-Law 7
"ESOS Options" or "Options"	:	The right of an ESOS Grantee to subscribe for new Shares at the Option Price in the manner provided in By-Law 9

"ESOS Vesting Date"	:	Such date on which all or some of the Options pursuant to an ESOS Award are vested upon fulfilment of the Vesting Conditions as stipulated by the LTIP Committee in accordance with By-Law 7.4
"Executive Director"	:	A Director who, on the Award Date, is on the payroll of the Group and is involved in the day-to-day management of any company within the Group
"Grantee"	:	An ESOS Grantee and/or ESGS Grantee, as the case may be
"Group"	:	The Company and its subsidiary company(ies) as defined in Section 4 of the Act (which for the avoidance of doubt shall exclude the Company's associate company(ies)) and which are not dormant. Subject to the foregoing, the expression "subsidiary company(ies)" shall for the purposes hereof include subsidiaries which are existing as at the Effective Date and such subsidiaries which the LTIP Committee may, from time to time, determine at its discretion, and subsidiaries which are incorporated or acquired at any time during the Duration of the Scheme but excludes: (i) subsidiaries which have been divested in the manner provided in By-Law 23; and (ii) subsidiaries which are dormant
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"LTIP" or "Scheme"	:	The Kucingko Berhad Long Term Incentive Plan comprising ESOS and ESGS, which shall be administered in accordance with these By-Laws
"LTIP Awards"	:	Collectively, the ESOS Award and ESGS Grant and "LTIP Award" shall mean any one of them in the context of these By-Laws
"LTIP Committee"	:	The committee as appointed from time to time by the Board pursuant to By-Law 2.1 to implement and administer the LTIP in accordance with these By-Laws
"Market Day"	:	A day on which Bursa Securities is open for trading of securities
"Maximum Allowable Allotment"	:	The maximum aggregate number of Shares in respect of the LTIP Awards that can be offered and allotted to an Eligible Person in accordance with the provisions of By-Law 5.2

"Offer Period"	:	A period of thirty (30) days from the Award Date or such longer period as may be determined by the LTIP Committee at its sole and absolute discretion during which an ESOS Award is valid for acceptance as stipulated in By-Law 6.3
"Option Period"	:	The period commencing from the ESOS Vesting Date and expiring on a date on which the Options terminates, expires or lapses and/or otherwise ceases to be of any force and effect in accordance with these By-Laws and as set out in the ESOS Award
"Option Price"	:	The price at which an ESOS Grantee shall be entitled to subscribe for each new Share upon the exercise of an ESOS Option, as initially determined in accordance with the provisions of By-Law 10 and as may be adjusted pursuant thereto in accordance with the provisions of By-Law 21
"Performance Targets"	:	The performance targets determined and prescribed by the LTIP Committee, which are to be achieved by the Grantee and/or Group (and/or such business units within the Group as determined by the LTIP Committee), during such period as specified in the LTIP Award
"persons connected"	:	Shall have the meaning as that assigned to "person connected" in Rule 1.01 of the Listing Requirements
"Principal Adviser"	:	Shall have the meaning as that assigned to "Adviser" in Rule 1.01 of the Listing Requirements
"RM"	:	Ringgit Malaysia
"Rules of Bursa Depository"	:	The Rules of Bursa Depository, as issued pursuant to SICDA
"Shares"	:	Ordinary shares in the Company
"SICDA"	:	Securities Industry (Central Depositories) Act 1991
"Validity Period"	:	A period of thirty (30) days from the Award Date or such longer period as may be determined by the LTIP Committee at its sole and absolute discretion on a case-to-case basis during which an ESGS Grant is valid for acceptance as stipulated in By-Law 11.4
"Vesting Conditions"	:	The conditions determined by the LTIP Committee and stipulated in the LTIP Awards which must be fulfilled for the Options under the ESOS Award and/or the Shares under the ESGS Grant to be vested in an ESOS Grantee and/or ESGS Grantee as provided in By-Laws 7.4 and 13 respectively

1.2 Any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and the Listing Requirements, policies and/or guidelines of Bursa Securities and/or other relevant authorities respectively (whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with reasonable commercial practice of persons to whom such requirements, policies, regulations and/or guidelines are addressed to by Bursa Securities and /or other relevant authorities).

1.3 Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to the LTIP Awards made, offered and/or accepted within the Duration of the Scheme, and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced.

1.4 In these By-Laws, unless the context requires otherwise, words denoting the singular number shall include the plural number and vice versa, and words denoting one gender shall include the other gender.

1.5 The headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws.

1.6 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day; and if an event is to occur on a stipulated day which falls after the Date of Expiry then the stipulated day shall be taken to be the last Market Day prior to the Date of Expiry.

1.7 Under these By-Laws, any liberty or power of discretion which may be exercised, and/or any decision or determination which may be made:

(i) by the Board may be exercised in the Board's sole and absolute discretion and the Board shall not be under any obligation to give any reasons therefor; and

(ii) by the LTIP Committee may be exercised in the LTIP Committee's sole and absolute discretion and the LTIP Committee shall not be under any obligation to give any reason therefor, but subject always to the Board's power to overrule any decision of the LTIP Committee.

1.8 In the event of any change in the name of the Company from its present name, all references to "Kucingko Berhad" in these By-Laws and all other documents pertaining to the Scheme shall be deemed to be references to the Company's new name.

1.9 This Scheme shall be known as the "Kucingko Berhad Long Term Incentive Plan".

1.10 The establishment of this Scheme is to:

(i) to recognise the contribution of the Eligible Person whose services are valued and considered vital to the past and future growth of the Group;

(ii) to reward the Eligible Person by allowing them to participate in the Group's profitability and eventually realise any capital gains arising from appreciation in the value of the Shares;

(iii) to motivate the Eligible Person and promote high performance through greater productivity and loyalty within the Group;

(iv) to inculcate a greater sense of belonging and dedication as the Eligible Person are given the opportunity to participate directly in the equity of the Company, thereby promoting a shared vision amongst the stakeholders to further enhance shareholder value;

(v) to possibly retain the Eligible Person, hence ensuring that the loss of key personnel is kept to a minimum level;

(vi) to realign the total compensation of Eligible Person whereby this Scheme is incorporated to offset the reduction of other variable pay components, thereby better aligning the remuneration of Eligible Person with that of shareholder value creation; and

(vii) to align Eligible Person with the share price performance of the Company and future growth of the Group.

2. ADMINISTRATION AND TRUST

2.1 The Scheme shall be administered by the LTIP Committee consisting of such number of Directors and/or senior management personnel of the Group as shall be appointed and duly authorised by the Board from time to time. The Board shall have the power to determine all matters pertaining to the LTIP Committee, including, without limitation, setting the terms of reference for the LTIP Committee, as well as determining its composition, duties, powers and limitations. The Board is also entitled, at any time and from time to time to rescind the appointment of any member of the LTIP Committee and appoint replacement members to the LTIP Committee, to change the terms of appointment of the members of the LTIP Committee, to determine and change the terms of reference for the LTIP Committee, and to assume and/or exercise or execute any of the powers and authorities conferred upon the LTIP Committee pursuant to these By-Laws.

2.2 The LTIP Committee shall administer the Scheme in such manner as it shall in its discretion deem fit and with such powers and duties as are conferred upon it, subject only to these By-Laws as may be amended from time to time. The LTIP Committee may meet together for the despatch of business, to adjourn or otherwise regulate its meetings as it thinks fit.

2.3 In implementing the Scheme, the LTIP Committee may, at its discretion, decide that any vesting of Shares comprised in a LTIP Award shall be satisfied through:

(i) the issuance of new Shares;

(ii) the acquisition of existing Shares from the open market of Bursa Securities or transfer of the Company's treasury shares, if any;

(iii) any other methods as may be permitted by the Act; or

(iv) a combination of any of the above.

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

2.4 For the purposes of facilitating the implementation and administration of the Scheme, the Company may (but shall not be obliged to) establish a trust to be administered by a trustee to be appointed by the Company for the Scheme from time to time ("**Trustee**"), if required, for the purposes of subscribing for new Shares, acquiring existing Shares from the ACE Market of Bursa Securities and/or receiving treasury shares, and transferring them to the Grantees at such times as the LTIP Committee shall direct ("**Trust**"). For the said purposes and to pay expenses in relation to the administration of the Trust, the Trustee may, to the extent permitted by law, be entitled from time to time to accept funding and/or assistance, financial or otherwise, from the Group and/or any third party to be paid into the bank account(s) to be established by the Trustee for the purpose of the Trust as the Trustee may direct for any such payment. The LTIP Committee shall have the discretion to revoke or suspend any such direction that has earlier been given to the Trustee.

2.5 The Trustee, if and when the Trust is established, shall administer the Trust in accordance with the terms of a trust deed to be entered into between the Company and the Trustee ("**Trust Deed**"). For the purpose of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements or make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust, as the LTIP Committee may in its sole and absolute discretion direct for the implementation and administration of the Trust.

2.6 The Company shall have power from time to time, at any time, to appoint or rescind or terminate the appointment of the Trustee as it deems fit in accordance with the provisions of the Trust Deed. The Company shall have the power from time to time, at any time, to negotiate with the Trustee to amend the provisions of the Trust Deed.

2.7 Without limiting the generality of By-Laws 2.1 and 2.2, the LTIP Committee may, for the purpose of administering the Scheme, do all acts and things, rectify any errors in the LTIP Award subject to By-Laws 6.5 and 11.5, enter into or execute all transactions, agreements, deeds, documents and arrangements, construe and interpret the Scheme and LTIP Award granted under it, to define the terms and to recommend to the Board to establish, amend, waive (not inconsistent with the Scheme) and revoke rules and regulations relating to the Scheme and its administration, to give effect to the provisions of the Scheme, to determine all questions of policy and expediency that may arise in the administration of the Scheme and delegate any of its powers and duties relating to the Scheme as it may at its discretion consider to be necessary or desirable for giving effect to the Scheme. The LTIP Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an LTIP Award in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective. Any decisions of the LTIP Committee which are made in accordance with these By-Laws shall be final, binding and conclusive but subject always to the Board's power to overrule any decision of the LTIP Committee as provided under By-Laws 1.7(ii).

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

3.1 The maximum number of Shares which may be made available under the Scheme shall not in aggregate exceed ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme.

3.2 Notwithstanding the provision of By-Law 3.1 above and any other provision herein contained, in the event the maximum number of Shares granted under the Scheme exceeds in aggregate the aforesaid ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing or cancelling its own Shares in accordance with the provisions of Section 127 of the Act or undertaking any other corporate proposal and thereby reducing its the total number of issued shares, then such LTIP Awards granted prior to the variation of the issued share capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme as if that purchase or cancellation or reduction had not occurred. However, in such a situation, the LTIP Committee shall not make any further LTIP Awards unless the total number of Shares under the subsisting LTIP Awards including Shares that have been issued under the Scheme falls below ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme.

4. ELIGIBILITY

4.1 Subject to the discretion of the LTIP Committee, any Eligible Person who fulfils the following criteria as at the Award Date shall be eligible to participate in the LTIP and qualify for consideration and/or selection by the LTIP Committee if:

(i) such person is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(ii) he/she is employed on full time basis and is on the payroll of any Company within the Group, and who has been confirmed in service/employment as a full-time employee of the Group, and has not at the relevant point in time served a notice of resignation or received a notice of termination;

(iii) in respect of an Executive Director, the Executive Director must have been appointed as an Executive Director for such period as may be determined by the LTIP Committee prior to and up to the Award Date and has not at the relevant point in time served a notice of resignation or received a notice of termination; and/or

(iv) he/she falls within any other categories or criteria as may be determined by the LTIP Committee from time to time in its absolute discretion.

For the avoidance of doubt, the LTIP Committee may determine any other eligibility criteria and/or waive any of the conditions of eligibility as set out in this By-Law 4.1, provided that these bases are in compliance with the Listing Requirements and applicable laws, for purposes of selecting an Eligible Person at any time and from time to time, in the LTIP Committee's discretion, whose decision shall be final and binding but subject always to the Board's power to overrule any decision of the LTIP Committee as provided under By-Law 1.7(ii).

4.2 Where a specific allocation of Options and/or Shares is proposed to be made pursuant to a LTIP Award to an Eligible Person who is the chief executive, Director or major shareholder of the Company, or a person connected with such chief executive, Director or major shareholder of the Company, such specific allocation to the said person requires prior shareholders' approval in a general meeting provided always that the chief executive, Director and/or major shareholder of the Company and/or persons connected with them shall not have voted on the resolution approving the said allocation of Shares and/or Options to be made thereunder and any such allocation is not prohibited or disallowed by the relevant authorities or by any laws or regulation.

4.3 Without prejudice to the generality of the foregoing and subject to the LTIP Committee's discretion otherwise, any LTIP Award made by the LTIP Committee shall become void, of no force and effect and cease to be capable of acceptance by the Eligible Persons upon any of the following events occurring (prior to such LTIP Award being accepted by the Eligible Person selected by the LTIP Committee to whom an LTIP Award was made in accordance with By-Laws 7 and/or 12 hereof ("**Selected Employee**")):

(i) the death of the Selected Employee;

(ii) the Selected Employee having received a letter of termination or ceasing to be an employee of the Group, for any reason whatsoever;

(iii) the Selected Employee giving notice of his or her resignation from service/employment;

(iv) the company within the Group which employs the Selected Employee ceasing to be part of the Group or becomes dormant;

(v) the Selected Employee is subject to Disciplinary Proceedings (whether or not such Disciplinary Proceedings will give rise to a dismissal or termination of service); or

(vi) the Selected Employee is adjudicated a bankrupt.

4.4 The LTIP Committee may from time to time at its absolute discretion select and identify suitable Eligible Persons to be offered the LTIP Award. In the event that any Eligible Persons are a member of the LTIP Committee, such Eligible Persons shall not participate in the deliberation or discussion of their own allocations and the Vesting Conditions of the LTIP Awards.

4.5 No Employee of a dormant company within the Group shall be eligible to participate in the Scheme.

4.6 Eligibility under the Scheme does not confer on an Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the LTIP Awards unless an LTIP Award has been made by the LTIP Committee to the Eligible Person and the Eligible Person has accepted the LTIP Award in accordance with By-Laws 7 and/or 12 hereof.

4.7 Subject to these By-Laws and any applicable law, the LTIP Committee shall have the discretion, at any time and from time to time, to extend the benefit of this Scheme to any Eligible Person who is seconded to a corporation which is not within the Group but which is a corporation associated with the Group or a subsidiary of a corporation associated with the Group, and deem such Eligible Person (whether seconded before or after the coming into force of these By-Laws) to be an Employee and such a corporation to be within the Group.

5. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOCATION

5.1 Subject to By-Laws 3.1 and 5.2, and any adjustments which may be made under By-Law 21, the LTIP Committee shall be entitled in its discretion to determine the aggregate maximum number of Shares that may be allocated between the ESOS and the ESGS, and to any one class/grade of Eligible Person.

5.2 Not more than ten percent (10%) of the total number of Shares to be made available under the LTIP shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the total number of issued shares of the Company (excluding treasury shares, if any) ("**Maximum Allowable Allotment**").

5.3 Subject to By-Law 5.2, the aggregate number of Shares that may be allocated to any class or grade of Eligible Persons under the LTIP shall be determined at the absolute discretion of the LTIP Committee, after taking into consideration, among others:

(i) the Eligible Person's performance, seniority (denoted by employee job grade), length of service, and contribution to the performance of the Group;

(ii) in the case of an Eligible Person who is an Executive Director, the Eligible Person's contribution towards the growth of the Group and positions held in various board committees of the Company; and

(iii) any other criteria which the LTIP Committee deems relevant.

At the time the LTIP Award is offered, the LTIP Committee shall set out the basis of allocation of the LTIP Award(s) made to the Eligible Person(s) having the further particulars as set out in By-Law 6.4 and/or By-Law 11.3 (as the case may be).

5.4 The aggregate maximum allocation to the Directors and senior management of the Group shall not be more than eighty percent (80.0%) of the total number of Shares to be made available under the LTIP, in order to incentivise the Directors for their contribution towards development, growth and success and strategic direction to drive long term shareholder value enhancement of the Group and to incentivise the senior management of the Group for their commitment, dedication and loyalty towards attainment of higher performance.

5.5 The LTIP Committee may make more than one (1) LTIP Award to an Eligible Person PROVIDED THAT the aggregate number of Options and/or Shares so awarded to an Eligible Person throughout the entire Duration of the Scheme does not exceed the Maximum Allowable Allotment of such Eligible Person as referred to in By-Law 5.2.

5.6 The Company shall ensure that allocation of Shares pursuant to the Scheme is verified by the Audit Committee of the Company at the end of each financial year as being in compliance with the criteria for allocation of Shares which have been disclosed to the Employees and the Directors. A statement by the Audit Committee of the Company verifying such allocations shall be included in the annual report of the Company.

5.7 The LTIP Committee shall have the discretion in determining:

(i) whether the allocation available shall be awarded in one (1) single LTIP Award, or several separate and independent LTIP Awards; and

(ii) where the allocation is awarded in several separate and independent LTIP Awards, the number of Shares comprised in each LTIP Award as well as the vesting date(s) and vesting conditions for each LTIP Award.

5.8 No Eligible Person shall participate in the deliberation or discussion of their respective allocations.

6. ESOS AWARD

6.1 The LTIP Committee may at its discretion at any time and from time to time as it shall deem fit during the Duration of the Scheme make an ESOS Award in writing for acceptance in accordance with By-Law 7 below to an Eligible Person based on the criteria for allotment set out in By-Law 5 above and otherwise in accordance with the terms of this Scheme.

6.2 The actual number of ESOS Options which may be offered to an Eligible Person shall be at the discretion of the LTIP Committee subject to any adjustments that may be made under By-Laws 21 but shall not be more than the Maximum Allowable Allotment of such Eligible Person. The number of ESOS Options so offered which may be exercised in respect of all or any part of the Shares shall not be less than one hundred

(100) Shares and shall be in multiples of one hundred (100) Shares (or in any other denomination as prescribed by Bursa Securities as a board lot).

6.3 An ESOS Award shall be valid for acceptance for a period of thirty (30) days from the Award Date or such longer period as may be determined by the LTIP Committee at its sole and absolute discretion ("**Offer Period**").

6.4 The LTIP Committee shall state the following particulars in the letter of offer of an ESOS Award:

(i) the number of ESOS Options that are subject of the ESOS Award;

(ii) the number of new Shares which the Eligible Person shall be entitled to subscribe for upon the vesting and exercise of the ESOS Options offered;

(iii) the date of the ESOS Award;

(iv) the Option Period;

(v) the Option Price;

(vi) the Offer Period as mentioned in By-Law 6.3;

(vii) the Vesting Conditions;

(viii) the ESOS Vesting Date(s);

(ix) the basis of the allocation of the ESOS Award(s) made having regard to the Eligible Person(s)' annual appraised performance, class or grade of employment, Maximum Allowable Allotment and such other consideration that the LTIP Committee may in its sole and absolute discretion deem fit; and

(x) any other information deemed necessary by the LTIP Committee.

6.5 Without prejudice to By-Law 2, in the event of an error on the part of the Company in stating any of the particulars referred to in By-Law 6.4 above, the following provisions shall apply:

(i) as soon as possible but in any event no later than one (1) month after discovery of the error, the Company shall issue a supplemental letter of offer, stating the correct particulars referred to in By-Law 6.4 above;

(ii) in the event that the error relates to particulars other than the Option Price, the Option Price applicable in the supplemental letter of offer shall remain as the Option Price as per the original letter of offer; and

(iii) in the event that the error relates to the Option Price, the Option Price stated in the supplemental letter of offer shall be the Option Price applicable as at the date of the original letter of offer, save and except with respect to any ESOS Option which has already been exercised as at the date of issue of the supplemental letter of offer.

6.6 When an ESOS Award is made pursuant to these By-Laws, the LTIP Committee shall ensure that the Company makes an announcement of the following to Bursa Securities on the date of the ESOS Award:

(i) the date of ESOS Award;

(ii) the Option Price;

(iii) the number of Options or Shares offered;

(iv) the market price of its Shares on the date of the ESOS Award;

(v) the number of Options or Shares offered to each Executive Director, if any; and

(vi) the vesting period of the Options or Shares offered.

6.7 The Company shall keep and maintain at its expense a register of Options granted as required under Section 129 of the Act.

7. ACCEPTANCE OF ESOS AWARD

7.1 An ESOS Award shall be accepted by the Eligible Person within the Offer Period by way of a written notice of acceptance addressed to the LTIP Committee accompanied by a payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the ESOS Award (regardless of the number of Shares comprised therein). The date of receipt by the LTIP Committee of such written notice and the payment shall constitute the Date of Acceptance.

7.2 The LTIP Committee shall within thirty (30) days of the Date of Acceptance issue to the ESOS Grantee an option certificate in such form as may be determined by the LTIP Committee.

7.3 If the ESOS Award is not accepted in the manner set out in By-Law 7.1 above, such ESOS Award shall upon the expiry of the Offer Period automatically lapse and be null and void and of no further force and effect. The new Shares comprised in such Options may, at the discretion of the LTIP Committee, be re-offered to other Eligible Persons or for future ESOS Award.

7.4 The Options or such part thereof as may be satisfied in the ESOS Award will only vest with the ESOS Grantee on the ESOS Vesting Date(s) if as at the ESOS Vesting Date(s) the Vesting Conditions (if any) are fully and duly satisfied, including the following:

(i) the said ESOS Grantee has not been adjudicated a bankrupt;

(ii) the said ESOS Grantee remains an Employee or a Director and has not given notice of resignation, or received a notice of termination, or has otherwise ceased or had his/her employment terminated; and

(iii) any other conditions as may be determined by the LTIP Committee.

7.5 The LTIP Committee shall have full discretion to determine whether any Vesting Condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the LTIP Committee shall have the right to make reference to, among others, the audited financial results of the Company or the Group (as the case may be) and to take into account such factors as the LTIP Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend and/or waive any Vesting Condition if the LTIP Committee decides that a changed Performance Target would be a fairer measure of performance. If the LTIP Committee determines, in its discretion, that the Vesting Condition and/or any other condition applicable to that ESOS Award has not been satisfied (whether fully or partially), that ESOS Award shall lapse and be of no value.

8. CANCELLATION OF ESOS AWARDS

The LTIP Committee may cancel any ESOS Awards awarded under this Scheme or any Options that has not been exercised or any unvested Options. In the event of any such cancellation, the LTIP Committee may, at its discretion, authorise the granting of new ESOS Awards (which may or may not cover the same number of Shares that had been the subject of any prior ESOS Award) in such manner, at such Option Price and subject to such terms, conditions and discretion as would have been applicable under this Scheme had the cancelled ESOS Awards not been awarded.

9. EXERCISE OF ESOS OPTIONS

9.1 Each Option shall be exercisable into one (1) new Share in accordance with the provisions of these By-Laws.

9.2 Subject to By-Laws 4.7, 17, 22, 23, 24 and 25, an ESOS Grantee shall be allowed to exercise the ESOS Options granted to him/her (subject to By-Law 9.4 during the Duration of the Scheme) as provided in these By-Laws whilst he/she is in the employment with the Group or during his/her tenure as Director and within the Option Period.

9.3 An ESOS Grantee shall exercise the Options granted to him/her in whole or part in multiples of one hundred (100) Shares. Notwithstanding anything herein to the contrary, in the event of any alteration in the share capital of the Company during the Option Period in accordance with By-Law 21 which results in the number of Shares comprised in the Options not being in multiples of one hundred (100) Shares, then the requirement that the Options shall be exercised in multiples of one hundred (100) Shares shall not be applicable for the ESOS Grantee's final exercise of the balance Options and such balance Options have to be executed in a single application.

9.4 An ESOS Grantee shall exercise his/her ESOS Options vested in him/her in such form and manner as the LTIP Committee may prescribe or approve ("**Notice of Exercise**"), which will be attached to the letter of offer. The procedure for the exercise of ESOS Options to be complied with by an ESOS Grantee shall be determined by the LTIP

Committee from time to time. Any ESOS Option including vested Options which remains unexercised at the expiry of the Option Period shall be automatically terminated and lapse without any claim against the Company.

9.5 Subject to By-Law 9.4, an ESOS Grantee shall exercise his/her ESOS Options by issuing the Notice of Exercise, stating the number of ESOS Options to be exercised and number of Shares to be subscribed and be accompanied with the remittance for the full amount of the subscription monies payable in respect thereof in Ringgit Malaysia in the form of a banker's draft or cashier's order drawn and payable in Malaysia or any other mode acceptable to the LTIP Committee for the full amount of the Option Price in relation to the number of Shares in respect of which the Notice of Exercise is given PROVIDED THAT the number of new Shares stated therein shall not exceed the amount granted to such ESOS Grantees and be subject to By-Laws 9.2 and 9.3 above. The LTIP Committee may, pursuant to By-Law 28 hereof, at any time and from time to time, before or after the ESOS Award is awarded, limit the times and exercise, and the exercise of the ESOS Option to a maximum number of new Shares and/or such percentage of total new Shares comprised in the ESOS Award during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the LTIP Committee in its sole discretion including amending or varying any terms and conditions imposed earlier. The exercise by an ESOS Grantee of some but not all of the ESOS Options which have been offered to and accepted by him/her shall not preclude the ESOS Grantee from subsequently exercising any other ESOS Options which have been or will be offered to and accepted by him/her, during the Option Period.

9.6 The ESOS Grantee shall provide all information as required in the Notice of Exercise. Within eight (8) Market Days of the receipt by the Company of such notice and payment, or such other period as may be prescribed by Bursa Securities, and subject to the Constitution, SICDA and the Rules of Bursa Depository, the Company shall allot and issue the relevant number of Shares to the ESOS Grantee, despatch the notice of allotment to the ESOS Grantee stating the number of Shares so credited, and apply to Bursa Securities for the quotation for such new Shares arising from the exercise of the ESOS Options. The said Shares will be credited directly into the CDS Account of the ESOS Grantee or his/her authorised nominee, as the case may be. No physical share certificates will be issued to the ESOS Grantee or his authorised nominee (as the case may be).

9.7 Notwithstanding anything to the contrary herein contained in these By-Laws, the LTIP Committee shall have the right, at its absolute discretion by notice in writing to that effect to the ESOS Grantee, to suspend the right of any ESOS Grantee who is being subjected to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such ESOS Grantee or are found to have had no basis or justification) to exercise his/her ESOS Options pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole and absolute discretion, on the ESOS Grantee's right to exercise his/her ESOS Options and/or have new ESOS Options vested in him/her having regard to the nature of the charges made or brought against such ESOS Grantee, PROVIDED ALWAYS that:

(i) in the event such ESOS Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the LTIP Committee shall reinstate the right of such ESOS Grantee to exercise his/her Option;

(ii) in the event the Disciplinary Proceedings result in a recommendation for the dismissal or termination of service of such ESOS Grantee, all unexercised and partially exercised ESOS Options of the ESOS Grantee shall immediately lapse and be null and void and of no further force and effect, without notice to the ESOS Grantee, upon pronouncement of the dismissal or termination of service of such ESOS Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the ESOS Grantee in any other forum;

(iii) in the event the ESOS Grantee is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its absolute discretion whether or not the ESOS Grantee may continue to exercise his/her ESOS Options and/or have new ESOS Options vested in him/her and if so, to impose such terms and conditions as it deems appropriate, on such exercise and/or vesting of his/her ESOS Options; and

(iv) in the event that no decision is made and/or Disciplinary Proceedings are not concluded prior to the Date of Expiry, the ESOS Options of such ESOS Grantee shall immediately lapse on the Date of Expiry without notice,

and nothing herein shall impose any obligation on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such Disciplinary Proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws. Any ESOS Options that has lapsed and become null and void pursuant to this By-Law 9.7 may, at the discretion of the LTIP Committee, be re-allocated to other Eligible Persons.

9.8 The Group, the Board (including Directors that had resigned but were a member of the Board during the Option Period) and the LTIP Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities, gains or profits foregone, howsoever arising in the event of any delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list and quote the Shares subscribed for by an ESOS Grantee or any delay in receipt or non-receipt by the Company of the Notice of Exercise in respect of the ESOS Options or for any errors in any ESOS Award.

9.9 Any failure to comply with the procedures specified by the LTIP Committee or to provide information required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number or any other information provided shall result in the Notice of Exercise being rejected at the discretion of the LTIP Committee. The LTIP Committee shall inform the ESOS Grantee of the rejection of the Notice of Exercise within ten (10) Market Days from the date of rejection and the ESOS Grantee shall be deemed not to have exercised his/her Option.

9.10 Every ESOS Award shall subject to the condition that no new Shares shall be issued pursuant to the ESOS Award if such issue would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the Duration of the Scheme or such period as may be extended.

10. OPTION PRICE

10.1 The Option Price of each new Share upon the exercise of an ESOS Option shall, subject always to the provisions of By-Law 21 hereof and the Listing Requirements, be:

(i) in respect of any ESOS Award made in conjunction with the initial public offering of the Company, the Final Retail Price; or

(ii) in respect of any ESOS Award made subsequent to the initial public offering of the Company, based on the volume weighted average market price of the Shares for the five (5) Market Days immediately preceding the date of the ESOS Award less a potential discount of not more than ten percent (10%) therefrom or such other percentage or discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time, as determined by the LTIP Committee which shall be binding and conclusive.

For the purposes of By-Law 10.1(i) above, "Final Retail Price" shall refer to the final price paid by investors for the Shares issued by the Company under its retail offering pursuant to its initial public offering, as determined in the manner described in the Company's prospectus for the said initial public offering.

10.2 The Option Price shall be stipulated in each option certificate.

11. ESGS GRANT

11.1 During the Duration of the Scheme, the LTIP Committee may at its discretion at any time and from time to time as it shall deem fit make an ESGS Grant in writing for acceptance in accordance with By-Law 12 below to an Eligible Person based on the criteria for allotment as set out in By-Law 5 and otherwise in accordance with the terms of this Scheme.

11.2 The actual number of Shares which may be awarded to an Eligible Person shall be at the discretion of the LTIP Committee subject to any adjustments that may be made under By-Law 21 but shall not be more than the Maximum Allowable Allotment. The number of Shares so awarded shall not be less than one hundred (100) Shares and shall be in multiples of one hundred (100) Shares (or in any other denomination as prescribed by Bursa Securities as a board lot). The LTIP Committee may stipulate any terms and conditions it deems appropriate in an ESGS Grant and the terms and conditions of each may differ. Nothing herein shall require any ESGS Grant offered to be the same as ESGS Grants previously or subsequently offered whether to the same or a different Eligible Person.

11.3 The LTIP Committee will in its letter of offer for an ESGS Grant to an Eligible Person ("**ESGS Grant Letter**") state, among others:

(i) the number of Shares that are subject of the ESGS Grant;

(ii) the date of the ESGS Grant;

(iii) the Vesting Conditions, if any;

(iv) the ESGS Vesting Date(s);

(v) the Validity Period;

(vi) the basis of the allocation of the ESGS Grant(s) made having regard to the Eligible Person(s)' annual appraised performance, class or grade of employment, achievement of Performance Targets, Maximum Allowable Allotment and such other consideration that the LTIP Committee may in its sole and absolute discretion deem fit; and

(vii) any other information deemed necessary by the LTIP Committee.

11.4 The ESGS Grant shall be valid for acceptance for a period of thirty (30) days from the Award Date or such period as the LTIP Committee at its sole and absolute discretion determines on a case to case basis ("**Validity Period**").

11.5 Without prejudice to By-Law 2, in the event of an error on the part of the Company in stating any of the particulars referred to in By-Law 11.3 above in the ESGS Grant Letter, the Company shall, as soon as possible but in any event no later than one (1) month after discovery of the error, issue a supplemental ESGS Grant Letter, stating the correct particulars referred to in By-Law 11.3.

12. ACCEPTANCE OF ESGS GRANT

12.1 An ESGS Grant shall be accepted by the Eligible Person within the Validity Period by way of a written notice of acceptance accompanied by a payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the ESGS Grant (regardless of the number of Shares comprised therein).

12.2 If the ESGS Grant is not accepted in the manner set out in By-Law 12.1 above, the ESGS Grant shall upon the expiry of the Validity Period automatically lapse and be null and void and of no further force and effect provided that the LTIP Committee shall not be precluded from making a fresh ESGS Grant to the Eligible Person subsequently or re-awarding to any other Eligible Person at the discretion of the LTIP Committee.

12.3 The Eligible Persons are not required to pay for the Shares they are entitled to receive upon vesting of the Shares pursuant to the ESGS Grant.

13. VESTING CONDITIONS AND SATISFACTION OF VESTING CONDITIONS

13.1 The LTIP Committee shall, as and when it deems practicable and necessary, review and determine at its own discretion the Vesting Conditions specified in respect of an ESGS Grant. The Shares or such part thereof as may be specified in respect of an ESGS Grant will only vest with the ESGS Grantee on the ESGS Vesting Date(s) as at the ESGS Vesting Date(s) if the Vesting Conditions (if any) are fully and duly satisfied, including the following:

(i) the said ESGS Grantee has not been adjudicated a bankrupt;

(ii) the said ESGS Grantee remains an Employee or a Director and has not given notice of resignation, or received a notice of termination, or has otherwise ceased or had his/her employment terminated;

(iii) the Performance Targets are fully and duly satisfied; and

(iv) any other conditions as may be determined by the LTIP Committee.

13.2 The LTIP Committee shall have full discretion to determine whether the Performance Targets have been fully and duly satisfied. In the event that the LTIP Committee shall determine that the Performance Targets are not fully and duly satisfied, the LTIP Committee may, at its discretion, adjust the number of Shares (if any) which may vest in the ESGS Grantee on the ESGS Vesting Date(s) and/or take into account the shortfall in such manner as the LTIP Committee may in its discretion otherwise deem fit.

13.3 Where the LTIP Committee has determined that the Vesting Conditions have been fully and duly satisfied, the LTIP Committee shall notify the ESGS Grantee of the number of Shares vested or which will be vested in him/her on the ESGS Vesting Date ("**ESGS Vesting Notice**").

13.4 No ESGS Grantee shall have any right to or interest in the Shares comprised in an ESGS Grant until and unless the Shares are vested in him/her on and with effect from the ESGS Vesting Date.

13.5 The ESGS Grantee shall provide all information stated in the ESGS Vesting Notice and ESGS Grant Letter as required by the Company, and the Company shall within eight (8) Market Days after the ESGS Vesting Date, or such other period as may be prescribed or allowed by Bursa Securities, and subject to the Constitution, the SICDA and the Rules of Bursa Depository, allot and issue the relevant number of new Shares and/or transfer the relevant number of existing Shares to the ESGS Grantee, despatch the notice of allotment and/or notice of transfer to the ESGS Grantee stating the number of Shares so credited, and apply to Bursa Securities for the listing of and quotation for any new Shares arising from the vesting of an ESGS Grant, where applicable. The said Shares pursuant to the vesting of an ESGS Grant will be credited directly into the CDS Account of the respective ESGS Grantee or his/her authorised nominee, as the case may be. No physical share certificates will be issued and/or delivered to the ESGS Grantee or his/her authorised nominee (as the case may be).

13.6 Notwithstanding anything to the contrary herein contained in these By-laws, the LTIP Committee shall have the right, at its absolute discretion by notice in writing to that effect to the ESGS Grantee, to suspend the right of any ESGS Grantee who is being subjected to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such ESGS Grantee or are found to have had no basis or justification) to have any ESGS Grant awarded vested in him/her pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole and absolute discretion, on the ESGS Grantee's right to have Shares granted under an ESGS Grant vested in him/her having regard to the nature of the charges made or brought against such ESGS Grantee, PROVIDED ALWAYS that:

(i) in the event such ESGS Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the LTIP Committee shall reinstate the right of such ESGS Grantee to their ESGS Grants;

(ii) in the event the Disciplinary Proceedings result in a recommendation for the dismissal or termination of service of such ESGS Grantee, all unvested ESGS Grants shall immediately lapse and be null and void and of no further force and effect, without notice to the ESGS Grantee, upon pronouncement of the dismissal or termination of service of such ESGS Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the ESGS Grantee in any other forum;

(iii) in the event the ESGS Grantee is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its absolute discretion whether or not the ESGS Grantee may continue to have the ESGS Grant vested in him/her and if so, to impose such terms and conditions as it deems appropriate, on such rights; and

(iv) in the event that no decision is made and/or Disciplinary Proceedings are not concluded prior to the Date of Expiry, the ESGS Grant of such ESGS Grantee shall immediately lapse on the Date of Expiry without notice,

and nothing herein shall impose any obligation on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such Disciplinary Proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws. Any ESGS Award that has lapsed and become null and void pursuant to this By-Law 13.6 may, at the discretion of the LTIP Committee, be re-allocated to other Eligible Persons.

14. NON-TRANSFERABILITY

14.1 An LTIP Award is personal to the Grantee and subject to the provisions of By-Laws 14.2, 14.3, 17.2, 17.3 and 17.4, is exercisable only by the Grantee personally during his/her lifetime whilst he/she is in the employment of any company in the Group.

14.2 An LTIP Award shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee. Any attempt to transfer, assign, dispose or encumber any LTIP Award shall result in the automatic cancellation of the LTIP Award.

14.3 Notwithstanding this By-Law 14, in the event a Grantee is transferred to another company within the Group which has its own share issuance scheme, the Grantee shall be entitled to continue to exercise all unexercised LTIP Awards granted under this Scheme, in accordance with these By-Laws, but such Grantee shall not upon such transfer taking effect be eligible to participate for further LTIP Awards under this Scheme.

15. RIGHTS ATTACHING TO SHARES AND LTIP AWARDS

15.1 The Shares to be allotted and issued under the Scheme will be subject to the provisions of the Constitution and will, upon allotment and issue, rank equally in all respects with the then existing Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the allotment and issue of shares are made on or prior to the Entitlement Date of such dividends, rights, allotments and /or other distributions which precedes the date of allotment and issuance of new Shares.

15.2 In respect of the existing Shares to be transferred to the ESGS Grantees pursuant to the vesting of the Shares comprised in an ESGS Grant, such Shares rank equally in all respects with the then existing Shares. However, the ESGS Grantee shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the Shares are credited into the CDS Accounts of the ESGS Grantees on or prior to the Entitlement Date of such dividends, rights, allotments and/or other distributions.

15.3 The LTIP Awards shall not carry any rights to vote at any general meeting of the Company until and unless the LTIP Awards have been exercised and such Shares have been issued, allotted or transferred, and credited into the CDS Accounts of the Grantees. For the avoidance of doubt, the Grantee shall not in any event be entitled to any dividends, rights, allotments or other distributions on his/her unexercised ESOS Options and/or unvested Shares comprised in the ESGS Grants.

16. RESTRICTION ON DEALING/RETENTION PERIOD

The new Shares to be allotted and issued and/or existing Shares to be transferred to the Grantees pursuant to the Scheme will not be subjected to any retention period unless the LTIP Committee stipulates otherwise upon granting of the LTIP Awards. However, the Company encourages the Grantees to hold the Shares granted to them, or subscribed for by them, as a long-term investment and not for realisation of immediate gain. Notwithstanding the foregoing, the LTIP Committee shall be entitled to prescribe or impose, in relation to any LTIP Awards, any condition relating to any retention period or restrictions on transfer as it deems fit.

17. TERMINATION OF THE LTIP AWARD

17.1 Prior to the full vesting of any LTIP Award and/or the allotment or satisfaction by any other means of an LTIP Award in the manner as provided for under these By-Laws, such LTIP Award that remain unvested or unexercised or unsatisfied (as the case may be) shall be automatically terminated and ceased or be deemed to cease to be valid without any claim against the Group in the following circumstances:

(i) termination or cessation of employment of the Grantee with the Group by reason of resignation or for any reason whatsoever, in which event the termination of LTIP Awards shall be effective on the Grantee's last day of employment;

(ii) bankruptcy of the Grantee, in which event the termination of LTIP Award shall be effective on the date a receiving order is made against the Grantee by a court of competent jurisdiction;

(iii) upon the happening of any other event which results in the Grantee being deprived of the beneficial ownership of the LTIP Award, in which event the termination of LTIP Award shall be effective on the date of happening of such event;

(iv) in accordance with By-Law 24; or

(v) termination of the Scheme pursuant to By-Law 25.4, in which event the termination of the LTIP Award shall be effective on the Termination Date (as defined below) pursuant to By-Law 25.4.

Upon the termination of the LTIP Award(s) pursuant to By-Laws 17.1(i), (ii), (iii), (iv) or (v) above, the Grantee shall have no right to compensation or damages or any claim against the Company or any other member of the Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any LTIP Award(s) or right to exercise his/her ESOS Option(s) or his/her LTIP Award(s) ceasing to be valid.

17.2 Notwithstanding By-Law 17.1(i) above, the LTIP Committee may at its discretion allow vested Option to remain exercisable during the Option Period and/or as the case may be, for all or any part of any unvested LTIP Awards as may be proportionate to the duration of service provided by such Grantee to vest in accordance with the provisions of these By-Laws, and at the times or period at or within which such LTIP Awards may vest (provided that no LTIP Awards shall vest after the respective ESOS Vesting Date(s) or ESGS Vesting Date(s) has passed) and in such other manner and on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:

(i) ill-health, injury, physical or mental disability;

(ii) retirement at or after attaining the normal retirement age, or retirement before attaining the normal retirement age with the consent of his/her employer;

(iii) redundancy or retrenchment pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by a company within the Group;

(iv) resignation, retirement or removal of and Executive Director, for any reason, save where such resignation, retirement or removal was due to the breach of duty, gross negligence or wilful misconduct of such Executive Director;

(v) transfer to any company outside the Group at the direction of the Company; or

(vi) any other circumstances which are acceptable to the LTIP Committee in its sole and absolute discretion.

17.3 In the event where a Grantee dies before the Date of Expiry and at the time of his/her death held unexercised vested Options, such vested Options may be exercised by the legal or personal representative(s) of the Grantee after the date of his/her death no later than twenty four (24) months after the death of the Grantee unless otherwise approved by the LTIP Committee. Such exercise by the legal or personal representative(s) of the Grantee after his/her death shall always be subject to any restriction in the LTIP Award (unless otherwise approved by the LTIP Committee) and provided further that no vested Option shall be exercised after the Date of Expiry. All vested Options remaining unexercised after the Date of Expiry shall automatically lapse and become null and void.

17.4 In the event where a Grantee dies before the Date of Expiry and at the time of his death held unvested Options or unvested Shares, then the LTIP Committee may, in its discretion determine whether the ESOS Award and/or the ESGS Grant then held by such Grantee, to the extent not yet vested, shall lapse or that all or any part of such ESOS Award and/or ESGS Grant shall be preserved. If the LTIP Committee determines that the ESOS Award and/or ESGS Grant shall lapse, then such ESOS Award and/or ESGS Grant shall lapse without any claim whatsoever against the Company. If the LTIP Committee determines that all or any part of the ESOS Award and/or ESGS Grant shall be preserved, the LTIP Committee shall decide as soon as reasonably practicable following such event either to vest some or all of the Options and/or new Shares which are the subject of the ESOS Award and/or ESGS Grant or to preserve all or part of any ESOS Award and/or ESGS Grant and/or each ESOS Vesting Date or ESGS Vesting Date (if any) and subject to the provisions of the ESOS Award and/or ESGS Grant. In exercising its discretion, the LTIP Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Grantee and the extent to which the Vesting Conditions (if any) has/have been satisfied.

17.5 Any LTIP Award that has lapsed and become null and void pursuant to this By-Law 17 may at the discretion of the LTIP Committee be re-allocated to other Eligible Persons.

18. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

All Grantees shall be entitled to inspect a copy of the latest audited financial statements of the Company, which shall be made available on Bursa Securities' website as well as the Company's website and at the registered office of the Company during normal office hours on any working day of the Company.

19. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. This Scheme shall not form part of or be in any way construed as part of the terms and conditions of employment of any employee of the Group.

20. TAXES

All other costs, fees, levies, charges and/or taxes (including, without limitation, income taxes), if any, that are incurred by a Grantee pursuant to or relating to the exercise of any ESOS Options or vesting of any Shares under the ESGS Grants, and any holding or dealing of such Shares (including, without limitation, brokerage commissions and stamp duty) shall be borne by the Grantee for his own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

21. ALTERATION OF SHARE CAPITAL AND ADJUSTMENTS

21.1 In the event of any alteration in the share capital of the Company during the Duration of the Scheme, whether by way of a rights issue, bonus issue or other capitalisation issue, subdivision or consolidation of shares or reduction or any other variation of share capital or otherwise howsoever, the LTIP Committee may, in its discretion, determine whether:

(i) in respect of the ESOS:

(a) the Option Price; and/or

(b) the number of unvested or unexercised ESOS Options; and

(c) the Option Price and/or number of ESOS Options in respect of which future ESOS Awards may be granted under the ESOS; and

(ii) in respect of the ESGS, the ESGS Grant Price and/or number of Shares comprised in the unvested ESGS Grants, shall be adjusted, and if so, the manner in which such adjustments should be made.

21.2 The provisions of this By-Law 21 shall not apply where the alteration in the capital structure of the Company arises from any of the following:

(i) an issue of Shares pursuant to the exercise of ESOS Options and/or vesting of ESGS Grants under the Scheme;

(ii) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business;

(iii) an issue of securities via a private placement;

(iv) any special issuance of new Shares or other securities to Bumiputera investors nominated by the Malaysian government and/or any other relevant authority of the Malaysian government to comply with the Malaysian government's policy on Bumiputera capital participation;

(v) a restricted issue of securities;

(vi) an issue of new Shares arising from the exercise/conversion of warrants, convertible loan stocks or other instruments of the Company; or

(vii) a purchase by the Company of its own Shares of all or a portion of such Shares purchased pursuant to the Section 127 of the Act.

21.3 Save as expressly provided for herein, the external auditors or Principal Adviser selected by the Directors (acting as experts and not as arbitrators) shall confirm in writing that the adjustments are in their opinion fair and reasonable. The opinion of such external auditors or Principal Adviser shall be final, binding and conclusive.

21.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to the Act, By-Law 21.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 21.1 is applicable, but By-Law 21.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 21.1 is not applicable as described in By-Law 21.2.

21.5 Any adjustment pursuant to By-Law 21.1 shall be made according to the following terms:

(i) in the case of a rights issue, bonus issue or other capitalisation issue, on the next Market Day immediately following the Entitlement Date in respect of such issue; or

(ii) in the case of a consolidation or subdivision of Shares or reduction of share capital, on the next Market Day immediately following the date on which the consolidation, subdivision or reduction becomes effective or such other period as may be prescribed by Bursa Securities.

21.6 Upon any adjustment required to be made pursuant to this By-Law 21, the Company shall within twenty (20) Market Days notify the Grantee (or his or her duly appointed personal representatives where applicable) in writing and deliver to him/her (or his/her duly appointed personal representatives where applicable) a statement setting forth:

(i) in respect of the ESOS, the Option Price or number of ESOS Options which are the subject of the adjusted ESOS Award; and

(ii) in respect of the ESGS, the number of Shares comprised in the unvested ESGS Grants which are the subject of the adjusted ESGS Grant.

Any adjustment shall take effect upon such written notification being given or such date as may be specified in such written notification.

21.7 In respect of the ESOS Options or the ESGS Grants, any adjustment pursuant to this By-Law 21 shall be made in accordance with the following formulae below (as applicable), pursuant to By-Law 21.6:

(a) If and whenever the number of issued Share changes by reason of any consolidation or subdivision (including subdivision by way of a bonus issue without capitalisation of profits or reserves) or conversion, in respect of ESOS Options, the Option Price shall be adjusted and the adjusted number of the Shares relating to the ESOS Options and/or ESGS Grants (where applicable) to be issued or transferred shall be calculated in accordance with the following formula:

$$\text{New Option Price} = \frac{S \times L}{M}$$

$$\text{Additional number of Shares} = \frac{T \times M}{L} - T$$

Where:

L = Total number of issued Shares immediately before the consolidation, subdivision or conversion

M = Total number of issued Shares immediately after the consolidation, subdivision or conversion

S = Existing Option Price

T = Existing number of the Shares relating to the ESOS Options and/or ESGS Award

Such adjustment will be effective from the close of business on the Market Day immediately following the date on which the consolidation or subdivision or conversion becomes effective or such other period as may be prescribed by Bursa Securities.

(b) If and whenever the Company shall make any issue of new Shares to ordinary shareholders credited as fully paid-up, by way of bonus issue or capitalisation of profits or reserves of the Company, in respect of ESOS Options, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying the existing number of Shares relating to the ESOS Options and/or ESGS Grants by the following fraction:

$$\frac{A + B}{A}$$

Where:

A = The aggregate number of issued Shares immediately before such bonus issue or capitalisation of profits or reserves of the Company; and

B = The aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully issued by way of bonus issue or capitalisation of profits or reserves of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

(c) If and whenever the Company shall make:

(i) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);

(ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for new Shares by way of rights; or

(iii) any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto, then and in respect of each such case, the Option Price for ESOS Options shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Law 21.7(c)(ii) hereof, the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying the existing number of Shares relating to the ESOS Options and/or ESGS Grants by the following fraction:

$$\frac{C}{C - D^*}$$

Where:

C = The current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation or (where appropriate) any relevant date as may be determined by the Company in consultation with the Principal Adviser;

D = (aa) In the case of an offer or invitation to acquire or subscribe for new Shares under By-Law 21.7(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for new Shares under By-Law 21.7(c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or

(bb) In the case of any other transaction falling within By-Law 21.7(c) hereof, the fair market value as determined (with the concurrence of the auditor) by the external auditors or Principal Adviser of that portion of the Capital Distribution attributable to one (1) Share; and

D* = The value of the rights attributable to one (1) Share (as defined below).

For the purpose of definition (aa) of "D" above, "**value of rights attributable to one (1) Share**" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where:

C = C as in By-Law 21.7(c) hereof;

E = The subscription price for one (1) new Share under the terms of such offer or invitation to acquire or subscribe for Shares or subscription price of one (1) Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation; and

F = The number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or subscribe for security convertible into one (1) additional Share or rights to acquire or subscribe for additional Shares.

For the purpose of definition of "D*" above, the "**value of rights attributable to one (1) Share**" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = C as in By-Law 21.7(c) hereof;

E* = The subscription price for one (1) additional Share under the terms of such offer or invitation; and

F* = The number of existing Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 21.7(c) hereof, "**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (not falling under By-Law 21.7(b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves of the Company.

Any dividend declared or provided for in the audited financial statements of the Company for any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated financial statement of comprehensive income of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

(d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 21.7(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 21.7(c)(ii) or (iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer of invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 21.7(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 21.7(c)(ii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying the existing number of Shares relating to the ESOS Options and/or ESGS Grants by the following fraction:

$$\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)}$$

Where:

B = B as in By-Law 21.7 (b) above;

C = C as in By-Law 21.7 (c)above;

G = The aggregate number of issued Shares on the Entitlement Date;

H = The aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;

H* = The aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

I = The subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the subscription price of one (1) Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation, as the case may be; and

I* = The subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

(e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 21.7(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for ordinary shares as provided in By-Law 21.7(c)(iii) above, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J) \times C}$$

and the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying it by the following fraction:

(1) in respect of the ESOS Options:

$$\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)}$$

(2) in respect of the ESGS Grants:

$$\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)}$$

Where:

C = C as in By-Law 21.7(c) above;

G = G as in By-Law 21.7(d) above;

H* = H* as in By-Law 21.7(d) above;

I* = I* as in By-Law 21.7(d) above;

J = The aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders; and

K = The exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

(f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 21.7(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 21.7(c)(ii) above, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for Shares as provided in By-Law 21.7(c)(iii) above, and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J + B) \times C}$$

and the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying it by the following fraction:

(1) in respect of the ESOS Options:

$$\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)}$$

(2) in respect of the ESGS Grants:

$$\frac{(G + H^* + J + B) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)}$$

Where:

B = B as in By-Law 21.7(b) above;

C = C as in By-Law 21.7(c) above;

G = G as in By-Law 21.7(d) above;

H* = H* as in By-Law 21.7(d) above;

I* = I* as in By-Law 21.7(d) above;

J = J as in By-Law 21.7(e) above; and

K = K as in By-Law 21.7(e) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of next the Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

For the purpose of By-Law 21.7(c), (d), (e) and (f), the current market price in relation to one (1) existing Share for any relevant day shall be the weighted average of the last traded prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

21.8 If an event occurs that is not set out in By-Law 21.7 or if application of any of the formula to an event results in a manifest error or does not, in the opinion of the LTIP Committee, achieve the desired result of preventing the dilution or enlargement of the Eligible Person's rights, the LTIP Committee may agree to an adjustment subject to the provision of By-Law 21.7 provided that the Eligible Persons shall be notified of the adjustment through an announcement to all Eligible Persons to be made in such manner deemed appropriate by the LTIP Committee.

21.9 Notwithstanding the provisions referred to in this By-Law, the LTIP Committee may exercise its discretion to determine whether any adjustments to the Option Price, the number of Options and/or new Shares (as the case may be) be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Price and/or the number of Options notwithstanding that no such adjustment formula has been explicitly set out in this By-Law.

21.10 Any adjustment to the Option Price shall be rounded up to the nearest of RM0.01.

21.11 In the event that a fraction of a Share arises from the adjustments pursuant to this By-Law 21, the number of Shares comprised in an ESOS Award or ESGS Grant shall automatically be rounded down to the nearest whole number.

21.12 Upon any adjustment being made pursuant to this By-Law, the LTIP Committee shall, within thirty (30) days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his legal representatives where applicable) in writing informing him of the adjusted Option Price thereafter in effect and/or the revised number of Shares thereafter to be issued on the exercise of the ESOS Options and/or to be vested under the ESGS Grants.

22. TAKE-OVER, SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC

In the event of:

22.1 a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time held by the person making the general offer ("**Offeror**") or any persons acting in concert with the Offeror);

22.2 the Offeror becoming entitled or bound to exercise the rights of compulsory acquisition of Shares under the provisions of the Capital Markets and Services Act 2007 or other relevant laws applicable at the material time and gives notice to the Company that it intends to exercise such right on a specific date; or

22.3 the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 366 of the

Act or its amalgamation with any other company or companies under Section 370 of the Act,

the LTIP Committee may at its discretion to the extent permitted by law allow the exercise of any vested ESOS Options and/or the vesting of any unvested ESOS Awards or unvested ESGS Grants (or any part thereof) by the Grantee at any time subject to such terms and conditions as may be prescribed notwithstanding that:

(i) the ESOS Vesting Date or ESGS Vesting Date (whichever applicable) is not due or has not occurred; and/or

(ii) the other terms and conditions set out in the LTIP Award have not been fulfilled or satisfied.

Upon the compromise or arrangement becoming effective, all Options remaining unexercised and all unvested LTIP Awards shall cease to be capable of vesting and automatically lapse and become null and void.

23. DIVESTMENT FROM THE GROUP

23.1 If a Grantee who was in the employment of a corporation in the Group which was subsequently divested, then such Grantee:

(i) shall:

(a) not be entitled to continue to exercise all such unexercised vested ESOS Options held by him/her; and

(b) cease to be capable of being vested with any unvested ESOS Options or unvested ESGS Grants granted to him/her under the Scheme,

from the date of completion of such divestment unless the LTIP Committee at its discretion permit such exercise of the unexercised vested ESOS Options or the vesting of the unvested ESOS Options and/or unvested ESGS Grants including its allocation thereof. For the avoidance of doubt, save and except to the extent permitted by the LTIP Committee, all existing LTIP Awards shall automatically lapse and be null and void and of no further force and effect; and

(ii) shall not be eligible to participate for further LTIP Awards under the Scheme as from the date of completion of such divestment.

23.2 For the purposes of By-Law 23.1, a company shall be deemed to be divested from the Group or disposed of from the Group in the event that the effective interest of the Company in such company is reduced from above 50% to 50% or below so that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act or such company ceases to form part of the Group for such reason(s) as determined by the LTIP Committee at its absolute discretion.

24. WINDING UP

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

25. DURATION OF THE SCHEME

25.1 The Scheme is conditional upon:

(i) submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance pursuant to Rule 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;

(ii) approval from Bursa Securities for the listing of and quotation for such number of Shares representing up to ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) on the ACE Market of Bursa Securities;

(iii) approval of the shareholders of the Company for the Scheme including the waiver of their pre-emptive rights under Section 85 of the Act read together with Clause 12 of the Constitution being obtained;

(iv) receipt of the approval(s) of any other relevant authorities (where applicable); and

(v) fulfilment or waiver (as the case may be) of all applicable conditions attached to the above approvals (if any).

The Scheme shall be in force for a duration of five (5) years commencing from the effective date of implementation of the Scheme, which shall be a date following the full compliance with all relevant requirements of the Listing Requirements and under the law in relation to the Scheme ("**Effective Date**") ("**Duration of the Scheme**").

25.2 The Duration of the Scheme, or the duration of ESOS, or the duration of ESGS, may be extended for a further period of up to five (5) years immediately from the expiry of the Duration of the Scheme ("**Date of Expiry**") on the same terms and conditions as contained in these By-Laws at the discretion of the Board upon the recommendation of the LTIP Committee, without having to obtain approval of the Company's shareholders. Any extension of the Scheme shall not, in aggregate with the initial term, exceed ten (10) years from the Effective Date, or such longer period as may be allowed by the relevant authorities.

25.3 On the expiry of the Scheme, any LTIP Awards which have yet to be vested (whether fully or partially) shall be deemed terminated and be null and void and of no further force and effect.

25.4 The Scheme may be terminated by the LTIP Committee at any time before the Date of Expiry, provided that the Company makes an announcement immediately to Bursa Securities, which the contents of the said announcement shall, amongst others, include:

(i) the effective date of termination of the Scheme;

(ii) the number of Options exercised or Shares vested; and

(iii) the reasons for termination of the Scheme.

26. SUBSEQUENT EMPLOYEES' SHARE SCHEMES

The Company may, in addition to the Scheme, implement more than one (1) employees' share scheme provided that the aggregate number of Shares available under all the employee share schemes implemented by the Company is not more than thirty percent (30%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any one time or any other limit in accordance with any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

27. COMPENSATION

27.1 This Scheme shall afford the Grantee no additional right to compensation or damages in the event of the cessation of his employment or appointment for any reason whatsoever.

27.2 Participation in this Scheme by an Eligible Person is a matter entirely separate from his terms and conditions of employment and participation in this Scheme shall in no respects whatever affect in any way a Grantee's terms and conditions of employment. In particular (but without limiting the generality of the foregoing words) any Grantee who ceases to hold office or leaves employment shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under this Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal, dismissal without just cause or excuse, or other breach of contract or by way of compensation for loss of office or otherwise howsoever.

27.3 This Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Option or ESGS themselves) against the Company or any corporation of the Group or any members of the LTIP Committee directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Group.

27.4 No Grantee or his/her legal or personal representatives shall bring any claim, action or proceedings against the Company or the LTIP Committee or any party for compensation, loss or damages whatsoever and howsoever arising including but not limited to:

(a) the suspension of his/her rights to exercise his/her Vested Options or be vested his/her ESGS Grants, or

(b) his/her Options or ESGS Grants ceasing to be valid pursuant to the provisions of these By-Laws as may be amended from time to time in accordance with By-Law 28.

27.5 Neither the Scheme nor LTIP Awards granted under the Scheme shall impose on the Company or the LTIP Committee or any of its members any liability whatsoever in connection with:

(a) the lapse of any LTIP Awards pursuant to any provision of the Scheme;

(b) the failure or refusal by the LTIP Committee to exercise, or the exercise by the LTIP Committee of, any discretion under the Scheme; and/or

(c) any decision or determination of the LTIP Committee made pursuant to any provision of the Scheme.

28. MODIFICATION/VARIATION TO THE SCHEME

28.1 The LTIP Committee may at any time and from time to time recommend to the Board any amendments and/or modifications to all or any of the provisions of these By-Laws and the power to amend and/or modify all or any of the provisions of these By-Laws shall rest with the Board PROVIDED THAT no amendment and/or modifications shall alter adversely the rights attaching to any LTIP Awards granted prior to such amendment and/or modifications, nor alter such rights to the advantage of any Grantee without the prior approval of the shareholders of the Company as set out in By-Law 28.2. The LTIP Committee shall within ten (10) Market Days of any amendment and/or modification made pursuant to this By-Law notify the Grantee in writing of any amendment and/or modification made pursuant to this By-Law. The Company is required to submit to Bursa Securities a confirmation letter that the amendment and/or modification does not contravene any of the provisions of the Listing Requirements on employees' share option scheme and the rules issued by Bursa Depository no later than five (5) Market Days after the effective date of the said amendment and/or modification is made.

28.2 No such addition or amendment, modification and/or deletion of these By-Laws shall be made which will:

(a) prejudice any rights then accrued to any Grantee without the prior consent or sanction of the majority of the Grantees at a meeting called for such purpose. The quorum for such meetings of Grantees shall be two (2);

(b) prejudice any rights of the shareholders of the Company without the prior approval of the Company's shareholders in a general meeting;

(c) increase the maximum number of Shares which may be made available under the Scheme provided under By-Law 3.1; and

(d) alter any matter which are required to be contained in the By-Laws by virtue of the Listing Requirements to the advantage of the Eligible Person and/or Grantee,

unless allowed otherwise by the provisions of the Listing Requirements.

29. DISPUTES

Any dispute or difference of any nature arising hereunder shall be referred to the decision of the LTIP Committee. The said decision shall be final and binding on the parties unless the Eligible Person or Grantee, as the case may be, shall dispute the same by notice to the LTIP Committee within fourteen (14) days of the receipt of the decision of the LTIP Committee, in which case, such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects and whose costs shall be borne by the party against whom the decision is given on appeal.

30. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment and/or transfer of the Shares pursuant to the LTIP Award, shall be borne by the Company. Notwithstanding this, the Grantee shall bear any fees, costs and expenses incurred in relation to his/her acceptance of the LTIP Awards and exercise of the Options under the Scheme and the holding or subsequent dealing of such Shares (such as, including but not limited to, brokerage commissions and stamp duty).

31. CONSTITUTION

Notwithstanding the rules, terms and conditions contained in these By-Laws, if a situation of conflict should arise between these By-Laws and the Constitution, the provisions of the Constitution shall prevail at all times save and except where such provisions of the By-Laws are included pursuant to the Listing Requirements.

32. NOTICE

32.1 Any notice which under the Scheme is required to be given to or served upon the LTIP Committee by an Eligible Person or Grantee or any correspondence to be made between an Eligible Person or Grantee and the LTIP Committee shall be given or served in writing and either delivered by hand or sent to the registered office of the

Company by ordinary letter. Proof of posting shall not be evidence of receipt of the letter.

32.2 Any notice under the Scheme required to be given to or served upon an Eligible Person or Grantee shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, by electronic mail, and/or by letter sent via ordinary post addressed to the Eligible Person or Grantee at his/her place of employment, to his/her electronic mail address, or to his/her last-known address. Any notice served by hand, by electronic mail or post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and acknowledged, (if by electronic mail) the dispatch of the electronic mail, (if any post) three (3) days after postage.

32.3 Any notice served by a party after the Company's official working hours shall be deemed to have been served on the next working day.

33. SEVERABILITY

Any term, condition, stipulation or provision in these By-Laws which is or becomes illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

34. GOVERNING LAW

The Scheme, the By-Laws, and all LTIP Awards made and granted and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the LTIP Award in accordance with the By-Laws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus. Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION PERIOD

Opening of the application period: 10.00 a.m., 28 June 2024

Closing of the application period: 5.00 p.m., 12 July 2024

In the event there is any change to the timetable, we will advertise a notice of change in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia and announce it on Bursa Securities' website accordingly. The dates for the ballot of the applications for our IPO Shares, the allotment of our IPO Shares and our Listing would then be extended accordingly.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATION

16.2.1 Application for our IPO Shares by the Malaysian Public and eligible Directors, employees of our Group and person who have contributed to our success

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

Types of Application and category of investors	Application method
Applications by the Malaysian Public:- (a) Individuals (b) Non-individuals	- White Application Form; or - Electronic Share Application; or - Internet Share Application - White Application Form only
Applications by eligible Directors, employees of our Group and persons who have contributed to our success	Pink Application Form only

16.2.2 Application by selected investors via private placement

Applications for the IPO Shares may be made using any of the following:-

Types of Application and category of investors	Application method
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the "Detailed Procedures for Application and Acceptance" accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE (1)** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES**.

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

AN APPLICANT WHO WISHES TO APPLY FOR IPO SHARES USING A JOINT BANK ACCOUNT SHOULD COMMUNICATE WITH THE FINANCIAL INSTITUTION IN CHARGE OF IPO APPLICATION TO PROVIDE THE MATCHING NAME IN THE JOINT BANK ACCOUNT AGAINST HIS/ HER CDS ACCOUNT TO ISSUING HOUSE. THIS IS TO ENSURE THAT ISSUING HOUSE RECEIVES IPO APPLICATION WHERE THE NAME IN THE JOINT BANK ACCOUNT MATCHES AGAINST THE NAME IN THE CDS ACCOUNT AND TO MINIMISE THE INCIDENT OF REJECTED IPO APPLICATION DUE TO "CDS ACCOUNT BELONGS TO OTHER PERSON". COMPANY, PRINCIPAL ADVISER AND ISSUING HOUSE ARE NOT RESPONSIBLE FOR ANY ISSUE ARISING THEREAFTER

16.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfil all of the following:

(i) You must be one of the following:

   (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares with a Malaysian address; or

   (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

   (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of our Issuing House; and

(iii) You must submit an Application by using only one of the following methods:

   (a) White Application Form;

   (b) Electronic Share Application; or

   (c) Internet Share Application.

16.3.3 Application by eligible Directors, employees of our Group and persons who have contributed to our success

Eligible Directors, employees of our Group and persons who have contributed to our success will be provided with Pink Application Forms and letters from us detailing their respective allocations. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

Eligible Directors, employees of our Group and persons who have contributed to our success may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, our Issuing House, Kenanga IB, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.30 for each IPO Share.

Payment must be made out in favour of **"MIH SHARE ISSUE ACCOUNT NO. 646"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the official envelopes provided to the following address:

Malaysian Issuing House Sdn Bhd
(Registration No. 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

Or

(ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan so as to arrive not later than 5.00 p.m. on 12 July 2024 or by such other time and date specified in any change to the date or time for closing. We will not accept late Applications.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of these Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Malaysia Sdn Bhd *(formerly known as CGS-CIMB Securities Sdn Bhd)*, Malayan Banking Berhad, Moomoo Securities Malaysia Sdn Bhd and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND ISSUING HOUSE

Our Issuing House, on the authority of our Board reserves the right to:

(i) reject Applications which:

- (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
- (b) are illegible, incomplete or inaccurate; or
- (c) are accompanied by an improperly drawn up, or improper form of remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with **Section 16.9** below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, our Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of distributing our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company to meet the public shareholding spread requirements of Bursa Securities as well as establishing a liquid and adequate market for our Shares.

The results of the allocation of IPO shares derived from successful balloting will be made available to the public at our Issuing House's website at www.mih.com.my within 1 Market Day after the balloting date.

Under the Listing Requirements, at least 25.00% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. We expect to achieve this at the point of Listing.

In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or eligible Directors, employees of our Group and persons who have contributed to our success, subject to the clawback and reallocation provisions as set out in Section 4.3.4 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFULLY/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner:-

16.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS Account number or provided an incorrect or incomplete CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (i) and (ii) above (as the case may be).

(iv) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) Our Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within 2 Market Days after the receipt of confirmation from our Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by our Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:-

(i) Our IPO Shares allotted to you will be credited into your CDS Account.

(ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of your Applications may be directed as follows:-

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at telephone no. +603-7890 4700
Electronic Share Application	The relevant Participating Financial Institution
Internet Share Application	The relevant Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADAs at the telephone number as stated in the list of ADAs as set out in Section 12 of the "Detailed Procedures for Application and Acceptance" accompanying the electronic copy of our Prospectus on the website of Bursa Securities or our Issuing House at the telephone no. +603-7890 4700 between 5 to 10 Market Days (during office hours only) after the final ballot day.