



## WINKING STUDIOS LIMITED

(Company Registration No. 159882)  
(Incorporated in the Cayman Islands)

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### PROPOSED ACQUISITION OF THE BUSINESS AND CERTAIN ASSETS OF PIXELLINE PRODUCTION SDN. BHD.

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#### 1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of Winking Studios Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 8 April 2024 (the "**8 April Announcement**") and wishes to announce that the Company has on 27 June 2024 entered into a business sale agreement (the "**Business Sale Agreement**") with Pixelline Production Sdn. Bhd. (the "**Vendor**" or "**Pixelline Production**"), in connection with the purchase of the business of Pixelline Production, being full pipeline animation production, television commercials and motion graphic post-production and partial animation contract work (the "**Business**"), as well as certain assets of Pixelline Production (as further detailed in the next Section of this announcement), which will be held by the Group, including the Company and its wholly owned subsidiary, Pixelline Art Sdn. Bhd. ("**Pixelline Art**"), the latter of which was incorporated on 17 May 2024 in connection with, *inter alia*, the proposed acquisition (collectively, the "**Pixelline Production Business and Assets**" and the acquisition, the "**Proposed Acquisition**").

#### 2. INFORMATION ON THE VENDOR AND THE PIXELLINE PRODUCTION BUSINESS AND ASSETS

Based on the company profile search, Pixelline Production is a private company limited by shares incorporated in Malaysia on 21 October 2014. Its registration number is 201401038131 (1114279-P). The scope of its business is the Business as described above. The Pixelline Production Business and Assets that are the subject of the Proposed Acquisition comprise the Business and certain equipment, machinery, furniture, fixtures, computer software, trademarks and goodwill.

Lee Jie Way ("**LJW**") and Beh Yit Xian ("**BYX**") (collectively, the "**Vendor Shareholders**") are currently shareholders of Pixelline Production. It is intended that the Vendor Shareholders shall enter into employment agreements with Pixelline Art upon completion of the Proposed Acquisition ("**Completion**").

None of Pixelline Production or its shareholders and directors, is related to any of the Directors, controlling shareholders, chief executive officer of the Company and/or their respective associates. As at the date of this announcement, none of Pixelline Production, its directors or shareholders, holds shares, directly or indirectly, in the Company.

#### 3. RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Directors believe that the Proposed Acquisition is in line with the Group's business strategy to pursue strategic acquisitions to expand its sale and capabilities so as to increase its market presence globally, which is in line with its business strategies as disclosed in the Company's annual report for the financial year ended 31 December 2023 ("**FY2023**"), in the section entitled "*General Information on our Group – Business Strategies and Future Plans*" of the offer document issued by the Company dated 8 November 2023 (the "**Offer Document**") and in the Company's circular to its shareholders (the "**Shareholders**") dated 15 April 2024 (the "**Placement Circular**").

The Proposed Acquisition will be financed through the Company's internal resources as well as proceeds from the Placement (as defined in the Offer Document) and the Cornerstone Tranche (as defined in the Offer Document), and the Placement Net Proceeds (as defined in the Placement Circular).

The abovementioned utilisation is in accordance with the intended use of proceeds from the Placement and the Cornerstone Tranche and the Proposed Placement (as defined in the Placement Circular). The Company will make further announcement(s) when the remaining proceeds from the Placement, the Cornerstone Tranche and Proposed Placement are materially disbursed.

In addition, the Directors believe that the Proposed Acquisition will allow the Group to scale up its presence in Southeast Asia, which is in line with the Company's business strategies of pursuing growth through acquisitions, as elaborated upon above. The Proposed Acquisition is also expected to provide the Group with increased resources, including assets and manpower, so as to achieve an increased capacity for its service offerings. The Proposed Acquisition will also allow the Group to expand its customer base, thereby reducing the concentration risk on existing customers.

Having considered the terms of the Proposed Acquisition and based on the benefits of the Proposed Acquisition to the Group, the Directors are of the view that the Proposed Acquisition is in the best interests of the Company.

#### 4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The proforma financial effects of the Proposed Acquisition on the net tangible assets ("NTA") attributable to the owners of the Company per share and the earnings per share ("EPS") of the Group are set out below. The proforma financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2023. The expenses in connection with the Proposed Acquisition are disregarded for the purpose of calculating the financial effects. The proforma financial effects are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial position of the Group after Completion.

##### (a) Effect on NTA per share

For illustrative purposes only, the proforma financial effects of the Proposed Acquisition on the Group's NTA per share, assuming that the Proposed Acquisition had been completed on 31 December 2023, being the end of the most recently completed financial year whose results have been announced, are set out below:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (USD'000)	19,761	18,783
Number of issued shares (excluding treasury shares) ('000)	279,698	279,698
NTA per share (USD cents)	7.07	6.72

##### (b) Effect on EPS

For illustrative purposes only, the proforma financial effects of the Proposed Acquisition on the consolidated earnings of the Group, assuming that the Proposed Acquisition had

been completed on 1 January 2023, being the beginning of the most recently completed financial year whose results have been announced, are set out below:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profits after tax attributable to shareholders of the Company (USD'000)	1,780	1,853
Weighted average number of shares ('000)	243,381	243,381
EPS (USD cents)	0.73	0.76

**(c) Effect on share capital of the Company**

The Proposed Acquisition will not have any effect on the issued and paid-up share capital of the Company.

**5. RELATIVE FIGURES IN RESPECT OF THE PROPOSED ACQUISITION**

The relative figures in respect of the Proposed Acquisition pursuant to Rule 1006 of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**") based on the latest announced audited consolidated financial statements of the Group as at 31 December 2023 are as follows:

Catalist Rule	Bases of computation	Relative figures (%)	
1006(a)	The net asset value (" <b>NAV</b> ") of the assets to be disposed of, compared with the Group's NAV.	Not applicable <sup>(1)</sup>	
1006(b)	The net profits <sup>(2)</sup> attributable to the assets acquired or disposed of, compared with the Group's net profits.	5.14	
1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation <sup>(3)</sup> based on the total number of issued shares excluding treasury shares.	0.55 <sup>(4)</sup>	1.83 <sup>(5)</sup>
1006(d)	The number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue.	Not applicable <sup>(6)</sup>	
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a	Not applicable <sup>(7)</sup>	

	mineral, oil and gas company, but not to an acquisition of such assets.	
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**Notes:**

- (1) This basis is not applicable to the Proposed Acquisition, which is an acquisition of assets.
- (2) Under Catalist Rule 1002(3)(b), "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. Based on the audited consolidated financial statements of the Group for FY2023, the net profits of the Group were approximately USD1,423,000 (or approximately S\$1,193,011<sup>1</sup>). Based on the latest unaudited financial statements of the Vendor for the same financial period, the net profits attributable to the Pixelline Production Business and Assets were approximately Malaysian Ringgit ("MYR") MYR344,853 (or approximately S\$99,180<sup>2</sup> or USD73,074<sup>3</sup>).
- (3) Under Catalist Rule 1002(5), "market capitalisation" is determined by multiplying the number of shares in issue of the Company ("Shares") by the volume weighted average price of such Shares transacted on 26 June 2024, being the last market day whereby the Shares were traded preceding the date of the Business Sale Agreement.
- (4) The aggregate value of the consideration (excluding the Earn-out Payments (as defined below) and the One-time Payments (as defined below) which may be payable by the Company to the Vendor Shareholders) is USD300,000 (or approximately S\$407,100<sup>4</sup>) while the market capitalisation of the Company is approximately S\$74,120,043, which was determined by multiplying the number of Shares of 279,698,275 by the weighted average price of such Shares transacted on 26 June 2024 (being the market day preceding the date of the Business Sale Agreement) of S\$0.265 per Share.
- (5) The aggregate value of the consideration (including the Earn-out Payments and the One-time Payments (as defined below) which may be payable by the Company to the Vendor Shareholders) is USD1,000,000 (or approximately S\$1,357,000<sup>5</sup>) while the market capitalisation of the Company is approximately S\$74,120,043, which was determined by multiplying the number of Shares of 279,698,275 by the weighted average price of such Shares transacted on 26 June 2024 (being the market day preceding the date of the Business Sale Agreement) of S\$0.265 per Share.
- (6) This basis is not applicable as there are no consideration shares to be issued by the Company as consideration for the Proposed Acquisition.
- (7) This basis is not applicable as the Company is not a mineral, oil and gas company.

As the relative figure under Rule 1006(b) of the Catalist Rules exceeds 5% but is less than 75%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 10 of the Catalist Rules. Notwithstanding this, as set out in the 8 April Announcement, the Proposed Acquisition is regarded to be in connection with the ordinary course of the Company's business pursuant to paragraph 2.3 of Practice Note 10A the Catalist Rules and thus, the Proposed Acquisition is not subject to the requirements under Chapter 10 of the Catalist Rules in respect of discloseable transactions. Nevertheless, for good corporate governance, certain details in this announcement have been included on a voluntary basis by the Company.

## **6. DETAILS IN RELATION TO THE PROPOSED ACQUISITION**

### **(a) Purchase Consideration**

<sup>1</sup> Based on the exchange rate of USD1: S\$1.3570 as at 27 June 2024 as extracted from the Monetary Authority of Singapore's ("MAS") website.

<sup>2</sup> Based on the exchange rate of MYR1: S\$0.2876 as at 27 June 2024 as extracted from the MAS website.

<sup>3</sup> Based on the exchange rate of MYR1: USD0.2119 as at 27 June 2024 as computed from rates extracted from the MAS website.

<sup>4</sup> See footnote 1 above.

<sup>5</sup> See footnote 1 above.

The aggregate purchase consideration payable by the Company in connection with the Proposed Acquisition is up to USD1,000,000 (or approximately S\$1,357,000<sup>6</sup>), comprising the following:

- (i) Pursuant to the Business Sale Agreement, an upfront cash payment of USD300,000 (or approximately S\$407,100<sup>7</sup>) ("**Upfront Cash Consideration**"), to be paid by the Company to the Vendor on Completion; and
- (ii) Pursuant to the earn-out agreements with each of the Vendor Shareholders (collectively, the "**Earn-out Agreements**"), earn-out amounts to be paid in various tranches by the Company to LJW and BYX of up to USD335,000 (or approximately S\$454,595<sup>8</sup>) and USD165,000 (or approximately S\$223,905<sup>9</sup>) respectively (collectively the "**Earn-out Payments**"), subject to Pixelline Art fulfilling certain financial targets in respect of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026, as well as one-time payments to be paid by the Company to LJW and BYX of USD134,000 (or approximately S\$181,838<sup>10</sup>) and USD66,000 (or approximately S\$89,562<sup>11</sup>) respectively, subject to the due execution of the employment agreement to be entered into between the respective Vendor Shareholder and Pixelline Art, the respective Vendor Shareholder having ensured and procured the commencement of the transfer of the employees of Pixelline Production who have accepted the offer of employment by Pixelline Art, to Pixelline Art, and the respective Vendor Shareholder having facilitated the completion of the transfer of the Pixelline Production Business and Assets (the "**One-Time Payments**"),

(collectively, the "**Purchase Consideration**").

**(b) Terms of Payment**

The Purchase Consideration shall be satisfied in cash, pursuant to which:

- (i) The Upfront Cash Consideration shall be payable by the Company to the Vendor's designated account on Completion; and
- (ii) The Earn-out Payments shall, subject to the terms and conditions set out in the Earn-out Agreements and in particular, the financial performance of Pixelline Art, be paid by the Company to the Vendor Shareholders in their respective proportions within 14 business days from the date of provision of Pixelline Art's audited financial statements for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 respectively, and the One-Time Payments shall, subject to the terms and conditions set out in the Earn-out Agreements, be paid by the Company to the Vendor Shareholders in their respective proportions within 10 business days from the satisfaction of the conditions elaborated in Section 6(a) above.

**(c) Basis of the Purchase Consideration**

The Purchase Consideration was negotiated between the Company and the Vendor at arms' length and arrived at on a willing buyer-willing seller basis, taking into account, amongst other things:

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<sup>6</sup> See footnote 1 above.

<sup>7</sup> See footnote 1 above.

<sup>8</sup> See footnote 1 above.

<sup>9</sup> See footnote 1 above.

<sup>10</sup> See footnote 1 above.

<sup>11</sup> See footnote 1 above.

- (i) the fair value of the Pixelline Production Business and Assets as set out in the Valuation Report (as defined below), which includes an estimate of the revenue to be generated by the Pixelline Production Business and Assets; and
- (ii) the prevailing market conditions in respect of the art outsourcing and game development industries in Malaysia.

**(d) Conditions Precedent**

Completion is conditional upon satisfaction of the conditions precedent set out in the Business Sale Agreement, which include, *inter alia*, the following:

- (i) the conduct of legal, financial, operational, tax and other due diligence on the Pixelline Production Business and Assets, and the results of such due diligence being satisfactory to the Company;
- (ii) the Vendor having obtained all approvals, consents, authorisations, permits or waivers of any agency, statutory body, quasi government entity, administrative agency or political subdivision whether local or foreign in any jurisdiction, or any agency or instrumentality of any such government or political subdivision or any court or arbitrator including but not limited to Bank Negara Malaysia, Suruhanjaya Syarikat Malaysia (also known as the Companies Commission of Malaysia) and the Malaysian Institute of Accountants, including MyCreative Ventures Sdn Bhd and other third parties necessary or appropriate to carry out and complete the sale and purchase of the Pixelline Production Business and Assets pursuant to the terms of the Business Sale Agreement (collectively, the "**Approvals**"), and where any of such Approvals is subject to conditions, such conditions being acceptable to the Company, and if such conditions are required to be fulfilled before Completion, such conditions being fulfilled before Completion, and such Approvals remaining in full force and effect. Alternatively, the Vendor shall confirm to the Company in writing if such Approvals are not applicable and/or required for the sale and purchase of the Pixelline Production Business and Assets and furnish such supporting documents as the Company may reasonably require;
- (iii) the representations and warranties of the Vendor in the Business Sale Agreement being true, accurate and correct in all material respects as if made on the completion date, being 14 business days after the date the last of the Conditions Precedent is satisfied (the "**Completion Date**"), with references to the existing circumstances and the Vendor having performed in all material respects of all its obligations under Business Sale Agreement which are required hereunder to be performed on or before the Completion Date;
- (iv) the Vendor having obtained the approvals of its board of directors and shareholders for its entry into Business Sale Agreement and the transactions contemplated under Business Sale Agreement;
- (v) the Company having obtained the approvals of its board of directors for its entry into Business Sale Agreement and the transactions contemplated under Business Sale Agreement; and
- (vi) the sale and purchase of the Pixelline Production Business and Assets upon the terms and conditions of Business Sale Agreement not being prohibited or restricted by any statute, order, rule, regulation, directive, guideline or request (whether or not having the force of law) promulgated by any legislative, executive or regulatory body or other authority of Malaysia, the Republic of China, Singapore, the Cayman Islands and/or any other relevant jurisdictions,

(collectively, the "**Conditions Precedent**").

**(e) Completion**

Completion shall take place 14 business days after the date the last of the Conditions Precedent is satisfied, or such other date as the parties to the Business Sale Agreement may otherwise agree.

**(f) Value of the Pixelline Production Business and Assets**

Based on the latest unaudited financial statements of the Vendor for FY2023, the book value represented by the Pixelline Production Business and Assets was MYR176,189 (or approximately S\$50,672<sup>12</sup> or USD37,334<sup>13</sup>) and the NTA represented by the Pixelline Production Business and Assets was MYR105,108 (or approximately S\$30,229<sup>14</sup> or USD22,272<sup>15</sup>).

The Company commissioned an independent valuation in respect of the Pixelline Production Business and Assets for the purposes of the Proposed Acquisition. Based on a valuation report dated 29 February 2024 prepared by ClientView Management Consulting Co., Ltd. (客观企业管理顾问股份有限公司) (the "**Valuation Report**"), the fair value of the Pixelline Production Business and Assets as at 29 February 2024 is USD297,154 (or approximately MYR1,402,091<sup>16</sup> or S\$403,238<sup>17</sup>) to USD353,053 (or approximately MYR1,665,845<sup>18</sup> or S\$479,093<sup>19</sup>) (the "**Fair Value of the Pixelline Production Business and Assets**"). The Fair Value of the Pixelline Production Business and Assets was mainly derived from the income method of valuation, which is based on the future income flow from the assets, and the cost approach to valuation, which is based on the highest price a market participant would be willing to pay for a similarly functioning underlying asset.

**7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or substantial shareholders of the Company has any interest, whether direct or indirect, in the Proposed Acquisition, save for their direct or indirect interests (if any) arising by way of their shareholdings and/or directorships, as the case may be, in the Company.

**8. DETAILS OF SERVICE AGREEMENTS**

No person will be appointed to the Board, and no service contract will be entered into by the Company in connection with the Proposed Acquisition. However, for completeness, it is intended that Pixelline Art, the Company's wholly-owned subsidiary, will enter into employment agreements with each of the Vendor Shareholders and certain other employees of the Vendor for the purposes of the Pixelline Production Business and Assets.

**9. DOCUMENTS FOR INSPECTION**

Copies of the Business Sale Agreement, Earn-out Agreements and Valuation Report are available for inspection during normal business hours at the Singapore headquarters of the Company at 6 Raffles Quay, #14-06, Singapore 048580, for a period of 3 months commencing

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<sup>12</sup> See footnote 2 above.

<sup>13</sup> See footnote 3 above.

<sup>14</sup> See footnote 2 above.

<sup>15</sup> See footnote 3 above.

<sup>16</sup> Based on the exchange rate of USD1: MYR4.7184 as at 27 June 2024 as computed from rates extracted from the MAS website.

<sup>17</sup> See footnote 1 above.

<sup>18</sup> See footnote 14 above.

<sup>19</sup> See footnote 1 above.

from the date of this announcement.

#### 10. FURTHER UPDATES

The Company will make the relevant update announcements in compliance with the Catalist Rules to inform Shareholders of any updates or developments in due course in relation to the Proposed Acquisition, if any.

#### 11. CAUTION IN TRADING

Shareholders and potential investors of the Company should exercise caution when trading in the Company's shares. In particular, Shareholders and potential investors of the Company should note that there is no assurance that any business activities or transactions mentioned in this announcement will materialise. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

#### BY ORDER OF THE BOARD

MR. JOHNNY JAN  
Executive Chairman and Chief Executive Officer

27 June 2024

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*Winking Studios Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**Exchange**") on 17 November 2023. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). This announcement has been reviewed by the Sponsor. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms. Foo Jien Jieng, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.*