

7. BUSINESS OVERVIEW

7.1 HISTORY AND MILESTONES

The history of our Group can be traced back to the incorporation of Inspidea on 16 May 2002 by our Executive Directors, See Chin Joo and Ooi Kok Hong as well as 2 other unrelated parties namely Foo Weng Seng and Chuo Yuan Ping, where the business was initially in proprietary content creation. Our Executive Directors, See Chin Joo and Ooi Kok Hong initially held 31.00% equity interest each in Inspidea while the remaining 38.00% equity interest in Inspidea was collectively held by the 2 unrelated parties. The 2 unrelated parties disposed their equity interest to See Chin Joo and Ooi Kok Hong in 2004. Subsequent to the disposal by the 2 unrelated parties, See Chin Joo and Ooi Kok Hong collectively held 100.00% equity interest in Inspidea, in which 67.14% equity interest were held by See Chin Joo while the remaining 32.86% equity interest were held by Ooi Kok Hong.

In 2005, Netval Ventures, a registered venture capital corporation with the SC, became our shareholder via the initial subscription of 10,000 convertible preference shares. Netval Ventures is an investor and is not involved in the day-to-day operations of our Group. In 2007, Inspidea transitioned the focus of its business from proprietary content creation to the provision of 2D animation production services. On [●], Inspidea became a wholly-owned subsidiary of Kucingko.

We are primarily involved in 2D animation production services which is undertaken by our subsidiary, Inspidea. A small proportion of our business relates to the provision of food services, which is undertaken by our subsidiary, Bowleh. Generally, our 2D animation production services utilise a series of digitally drawn 2D images to create an illusion of movement to form visual content mainly for animated series. For the Financial Periods Under Review, we produce animation contents that are based on pre-production package provided by the customer. For the Financial Periods Under Review and up to the LPD, we have completed 59 animation production projects with a collective contract value of RM63.22 million and a total runtime of approximately 4,617 minutes.

The table below sets out the key events and milestones in the history and development of our business:

Year	Key events and milestones
2002	<ul style="list-style-type: none"> Incorporation of Inspidea. We commenced our business initially in proprietary content creation, which was focused on the development of proprietary content including animated series and animated characters. Our business commenced in an office located in Mont Kiara, Kuala Lumpur.
2004	<ul style="list-style-type: none"> We developed and produced our first proprietary content namely, <i>Johan the Young Scientist</i>, an animated series that comprises 26 episodes with a total runtime of approximately 312 minutes. During the same year, we entered into a broadcasting agreement with a broadcaster in Estonian which permitted the broadcasting of the animated series in the Republic of Estonia. <p>Between 2004 and up to the LPD, we have developed and produced 12 proprietary contents in total which is set out as below:</p> <ul style="list-style-type: none"> - 9 animated series including <i>Johan the Young Scientist</i>, <i>Mustang Mama Football Fever</i>, <i>Mustang Mama Diehard Sports Fan</i>, <i>Mustang Mama x3</i>, <i>Happy Together</i>, <i>Boo & Mee</i>, <i>Pet Squad</i>, <i>AKIS</i>, and <i>Kobushi</i>; - 1 animated short film namely, <i>InnerTommy</i>; - 1 graphic novel namely, <i>Osiana World</i>; and - 1 animated character namely, <i>Terrified Sushi</i>, which has yet to be commercialised.

7. BUSINESS OVERVIEW (CONT'D)

Year	Key events and milestones
	<p>For the Financial Periods Under Review and up to the LPD, the focus of our business is 2D animation production services and there was no revenue generated from our proprietary content. Please refer to Section 7.12 of this Prospectus for further details on our proprietary content.</p> <ul style="list-style-type: none"> Inspidea was granted Pioneer Status from MITI, in which the company was entitled to corporate tax incentives for 5 years from November 2004 to November 2009 which was later extended for an additional 5 years to November 2014. We relocated our operational office from Mont Kiara, Kuala Lumpur to an office located in Kelana Square, Selangor.
2005	<ul style="list-style-type: none"> Netval Ventures, a registered venture capital corporation with the SC, became our shareholder via the initial subscription of 10,000 convertible preference shares in Inspidea. Netval Ventures is an investor and is not involved in our day-to-day business operations. Inspidea acquired Tourific which is involved in the distribution of IT products and the provision of related services. For the Financial Periods Under Review and up to the LPD, Tourific is mainly the procurement arm for IT products and services used in our business operations.
2006	<ul style="list-style-type: none"> We relocated our operational office from Kelana Square, Selangor to Glomac Square, Selangor.
2007	<ul style="list-style-type: none"> We transitioned the focus of our business from proprietary content creation to the provision of 2D animation production services. In 2007, we secured our first 2D animation production project from a content producer in France for the production of an animated series which comprises 26 episodes with a total runtime of approximately 594 minutes. We commenced our business relationship with Customer A Group where we sold the proprietary right of one of our proprietary contents to a subsidiary of Customer A Group
2008	<ul style="list-style-type: none"> Toonigami was incorporated and the company is involved in the provision of subcontracted animation production services. Since 2021, the company has been mainly involved in the provision of subcontracted services for our animation projects. We expanded our office facilities in Glomac Square, Selangor from 1 shop unit to 2 shop units for our animation production operations.
2009	<ul style="list-style-type: none"> Through Inspidea, we collaborated with an international children's television channel based in the United Kingdom, for the development and production of an animated series namely, <i>Boo and Me</i> for 26 episodes with a total runtime of approximately 52 minutes. The proprietary rights of the animated series are owned by our Group. Inspidea obtained an approval from MDEC for a grant of up to RM4.85 million pertaining to the co-production of <i>Pet Squad</i>, an animated series. <i>Pet Squad</i> comprises 52 episodes with a total runtime of approximately 572 minutes which was co-produced by Inspidea together with 2 co-production partners from United Kingdom and Canada. As at the LPD, the proprietary rights of the said animated series is jointly owned by our Group (20.00%) and the 2 said parties (80.00%). The <i>Pet Squad</i> animated series was subsequently released in 2011.

7. BUSINESS OVERVIEW (CONT'D)

Year	Key events and milestones
2010	<ul style="list-style-type: none"> We expanded our office facilities in Glomac Square, Selangor from 2 shop unit to 3 shop units for our animation production operations.
2011	<ul style="list-style-type: none"> We expanded our office facilities in Glomac Square, Selangor from 3 shop units to 4 shop units for our animation production operations.
2012	<ul style="list-style-type: none"> Inspidea obtained an approval from MDEC for a grant of up to RM2.38 million for the co-production of <i>Kobushi</i>, an animated series which was co-produced by Inspidea together with a co-production partner from France. We produced a total of 104 episodes with a total runtime of approximately 728 minutes and the animated series was released in 2012. The proprietary rights of this animated series was jointly owned by our Group (42.50%), the co-production partner (42.50%) and a financing co-producer (15.00%). We expanded our office facilities in Glomac Square, Selangor from 4 shop units to 6 shop units for our animation production operations.
2017	<ul style="list-style-type: none"> Bowleh was incorporated in 2017 and commenced business in the provision of food services in 2019 by setting up a restaurant in the vicinity of our office in Glomac Square.
2019	<ul style="list-style-type: none"> We were approved by the Ministry of Human Resources Malaysia as a Technical and Vocational Education and Training (“TVET”) centre where we provide National Dual Training (“SLDN”) programme for 2D animation production related knowledge. Between 2019 and up to the LPD, we have enrolled 40 students under the SLDN programme.
2020	<ul style="list-style-type: none"> We secured our first animation project directly from Customer I where we produced 1 episode with a total runtime of approximately 11 minutes. Subsequently, in 2021, we secured an additional contract from Customer I for the animation production of the full series of an animated series with 26 episodes and total runtime of approximately 78 minutes.

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7. BUSINESS OVERVIEW (CONT'D)

7.2 KEY AWARDS, CERTIFICATIONS AND RECOGNITIONS

Since the commencement of business operations in 2002, we have obtained the following key awards and recognitions:

Year	Key awards	Awarding party
2008	Enterprise 50 Award Programme Winner	Small and Medium Enterprises Corporation Malaysia (“ SME Corp Malaysia ”) (previously known as Small and Medium Industries Development Corporation) and Deloitte Malaysia
2008	Winner of Industry Excellence Award 2008 for the category: - Brand Excellence Award (Services) - Export Excellence Award (Services)	MITI
2009	Winner of Industry Excellence Award 2009 under the category of Export Excellence Award (Services)	MITI
2009	Achieve 3 stars under the SME Competitive Rating for Enhancement category	SME Corp Malaysia and MITI

In addition, we are involved in the production of animation content which obtained awards and nominations. Our contribution as an animation production service provider is to transform the concept and storyline into actual animated content with satisfactory quality that qualifies for the awards and nominations. Since the commencement of business operations in 2002, the awards and nominations obtained by the animated content which we were involved in are as follows:

Year	Key awards	Awarding party
2008	Nomination of <i>Mustang Mama Season 2 - Diehard Sports Fan</i> as one of the five finalists in the category of “TV series for all ages” in the Cartoons on the Bay Pulcinella Awards 2008	Rai Trade SpA
2009	The programme <i>Happy Together</i> was selected as part of the Official Selection of the Pulcinella Awards 2009	Rai Trade SpA
2011	Nominee of British Academy Children’s Awards, for <i>Pet Squad</i>	British Academy of Film and Television Arts (BAFTA)
2013	15 th TBS DigiCon6 Award - DigiCon6 Creativity Awards for <i>InnerTommy</i>	Tokyo Broadcasting System Television Inc, Japan
2018	Winner of the FICCI Frames BAF (Best Animated Frames) Award for a 2D animated series in the FICCI Frames BAF Awards	Federation of Indian Chambers of Commerce and Industry
2018	Nomination of a 2D animated series under the Best Children’s Animated Programme or Series category in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd
2018	Nomination of a 2D animated series under the Best Short Form Content category in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd
2018	Winner of 2D Best Animated Programme or Series for a 2D animated series in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd
2019	Nomination of a 2D animated series under the Best Short Form Content category in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd

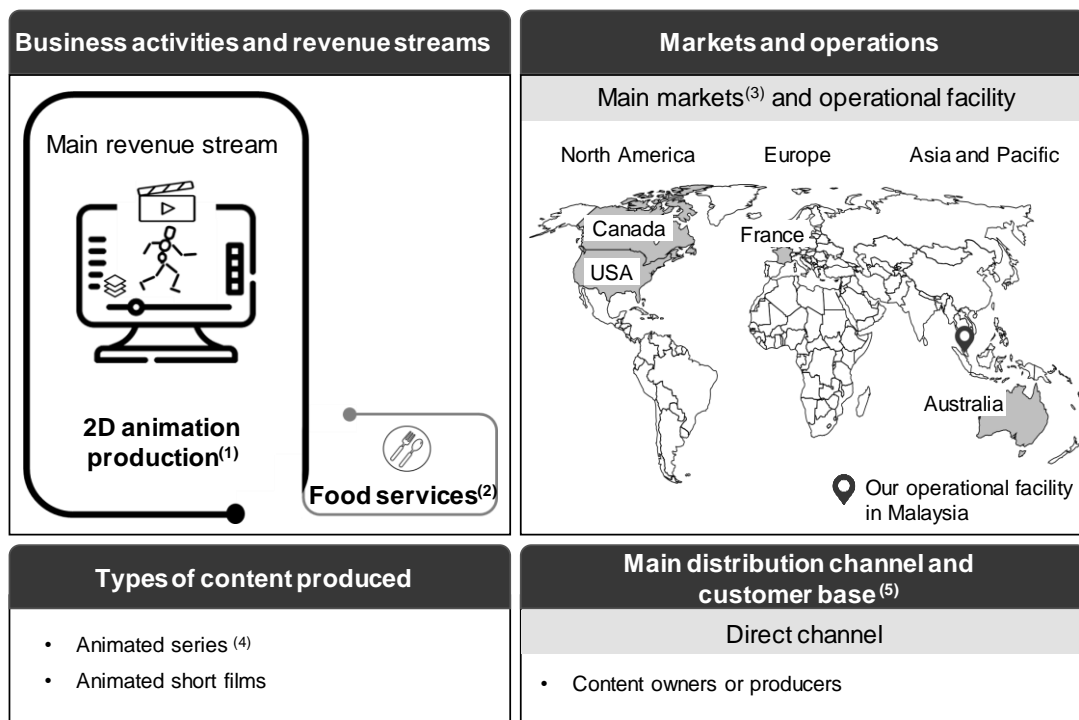
7. BUSINESS OVERVIEW (CONT'D)

Year	Key awards	Awarding party
2019	Winner of Best Animated Programme or Series (2D or 3D) for a 2D animated series in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd
2019	Nomination of a 2D animated series under the Kids: Animation category in the International Emmy Kids Awards	International Academy of Television Arts & Sciences
2020	Winner of Best Children Programme (one off/series) for a 2D animated series in the Asian Academy Creative Awards	Asian Academy of Creative Arts Pte Ltd
2023	Winner of Best Kids TV Programme Made in Asia for a 2D animated series in the ContentAsia Awards	Pencil Media Pte Ltd

7.3 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS / SERVICES

7.3.1 Our business model

For the Financial Periods Under Review, our business model is as follows:



Notes:

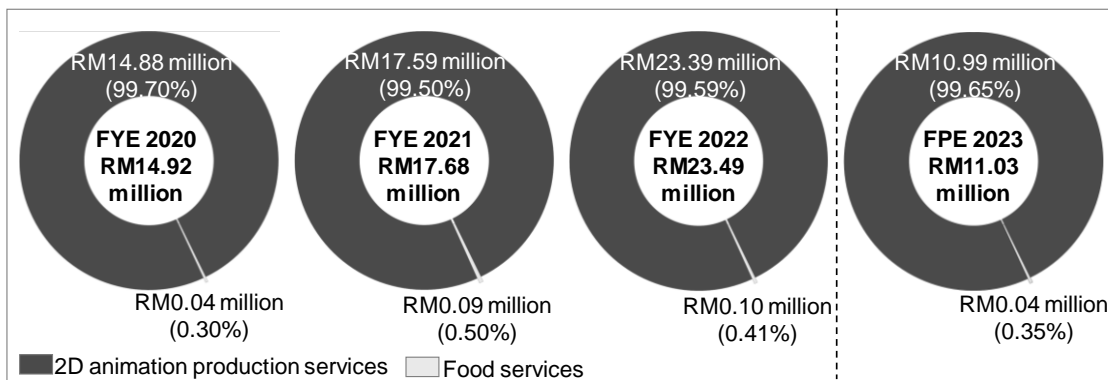
- (1) Our revenue from 2D animation production accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.
- (2) Our revenue from food services accounted for 0.30% (RM0.04 million), 0.50% (RM0.09 million), 0.41% (RM0.10 million) and 0.35% (RM0.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.
- (3) Main markets are based on markets with revenue contribution of at least 10.00% of our total revenue for any of the Financial Periods Under Review.

7. BUSINESS OVERVIEW (CONT'D)

- (4) For the Financial Periods Under Review, all of our 2D animation productions were mainly animated series for television broadcasting and digital online streaming.
- (5) For the Financial Periods Under Review, we mainly serve customers who are content producers for the provision of 2D animation production services.

7.3.1.1 Business activities and revenue streams

Revenue segmentation by business activities



Our revenue segmentation by business activities for the Financial Periods Under Review is as follows:

(i) 2D animation production services

We are principally involved in 2D animation production services, which is undertaken by our subsidiary, Inspidea. We utilise digitally drawn 2D images to create an illusion of movement to form the animated visual content mainly for animated series. For the Financial Periods Under Review, 2D animation production services represented 99.70%, 99.50%, 99.59% and 99.65% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Generally, the production of animated content can be broadly categorised into 3 phases namely, pre-production, production and post-production phases. Our 2D animation production service primarily focuses on the production phase where we produce 2D animations based on the pre-production package provided by our customers. The 2D animated contents we produced are mainly for television broadcasting and digital online streaming which are commonly broadcasted for global viewers. Please refer to Section 7.4.1 of this Prospectus for further details on our 2D animation production services.

Our production projects comprised either full production from start to the end of an episode, or partial production where we are involved in producing part of an episode. For the Financial Periods Under Review and up to the LPD, we have completed 59 animation production projects with a collective contract value of RM63.22 million and a total runtime of approximately 4,617 minutes.

As at the LPD, we have 8 on-going animation production projects with a collective contract value of RM44.27 million and a total runtime of approximately 1,947 minutes. As at the LPD, we have a total unbilled order book of RM23.44 million from the said on-going 2D animation projects which are expected to be completed between FYE 2023 and FYE 2024. A total of RM19.35 million will be recognised as revenue for FYE 2023 and a total of RM4.08 million will be recognised as revenue for FYE 2024. For further details of the order book, please refer to Section 12.11 of this Prospectus.

Please refer to Section 7.4.1.4 and Section 7.4.1.5 of this Prospectus for further details on our completed and on-going animation production projects respectively.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Food services

A small proportion of our revenue is derived from the provision of food services where we operate a restaurant located in the vicinity of our office and this is undertaken by our subsidiary, Bowleh. For each of the Financial Periods Under Review, food services accounted for less than 1.00% of our total revenue.

7.3.1.2 Principal markets and operations

The main markets we serve are foreign countries, covering certain countries from regions including North America, Asia Pacific and Europe. Revenue from foreign countries collectively accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Our revenue from foreign countries is entirely contributed by our 2D animation production services whereas revenue contribution from Malaysia was for our food services segment which accounted for 0.30% (RM0.04 million), 0.50% (RM0.09 million), 0.41% (RM0.10 million) and 0.35% (RM0.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Customers from countries within North America region, which comprises the USA, Canada and Mexico, represents our largest market which collectively accounted for 49.54% (RM7.39 million), 64.77% (RM11.45 million), 93.22% (RM21.89 million), 72.91% (RM8.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Customers from countries within European region, which covers the Netherlands, France and the United Kingdom, accounted for 13.82% (RM2.06 million), 32.45% (RM5.74 million), 5.75% (RM1.35 million) and 23.64% (RM2.61 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Customers from countries within Asia Pacific region which comprises Australia, Malaysia, Japan, Hong Kong and Singapore, accounted for 36.64% (RM5.47 million), 2.78% (RM0.49 million), 1.03% (RM0.24 million) and 3.45% (RM0.38 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Presently, although we do not have physical presence or business entity in any of the foreign countries. Nevertheless, our Group was able to secure 2D animation production projects from customers in foreign countries including the USA. All our projects are carried out in Malaysia as all of our 2D animation production work is undertaken digitally. We can receive the pre-production package and deliver our completed production work through the use of the internet, thereby allowing us to have a global reach.

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7. BUSINESS OVERVIEW (CONT'D)

For the Financial Periods Under Review, our revenue segmentation by geographical market is as follows:

Geographical markets	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
North America	7,393	49.54	11,447	64.77	21,893	93.22	8,040	72.91
USA	1,495	10.02	3,494	19.77	14,727	62.71	4,930	44.70
Canada	5,887	39.45	7,953	45.00	7,166	30.51	3,110	28.21
Mexico	11	0.07	-	-	-	-	-	-
Europe	2,062	13.82	5,736	32.45	1,351	5.75	2,607	23.64
United Kingdom	362	2.43	-	-	68	0.29	1,345	12.20
France	1,700	11.39	4,282	24.22	160	0.68	1,262	11.44
Netherlands	-	-	1,454	8.23	1,123	4.78	-	-
Asia Pacific	5,468	36.64	492	2.78	241	1.03	381	3.45
Australia	5,062	33.93	351	1.99	146	0.62	277	2.51
Singapore	123	0.82	-	-	-	-	65	0.59
Malaysia ⁽¹⁾	45	0.30	88	0.50	95	0.41	39	0.35
Japan	-	-	53	0.29	-	-	-	-
Hong Kong	238	1.59	-	-	-	-	-	-
TOTAL	14,923	100.00	17,675	100.00	23,485	100.00	11,028	100.00

Note:

(1) Revenue from Malaysia was contributed by the food services segment for the Financial Periods Under Review.

7.3.1.3 Main types of content produced

Our 2D animation production is focused on the following format:

- **2D animated series**

2D animated series, also known as cartoon series, refers to animated shows with a collection of episodes and recurring characters to convey a story. Typically, each episode of the same series features the same theme, story background and various recurring animated characters, with the exception that the story is different in each episode. For the Financial Periods Under Review, each episode of the 2D animated series that we produced ranges between 1 minute and 27 minutes. An animated series has numerous episodes and a successful animated series may have several seasons or it may go on for several years. 2D animated series are commonly broadcasted over television as well as distributed through streaming platforms to a global audience.

7. BUSINESS OVERVIEW (CONT'D)

- **Other 2D animated content**

We also produce other animated content including 2D animated short films which are self-contained stories from start to end which are shorter in duration compared to a complete series or a feature film. Commonly, each 2D animated short film's duration is approximately 15 minutes. The production process for short films is the same as 2D animated series. 2D animated short films are commonly showcased in festivals and events, broadcasted over television and distributed through streaming platforms.

In addition, we have 2D animation test projects which are small-scale projects mainly for evaluation purpose before our customer proceed with a larger scale production. Some of the aspects that are evaluated from the 2D animated test projects include technical considerations such as character design and storyboard design, as well as production quality. We are paid for these small-scale projects.

We mainly carry out 2D animation production for animated series. For the Financial Periods Under Review, we have carried out 1 production of a 2D animated short film. Please refer to Section 7.4.1.3 of this Prospectus for further details.

7.3.1.4 Distribution channels and main customer base

- (i) **2D animation production services**

We mainly utilise a direct distribution channel where we secure contracts directly from content owners or producers for the production of 2D animated content. Under the direct distribution channel, we communicate directly with the content owners or producers to understand their requirements in terms of, amongst others, timeline, cost, and quality standards.

We also utilise indirect distribution channel where the supervising producers would engage us as a subcontractor. As a subcontractor, we provide 2D animation production services under the supervision of the supervising producers where we liaise and report directly to them for their requirements.

Generally, we would be responsible for the 2D animation production for contracts secured from content owners, producers or supervising producers.

- (ii) **Food services**

We mainly utilise a direct distribution channel for our food services segment where we serve customers for dine-in and/or takeaway. A small proportion of our revenue under the food services segment is from indirect distribution channel where we sell our food and beverages through food delivery platforms including GrabFood and Foodpanda. We will prepare the food and beverages based on orders received via the food delivery platforms prior to handing over to the assigned driver who will pick up and deliver the orders to the end consumers.

Revenue from direct distribution channel is mainly from 2D animation production services. For the Financial Periods Under Review, our revenue from direct distribution channels accounted for 81.58% (RM12.17 million), 92.43% (RM16.34 million), 89.52% (RM21.03 million) and 99.99% (RM11.03 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. For the Financial Periods Under Review, our revenue from indirect distribution channel accounted for 18.42% (RM2.75 million), 7.57% (RM1.34 million), 10.48% (RM2.46 million) and 0.01% (less than RM0.1 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Periods Under Review, our revenue segmentation by distribution channels and main types of customers is as follows:

Distribution channels and main types of customers	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
Direct distribution channel	12,174	81.58	16,337	92.43	21,025	89.52	11,027	99.99
- 2D animation production services: Content owners or producers	12,127	81.26	16,257	91.98	20,931	89.12	10,989	99.65
- Food services: Walk-in customers	47	0.32	80	0.45	94	0.40	38	0.34
Indirect distribution channel	2,749	18.42	1,338	7.57	2,460	10.48	1	0.01
- 2D animation production services: Supervising producers	2,749	18.42	1,330	7.52	2,459	10.47	-	-
- Food services: Food delivery platforms	*	*	8	0.05	1	0.01	1	0.01
TOTAL	14,923	100.00	17,675	100.00	23,485	100.00	11,028	100.00

* Less than RM1,000/0.01% contribution.

7.3.2 Our modes of operations**7.3.2.1 2D animation production segment**

Our modes of operation for the 2D animation production segment are as below:

- **Fixed lump sum contracts**

For our 2D animation production segment, we obtain our projects mainly through competitive bidding including open tenders or invitations to quote. Our revenue model for these projects is based on fixed lump sum contracts, which include details such as the scope of work, timeline, contract price and payment schedule. Our customers will pay us the fixed price of the contract, subject to any additional work for creative retakes that they may request.

On project commencement, we would typically invoice a percentage of the total price of the contract. During the production phase, we will invoice our customers based on the proportion of work that we have completed according to the production milestones and payment schedule agreed upon. The schedule of billings is specified in the contract and this may vary depending on the terms agreed with the customers. Our last invoice is issued upon receiving the final validation or approval from the customer, confirming the acceptance of our work, indicating compliance with all specifications and requirements, as well as completion of the project.

7. BUSINESS OVERVIEW (CONT'D)

- **Scheduled rate contracts**

We have projects based on scheduled rate contracts where our customers will pay us based on a pre-determined rate per minute or second of animation production work completed. At the commencement of each minute of animation production work in the project, we would typically invoice a percentage of the price per minute as specified in the contract. The remaining portion of the contract value will be invoiced upon receiving final validation or approval from the customer for accepting each completed minute of animation production work.

- **Project contract period obligation**

Our primary obligation is to deliver the completed production materials on time, according to the milestone schedule outlined in the contract.

In some situation, we may be subject to a deduction of fees as penalty based on a percentage of the value of the corresponding production milestone stipulated in our contracts or we may be subject to an indemnity equal to the amount of the fee paid and/or due in the event of any delays in the delivery of our production works. While for other contracts, we may be subject to termination of our contract. For the Financial Periods Under Review, we have not experienced any deduction on the contract value as penalty, payment of indemnity or termination of contract due to delay in delivery of our production works.

Our obligations include delivering our production works according to the technical specifications requested by the customer. In the event of failure to deliver our production works according to the agreed specification, we may be subject to a deduction of our fees as penalty based on a percentage of the corresponding production milestone stipulated in our contracts or termination of our contract. For the Financial Periods Under Review, we have not experienced any deduction on the contract value as penalty or termination of contract due to the failure in delivery of our production works according to the agreed specifications.

- **Warranty and guarantee**

We do not provide any product warranty or guarantee as our animation production business is service based. Our work is completed upon delivery of our work and acceptance by our customers as the 2D animated content that we produce are based on technical specifications agreed with customers. There is no recourse for refunds once the customer has validated and accepted our work.

7.3.2.2 Food services segment

Our modes of operation for the food services segment are as below:

- **Cash payments from walk-in customers**

Payments for our food services are:

- immediate upon receipt of food for takeaway services; and/or
- completion of consumption of food and beverages before leaving the restaurant premises.

Payments by customers are made either by cash, credit card, debit card or e-wallet. For payments made through credit card, debit card and e-wallet, we will receive the payment from the issuing company or operator between 1 to 3 days from the date of the transaction.

7. BUSINESS OVERVIEW (CONT'D)

- **Service agreements with food delivery platforms**

We are registered with various food delivery platforms as a restaurant partner and provide our food services to the said platforms based on service agreements. The end consumer will order food and make payments via the food delivery platform. The food delivery platform will be entitled to a commission at a pre-determined rate of the value of sales transacted on their platform while the remaining transacted amount will be released to us within a week. Generally, the commission rate is approximately 30.00% depending on the terms negotiated with each of the food delivery platforms.

7.4 PRINCIPAL BUSINESS SEGMENTS AND MARKETS

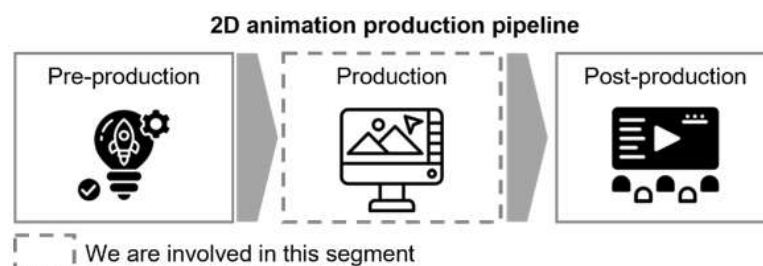
7.4.1 2D animation production services

The 2D animation production business segment is our largest revenue contributor where it accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

7.4.1.1 Overview

Production pipeline

The value chain or the production pipeline for 2D animation comprises 3 main phases as follows:



Pre-production involves the front-end of the total value chain in 2D animation production and includes the following:

- conceptualisation of the entire storyline;
- scriptwriting incorporating scenes, actions and dialogues;
- storyboarding including animatics pertaining to sequence of events, scenes, voice-over and sound; and
- character and background conceptual design and specifications.

The content owner or producer is responsible for the pre-production package which is provided to production houses, including our Group, to carry out the production process.

Once we are provided with the pre-production package, our animation production work will commence.

The animation production works will then be submitted to the content owner or producer where they will commence post-production works which mainly involve reviewing and final editing of various aspects such as sound design, music composition, colour grading and final rendering of the animated content. We are not involved in post-production works as this is not part of our core business and it requires a different skillset as compared to 2D animation production.

7. BUSINESS OVERVIEW (CONT'D)

Animation

Animation involves compiling still images into a predetermined sequence to simulate moving images. We utilise digitally drawn 2D still images to create an illusion of movement to form the animated visual content which are commonly used for display on televisions, in cinemas and on electronic devices with display panels or projections. The characters are typically cartoon characters.

2D animation

Our business mainly focuses on 2D animation production of animated series which are mainly distributed through traditional television broadcasting or online streaming platforms.

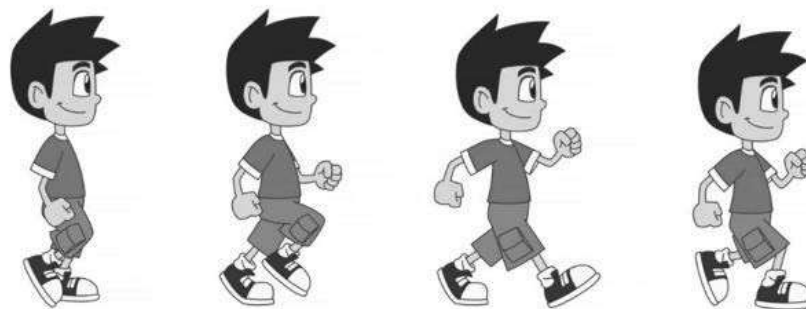
Our 2D animation production uses digitally drawn 2D still images of characters, backgrounds and other elements and compiling them into a suitable format to form the visual content and to create the illusion of motion. Each of these still images is commonly known as the frame in the context of animation production. The illusion of motion is created when the frames are arranged and played in sequence with other frames where each frame is slightly different from the previous one in terms of position, appearance and shape of the object, characters and background of the particular scene.

Digital 2D animation frame



The number of frames required to create a single second of animated content is referred to as the frame rate. Generally, our 2D animation production is based on the frame rate of 24 or 25 fps, which is typically used for smooth motion. Thus, each minute of animated content at 24 fps requires 1,440 individual frames (24 frames x 60 seconds), while animated content at 25 fps requires 1,500 individual frames (25 frames x 60 seconds).

4 individual frames of walk motion of a character



Our 2D animation production projects are based on the pre-production package provided by our customers, which typically includes the storyboard, scripts, colour keys, character design and background design. While our main focus is on the production phase, we may also assist in storyboarding to facilitate a more effective and efficient animation production process. For projects where we are involved in storyboarding, it will be stipulated as part of our scope of work in the contract with the customer, and the extra charges for storyboarding are incorporated into our fixed lump sum contracts. The pre-production package serves as a guide throughout our animation production process, providing us with detailed plans, sketches, and designs that outline the visual and technical aspects of the animated content required by the content owner or producer.

7. BUSINESS OVERVIEW (CONT'D)

7.4.1.2 Our scope of work

Our scope of work for 2D animation production projects involves the following:

(a) Project management

Project management is a continuous process throughout the contract period where our project team is responsible for supervising and managing the entire animation production process including planning, coordinating and quality control. Planning involves creating a detailed production schedule and budget, allocation of resources and monitoring progress to ensure that the project is on track and within budget. Coordinating mainly involves the allocation and coordination of the work among a large team of animators while quality control involves reviewing the works produced by the animators to ensure that they meet the quality requirements and specifications of our customers.

(b) 2D animation production

Our 2D animation production process comprises 4 main categories of tasks as follows:

- asset creation;
- key and in-between animation;
- compositing; and
- review and rendering.

Once our production process is completed, we will hand over the completed production materials to the customer.

Asset creation

Asset creation refers to the creation of all the necessary elements such as character rigs, backgrounds, special effects and others. The assets created during this phase serve as the building blocks for the subsequent framing stage.

- Character rigging

Animated characters are created by rigging, which refers to the process of creating a digital skeleton to control the movement of an animated character.

The rigging process involves creating a series of bones and joints that mimic the skeletal movement of a real-life human or animal. These bones or joints are then controlled by a set of digital controls, allowing the animator to manipulate the character's movements.

In addition, character rigging also involves facial rigging which is a series of controls that can be manipulated to create a range of expressions such as happy, sad, confused and anger. Eye rigging is an essential part of facial rigging and also another important aspect of the character to simulate various expressions and emotions.

Based on the rig created, the character can be animated by using specialised software to manipulate the control points, resulting in various movements and facial expressions of the character. In addition, the rig created can be stored in a library for future use. This eliminates the need to redraw each frame as the rigs created can be reused for multiple scenes, allowing consistent look and movement of the character throughout the animated content.

7. BUSINESS OVERVIEW (CONT'D)

Character rigging



- Background design

Background design refers to the creation of the visual environment and background that surrounds the character and the actions of the animation. The background sets the mood, atmosphere and tone of the scene. Background design includes natural environments such as sceneries, weather and formations like hills, rivers and seas, and built environments such as infrastructures, buildings and amenities. The background may also be used to depict the time period and location of the scene.

Background design involves creating a series of concept designs that depict the overall setting of the environment as well as detailed layouts that specify the placement of objects and characters and other elements in the scene.

The design of the animated background has to remain consistent throughout the scene including details such as the layout, position of the elements within the background, colour scheme and the lighting of the overall environment.

Background design



- Animation effects

We have in-house artists for animation effects which refers to the integration of visual effects and details such as lighting and shadows to create depth, texture and atmosphere in a scene. It also includes other elements such as glitter, smoke, fire, water, lightning and others to match the tone and mood of the scene, which will help to create a more immersive watching experience for the viewer.

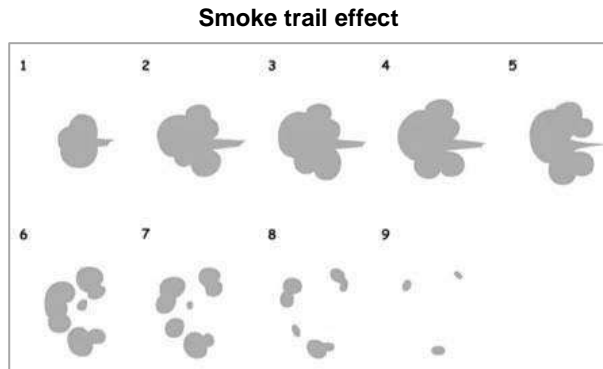
7. BUSINESS OVERVIEW (CONT'D)

Key and in-between animation

Animation involves compiling still images into a predetermined sequence to simulate moving images. It involves the following:

- **Key animation**

Key animation refers to the planning and creation of essential frames, typically the starting and ending frames that are required within a scene to convey the intended story. The key frames are created based on the storyboard and will depict the required key poses or movements of the character or the object for a particular scene.



The frames created will contain the animated characters in different movements and emotions which are designed according to their unique personality and the overall tone of the scene. Some of the details that need to be taken into consideration to create a convincing animated character include the timing and spacing of each movement, the weight and balance of the character and the facial expressions and body language that communicate the character's emotions and intentions.

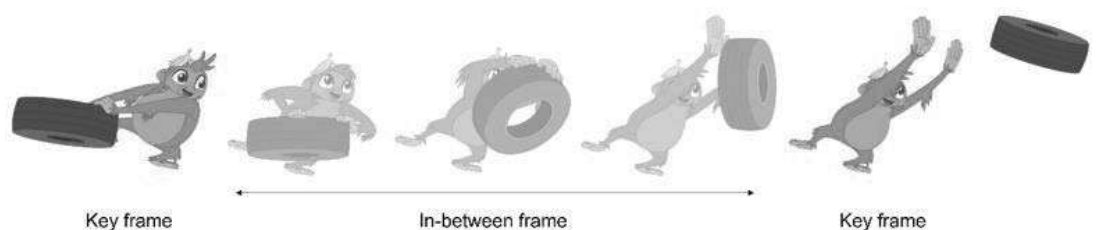
- **In-between animation**

In-between animation refers to the creation of intermediate frames that fill in the movements between the start and end frames, creating a smooth and fluid animation. The number of in-betweens is determined by the speed and the complexity of the movement being animated.

The process of creating in-betweens can be done by using animation production software which will automatically generate the in-betweens based on the keyframes and the required motion of the scene, such as linear or eased motion. The linear motion refers to the motion that moves at a constant speed from one point to another while eased motion refers to the motion that gradually accelerates and decelerates.

As for scenes with higher complexity, the in-betweens will be created manually to achieve the desired result. Generally, the in-betweens that require manual creation would involve multiple characters or objects, or animations that require unique movements that cannot be easily replicated through software.

Key animation and in-between animation



7. BUSINESS OVERVIEW (CONT'D)

Throughout the animation phase, it is important to ensure consistency in the design of the animated character or object throughout the scene. This includes details such as the character's proportions, colour scheme and overall appearance.

We have in-house animators to carry out key animation and in-between animation. We may also engage freelancers to carry out key animation and in-between animation under our management and supervision.

Compositing

Compositing is the process of overlaying different elements such as the animated character, background, special effects and other elements on top of one another to form a final animated content. In addition, the animated content will incorporate the vocal components, such as voice-overs and sound effects supplied by the customers where we will ensure the vocal components synchronise with visual content.

The main objective of compositing is to produce a finished output that is aesthetically pleasing and unified throughout the entire animation. This includes knowledge of how to control the pace and rhythm of an animation.

Review and rendering

Once the compositing process is completed, a review will be carried out before the entire animation production is exported to the display resolution and format (rendering) required by the customer.

Our production team will then review the animation and make any necessary adjustments before rendering the final output. During the review, our production team will check for details such as timing, framing, character movement, sound overlay and overall visual appeal, and correct any mistakes or make any necessary modifications.

Once the review is completed the entire animation is ready for rendering. Rendering involves converting the final composition of the animation into a high-quality video format that can be viewed by the audience. Our customers typically request for display resolutions that are classified as high definition or ultra-high definition, with a minimum resolution of 1080 pixels. The different formats that our customers typically require include Shockwave Flash (SWF), MPEG-4 (MP4), QuickTime (mov), and Adobe Flash (FLA).

(c) Completion and handover

Once the animated content is exported to the required display resolution and format, we will hand over the project by uploading the completed production materials to the designated storage location provided by the customer.

Generally, the first version of the animation delivered to the customer is referred to as the "first take". The customer will review the first take and provide comments and feedback to our team for any revisions or adjustments. We are responsible for making the necessary changes and providing the customer with a revised version of the scenes, which is known as the "retakes".

There are 2 main types of retakes namely, technical retakes and creative retakes. Technical retakes involve correcting errors in the animation, such as timing or movement issues, or other technical aspects of the production. The costs of such retakes are typically covered by us as part of our obligation stipulated in the contract. In contrast, creative retakes involve making changes to the creative elements of the animation, such as changes in character design, backgrounds, or the overall aesthetics of the project. Creative retakes are often outside of the initial specifications agreed with the customer and are therefore subject to additional costs to the customer.

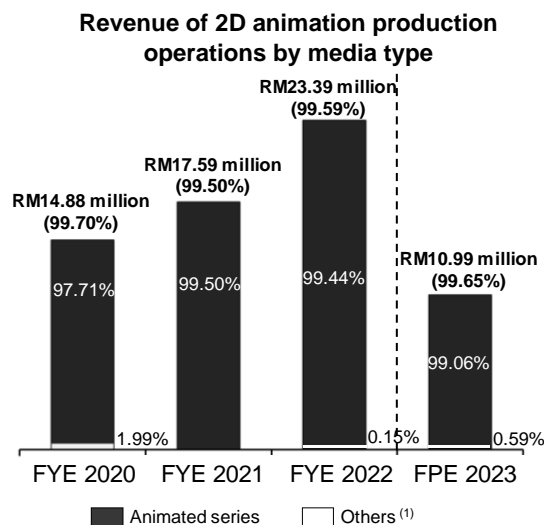
7. BUSINESS OVERVIEW (CONT'D)

7.4.1.3 Types of 2D animated content

We mainly carry out 2D animation production projects for animated series while only a small proportion of our revenue are for animated short films.

For the Financial Periods Under Review, our revenue derived from the production of animated series accounted for 97.71% (RM14.58 million), 99.50% (RM17.59 million), 99.44% (RM23.36 million) and 99.06% (RM10.92 million) of our revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Our revenue derived from the production of other content which mainly include short films, and animation test which collectively accounted for less than 2.00% of our revenue for each of the Financial Periods Under Review. Our revenue from other content accounted for RM0.30 million, RM0.04 million and RM0.06 million of our revenue for FYE 2020, FYE 2022 and FPE 2023 respectively. In FYE 2021, our revenue from other contents accounted for less than 0.01% of our total revenue.



Note: (1) Others include mainly short films and animation test projects.

2D animated series

2D animated series, also known as cartoon series, refers to animated shows comprising a collection of episodes to convey a complete story. Each of the episodes represents a sub-story that contributes to the overall storyline of the season. In some animated series, each episode is a complete story. For the Financial Periods Under Review, each episode of the 2D animated series that we produced ranges between 1 and 27 minutes. It may consist of only 1 season or span over multiple seasons where each season comprises multiple episodes. The episodes of an animated series are typically produced in advance and released on a regular schedule, such as 1 episode per week or 5 episodes per week. The distribution channels for animated series include traditional television broadcasting and online streaming platforms.

For the Financial Periods Under Review and up to the LPD, we have completed 59 animation production projects with a collective contract value of RM63.22 million and a total runtime of approximately 4,617 minutes. As at the LPD, we have 8 on-going animation production projects with a collective contract value of RM44.27 million and a total runtime of approximately 1,947 minutes. As at the LPD, we have a total unbilled order book of RM23.44 million from the said on-going 2D animation projects which are expected to be completed between FYE 2023 and FYE 2024. Please refer to Section 7.4.1.4 and Section 7.4.1.5 of the Prospectus for further information on our completed and on-going 2D animation projects.

Other 2D animated content

We also produce other animated content mainly short films and animation test project. We produce 2D animated short films which are self-contained stories from start to end. The duration is typically shorter compared to a complete animated series or a feature film. A 2D animated short film can be serialised or non-serialised. A serialised 2D animated short film comprises multiple short films that feature the same theme, story background and recurring animated characters, but with a different self-contained storyline. The short films are produced in advance and released on a less frequent basis compared to animated series, with a single release date planned by the short film distributor. Short films are mainly for screening in festivals and events, and may also be distributed via television and streaming platforms.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Periods Under Review and up to the LPD, we have completed one 2D animation short film project with a total contract value of RM0.14 million.

As at the LPD, we do not have any on-going projects for 2D animation short films. Please refer to Section 7.4.1.4 and Section 7.4.1.5 of this Prospectus for further information on our completed and on-going 2D animation production projects.

Animation test project are small-scale projects mainly for evaluation purpose before our customer proceed with a larger scale production. Some of the aspects that are evaluated from the 2D animated test projects include technical considerations and production quality. We are paid for these small-scale projects.

For the Financial Periods Under Review, our revenue derived from the production of other content accounted for less than 2.00% of our annual revenue.

For the Financial Periods Under Review, some of the 2D animation production projects that we have completed include the following:

Mao Mao Heroes of Pure Heart



Source: Cartoon Network

Monster Beach



Source: Cartoon Network

7. BUSINESS OVERVIEW (CONT'D)

Lamput 3



Source: Cartoon Network

The Harper House



Source: Paramount+

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7. BUSINESS OVERVIEW (CONT'D)

7.4.1.4 Completed 2D animation production projects

For the Financial Periods Under Review and up to the LPD, our completed 2D animation production projects with a contract value of RM1.00 million and above are as follows:

Project name	Type of content	Our role	Customer ⁽¹⁾	Start ⁽²⁾ / Completion ⁽³⁾ date	Contract value ⁽⁴⁾ (RM 'million)
1. Project AP-1	Animated series	Main contractor	Customer A Group	March 2018 / August 2020	5.86
2. Project BP-1	Animated series	Main contractor	Customer B Group	August 2021 / August 2022	4.38
3. Project HP-1	Animated series	Main contractor	Customer H Group	March 2022 / January 2023	4.32
4. Project HP-2	TV series	Main contractor	Customer H Group	October 2022 / October 2023	3.84
5. Project BP-2	Animated series	Main contractor	Customer B Group	September 2021 / March 2023	3.08
6. Project DP-1	Animated series	Main contractor	Customer D	May 2020 / October 2021	2.95
7. Project AP-2	Animated series	Main contractor	Customer A Group	June 2019 / April 2021	2.78
8. Project EP-1	Animated series	Main contractor	Customer E Group	August 2019 / February 2020	1.98
9. Project BP-3	Animated series	Main contractor	Customer B Group	April 2021 / February 2022	1.94
10. Project GP-1	Animated series	Main contractor	Customer G Group	August 2021 / May 2022	1.82
11. Project CP-1	Animated series	Sub-contractor	Customer C Group	July 2021 / June 2022	1.82

7. BUSINESS OVERVIEW (CONT'D)

Project name	Type of content	Our role	Customer ⁽¹⁾	Start ⁽²⁾ / Completion ⁽³⁾ date	Contract value ⁽⁴⁾ (RM 'million)
12. Project GP-2	Animated series	Main contractor	Customer F	November 2020 / May 2021	1.79
13. Project BP-4	Animated series	Main contractor	Customer B Group	August 2020 / March 2021	1.76
14. Project CP-2	Animated series	Sub-contractor	Customer C Group	June 2020 / January 2021	1.70
15. Project GP-3	Animated series	Main contractor	Customer G Group	February 2023 / September 2023	1.62
16. Project IP-1	Animated series	Main contractor	Customer I	July 2021 / May 2022	1.52
17. Project HP-3	TV series	Main contractor	Customer H Group	October 2022 / November 2023	1.46
18. Project BP-4	Animated series	Main contractor	Customer B Group	December 2020 / August 2021	1.43
19. Project BP-5	Feature film	Main contractor	Customer B Group	July 2021 / March 2022	1.35
20. Project BP-6	Animated series	Main contractor	Customer B Group	August 2020 / June 2021	1.34
21. Project BP-7	Animated series	Main contractor	Customer B Group	December 2020 / June 2021	1.13
22. Project BP-8	Animated series	Main contractor	Customer B Group	September 2020 / April 2022	1.11
23. Project CP-3	Animated series	Sub-contractor	Customer C Group	July 2020 / June 2021	1.10

7. BUSINESS OVERVIEW (CONT'D)**Notes:**

- (1) The customers' names have not been disclosed due to the confidentiality provisions in agreements entered with our customers.
- (2) Start date is based on the date of the respective service agreement.
- (3) Completion date is based on the date of the final invoice of the project.
- (4) Total contract value includes variation orders.

7.4.1.5 On-going 2D animation production projects

For the Financial Periods Under Review and up to the LPD, our on-going 2D animation production projects are as follows:

Project name	Type of content	Our role	Customer ⁽¹⁾	Start date ⁽²⁾ / Expected completion date ⁽³⁾	Approximate percentage of completion as at the LPD (%)	Contract value ⁽⁴⁾ (RM million)
1. Project KP-1	TV series	Main contractor	Customer J	August 2022 / March 2024	32%	9.56
2. Project BP-9	TV series	Main contractor	Customer B Group	April 2023 / April 2024	42%	8.55
3. Project AP-3	TV series	Main contractor	Customer A Group	December 2021 / January 2024	96%	7.50
4. Project HP-4	Animated series	Main contractor	Customer H Group	July 2023 / April 2024	16%	6.06
5. Project HP-5	TV series	Main contractor	Customer H Group	March 2023 / March 2024	26%	5.41
6. Project BP-10	TV series	Main contractor	Customer B Group	June 2022 / February 2024	79%	4.73
7. Project LP-1	Animated series	Main contractor	Customer K	June 2023 / January 2024	35%	2.30
8. Project MP-1	Animated series	Sub-contractor	Customer L	August 2023 / December 2023	69%	0.16

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) *The customers' names have not been disclosed due to the confidentiality provisions in agreements entered with our customers.*
- (2) *Start date is based on the date of the respective contract.*
- (3) *Expected completion date is based on schedule stipulated in contract or production planning.*
- (4) *Total contract value includes variation orders.*

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7. BUSINESS OVERVIEW (CONT'D)

7.4.1.6 Content security

Our operations involve creating animated content that is yet to be released to the public and is protected under IP rights as well as confidentiality clauses stipulated in our contract for each project. As such, content security is a critical part of our business to prevent unauthorised access, publication, distribution, duplication or theft of the IP of the animation content such as the storyline, storyboard, design of the characters, background and other elements, vocal, sound and music components as well as the final animation. Some of the key content security measures we take are as follows:

- **Device security** where the devices used for the storage and handling of the data are encrypted and password protected. This ensures that even if a device is lost or stolen, the data remains secured and inaccessible to unauthorised users.
- **Network security** where our network is protected by firewalls to prevent unauthorised access. Firewalls act as a barrier between the internet and our network, analysing incoming and outgoing traffic and blocking any potential threats or intrusions.
- **Account security** where email and other software accounts used for animation production are password protected. Additionally, wherever possible, we use two-factor authentication for an additional layer of security to the accounts. This ensures that only authorised personnel have access to sensitive data.
- **Physical security** where our operational offices are only accessible to our employees or visitors authorised by our management to prevent the leakage or theft of sensitive data. Our physical security in our operations facility includes access control through Radio Frequency Identification (RFID)-based wristbands.
- **Data movement security** where all the delivery and transfer of data are conducted via a secured platform approved by our customers such as Aspera and Egnyte. This ensures that data is not intercepted or tampered with during transit.
- **Asset tracking** where we maintain a record of the person or organisation who has accessed the data. In addition, materials that are being shared outside of our production team are being watermarked for traceability purposes and to deter unauthorised distribution. This helps us to track the usage of our assets and to identify any potential leaks or unauthorised distribution.
- **Employee awareness training** where we provide training to our employees to ensure that they understand the importance of content security and comply with the relevant policies, procedures and guidelines implemented by our management.

In addition to the measures implemented above, our customer conducts occasional content security audits at our production facilities to ensure that the measures being implemented comply with their requirements. Some of our customers may have an expectation that the animation production works are being conducted within our Group's premises. While work from home arrangements are permitted when necessary, our Group encourages our employees to work in office as part of our measures to mitigate content security concerns. Nevertheless, our Group has mandated all employees to return to work in office since October 2021.

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.

However, to the best of our knowledge, there were 2 incidents of unintentional exposure of unreleased works, as detailed below:

7. BUSINESS OVERVIEW (CONT'D)

- (i) in 2015, there was an interview session with our Executive Directors, in which the journalist captured an image during the session which showed the overall setting of our animation production facility, including a monitor display showing an unreleased new animated character during that time. The article that contained the image was subsequently published; and
- (ii) in 2015, there was an incident where one of our animator captured an image of a workstation whereby the desktop computer displayed a scene which has yet to be publicly revealed in the animated series. The image was then shared on a social media platform.

Following the above incidents, we have engaged with the affected customer and subsequent to investigations undertaken by the customer, they have provided us with some guidance on best practices to be adopted to minimise the reoccurrence of such incidents, which we have taken note and adopted. We have subsequently completed our services under the contract for the said animated series, and received the full payment under the contract without encountering any contract termination, legal proceedings, or penalties from the customer regarding the said incidents. Further, there are no express penalties provisions specified in the contract entered with the customer.

Therefore, we are of the view that the above incidents will not result in a material adverse impact on the business operations and/or financial performance of our Group.

As part of our mitigating action, we had enhanced the content security measures as set out above which include amongst others, physical security and employee awareness training.

Please refer to Section 9.1.8 of this Prospectus for further details on risk relating to content security.

7.4.2 Food services

We operate a restaurant that serves a variety of Western and Asian cuisines including roasts, grills, pasta, poke bowls, beverages and others. All the food and beverages on our menu are prepared to order in our kitchen within the restaurant.

As at the LPD, the normal operating hours of our restaurant is from 11 a.m. to 7 p.m. (Monday to Saturday). The restaurant has a total built-up area of 1,500 sq.ft. and has a seating capacity of up to 60 customers at any one time.

Our restaurant is located in the vicinity of our head office at Glomac Square, Petaling Jaya, and our employees are entitled to a staff discount of 20% off their total bill. The restaurant also caters to external customers including dine-in and takeaway customers as well as customers using food delivery platforms. For the Financial Periods Under Review, our revenue derived from the operations of food services outlet accounted for 0.30% (RM0.04 million), 0.50% (RM0.09 million), 0.41% (RM0.10 million) and 0.35% (RM0.04 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.



7. BUSINESS OVERVIEW (CONT'D)

7.5 OUR COMPETITIVE STRENGTHS

Our competitive strengths are important in sustaining our business and providing our Group with future growth opportunities.

7.5.1 We have an established track record of 21 years in 2D animation production to sustain and grow our business

We have an established track record of 21 years in the provision of 2D animation production since the commencement of our business in 2002. During the initial years of our business, the focus was on the development of our proprietary 2D animation content where we were involved in the full production pipeline from story conceptualisation and design through to production and post-production. Since then and up to the LPD, we have developed 12 proprietary 2D animation content including 9 animated series, 1 animated short film, 1 graphic novel, and 1 animated character. Our proprietary contents include 2D animated series and short film with a total runtime of approximately 1,900 minutes. For further details on our proprietary content, please refer to Section 7.12 of this Prospectus.

With the experience that we gained in the entire production process, it provides us with an understanding of the requirements and perspectives of the content owners and producers which helps us to meet their technical requirements and business objectives. Subsequently, in 2007, we transitioned the focus of our business from proprietary content creation to the provision of 2D animation production services. For the Financial Periods Under Review and up to the LPD, we have completed 59 animation production projects with a collective contract value of RM63.22 million and a total runtime of approximately 4,617 minutes. Meanwhile, as at the LPD, we have 8 on-going animation production projects with a collective contract value of RM44.27 million and a total runtime of approximately 1,947 minutes. As at the LPD, we have a total unbilled order book of RM23.44 million from the said on-going 2D animation projects which are expected to be completed between FYE 2023 and FYE 2024. Please refer to Section 7.4.1.4 and Section 7.4.1.5 of this Prospectus for further information on our completed and on-going 2D animation production projects.

Our established track record provides us with the platform to continue to grow our business by serving our existing customers and more importantly, it serves as a reference site for prospective customers.

7.5.2 We serve customers in foreign countries where our market coverage includes certain countries from North America, Asia Pacific and Europe regions to sustain and grow our business

We serve customers across 6 to 8 foreign countries for each of the Financial Periods Under Review, which includes the following:

- (a) USA, Canada and Mexico from North America;
- (b) Australia, Singapore, Japan and Hong Kong from Asia Pacific; and
- (c) United Kingdom, France and Netherlands from Europe.

Revenue of our 2D animation production services is entirely derived from foreign countries which collectively accounted for 99.70% (RM14.88 million), 99.50% (RM17.59 million), 99.59% (RM23.39 million) and 99.65% (RM10.99 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. This demonstrates our ability to tap into various foreign markets. Please refer to Section 7.3.1.2 of this Prospectus for further details on our revenue segmentation by geographical market.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Periods Under Review, our largest market was North America, where our revenue contributed by countries within this region represented 49.54% (RM7.39 million), 64.77% (RM11.45 million), 93.22% (RM21.89 million) and 72.91% (RM8.04 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The North America market mainly comprises customers in the USA and Canada which has a vibrant entertainment industry incorporating, amongst others, 2D animated series with a global viewership.

Our ability to serve multiple markets covering numerous foreign countries as well as the entertainment market in North America provides us with potential business opportunities to sustain and grow our business.

7.5.3 We are involved in animation projects with a distribution network covering traditional television broadcasting and online streaming platforms to reach a global viewer base

Our customers are internationally recognised brand names in the entertainment industry and this include owners, producers and distributors of 2D animated series for the global market. Some of our internationally recognised customers include Warner Bros. Group and Titmouse Group and the notable animated contents where we carried out 2D animation production include Monster Beach, Lamput 3, The Harper House and Mao Mao Heroes of Pure Heart. To date, many of the contents of the animated series in which we were involved in the 2D animation production are screened over various formats including traditional television broadcasting as well as online streaming platforms to reach global viewers.

Our ability to continually meet our customers' requirements is further substantiated by repeated engagements from these international brand names where 3 out of our top 5 customers in FYE 2022 have been dealing with us between 9 years and 16 years.

Depending on our customers' decision, our name may or may not be featured in the credits for the animated content in which we are involved. For the Financial Periods Under Review, the percentage of our name being featured in the credits for animated content are as follows:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Credit accorded	5	7	4	2
Total animated content involved	36	28	20	13
Percentage (%)	13.89	25.00	20.00	15.38

7.5.4 We have experience and technical knowledge in managing and maintaining a large pool of skilled personnel

For the Financial Periods Under Review, we have been managing a total of 154, 137, 175 and 214 technical and skilled staffs for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. This includes animators, background artists, compositing artists and production coordinators. Our skilled personnel involved in animation production are equipped with technical skills and knowledge, including animation techniques, background illustration and painting, as well as the expertise to transform a host of single frames into an animated video using software.

An animation project often involves working in a team comprising approximately 50 staffs per animation project and it is common that we undertake multiple projects simultaneously. In this respect, managing the team effectively is essential for our business operations to minimise interruptions and to deliver the completed production materials on time, according to the milestone schedule outlined in the contract.

Each animation production team comprises the following:

- (i) production coordinators;

7. BUSINESS OVERVIEW (CONT'D)

- (ii) animators including key animators, in-between animators and 2D rigging animators who are involved in the creation of necessary elements such as character rigs;
- (iii) background artists who are involved in designing environments, props or objects, as well as lighting and effects; and
- (iv) compositing artists who are involved in overlaying the different elements such as animated characters, background, effects and other elements on top of one another to form the final animated content.

Our workflow has been structured to manage and maintain a large pool of skilled staff across multiple projects. Our workflow takes into consideration, amongst others, resource allocation and planning, production schedule and budgeting as well as quality control. Our project manager will monitor the overall workflow to ensure that the project can be completed within the time and budget as agreed with the customers. We utilise a customised animation production management software to monitor and review the progress and performance of the personnel to optimise our workflow.

7.5.5 We have experienced directors and a management team to grow our business

We have experienced directors and a management team to grow our business.

Our Executive Director, See Chin Joo has over 21 years of experience in the 2D animation production industry. He is responsible for providing management guidance and strategic advice to the key management personnel of our Group as well as overseeing the portfolio of finance, sales and marketing, and human resources processing of our Group.

Our Executive Director, Ooi Kok Hong has over 21 years of experience in the 2D animation production industry and is responsible for providing strategic guidance and direction to the running of animation production, including talent acquisition, resource planning, process improvement, and technology development and deployment within our Group.

Our directors are also supported by our key management personnel which are set out below:

- (i) Leong Mei Cian, our Head of Planning with approximately 10 years of experience in the 2D animation production industry. She is responsible for production scheduling, resource planning and allocation, and production management and monitoring, talent acquisition, as well as overseeing and managing the planning activities of animation productions projects; and
- (ii) Mohd Faizal Bin Mohd Wazir, our Head of Animation with approximately 14 years of experience in the 2D animation production industry. He is responsible for the animation direction, providing creative supervision for animation production, quality management, as well as training and coaching talent.



For further information on the profiles of our directors and management team, please refer to Section 5.1.2 and Section 5.4.2 of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.6 OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our strategies and plans are to continue with our existing business activities in 2D animation production and leverage from our core competencies to grow our business.

A summary of our business strategies and plans is depicted below:

Our Strategies and Plans	
<p>Malaysia</p> 	<p>USA</p> 
Domestic expansion	Foreign expansion
<ul style="list-style-type: none"> • Set-up branch offices in Sabah and Sarawak • Technical resources expansion and upgrade of existing operational office in Selangor 	<ul style="list-style-type: none"> • Set-up sales office in USA

7.6.1 Domestic expansion

7.6.1.1 Set-up production branch offices in Sabah and Sarawak

Part of our business expansion strategy is to set-up branch offices in Sabah and Sarawak. We intend to set-up one branch office in Kota Kinabalu, Sabah with a total built-up area of 1,800 sq.ft. and one branch office in Kuching, Sarawak with a total built-up area of 3,200 sq.ft.

The branch offices in Sabah and Sarawak are expected to be able to house up to 40 and 50 employees respectively. The main intention is to diversify our operations geographically as part of our strategy to build our pool of animation production personnel. Animation production personnel represent an important component of our business operations and we intend to tap into this skilled talent pool in East Malaysia. As at the LPD, our Group is still in the process of identifying suitable locations in Kota Kinabalu, Sabah and Kuching, Sarawak for the establishment of the production branch offices.

Further, our Group is involved in preliminary discussions with universities including Universiti Malaysia Sabah (“**UMS**”) and Universiti Malaysia Sarawak (“**UNIMAS**”) as well as had entered into a non-binding memorandum of understanding with the state government agency namely Sabah Creative Economy and Innovation Centre (“**SCENIC**”) for the potential talent collaboration which may include, amongst others, providing internship opportunities to students of the universities, to collaborate in setting up remote animation studio in the universities as well as knowledge and experience sharing. The collaboration with UMS, UNIMAS and SCENIC in Sabah and Sarawak could allow us to tap into a larger talent pool for our 2D animation production operations. Pending the setting up of our branch office in Sabah, our Group is utilising a training room in SCENIC.

As at the LPD, we have 209 animation technical personnel. We intend to recruit the following personnel for the branch offices to be set-up in Sabah and Sarawak:

7. BUSINESS OVERVIEW (CONT'D)

	Branch office in Kota Kinabalu, Sabah	Branch office in Kuching, Sarawak
	Number of employees	Number of employees
Animation technical personnel	33	38
Admin staff	2	2
Total	35	40

The branch offices in Sabah and Sarawak are expected to commence operation by the second half of 2024 (“2H 2024”). The cost of setting-up the branch offices in Sabah and Sarawak is estimated at RM[●] which will be funded by the following:

	Estimated cost RM'000	Sources of funds	
		Internal funds/bank borrowings RM'000	IPO proceeds RM'000
Branch office in Kota Kinabalu, Sabah	[●]	-	[●]
Salaries of personnel ⁽¹⁾	[●]	-	[●]
Renovation and interior fit-out	[●]	-	[●]
Software subscription ⁽²⁾	[●]	-	[●]
Rental of office ⁽³⁾	[●]	-	[●]
Utilities	[●]	-	[●]
Others ⁽⁴⁾	[●]	-	[●]
Branch office in Kuching, Sarawak	[●]	-	[●]
Salaries of personnel ⁽¹⁾	[●]	-	[●]
Renovation and interior fit-out	[●]	-	[●]
Software subscription ⁽²⁾	[●]	-	[●]
Rental of office ⁽³⁾	[●]	-	[●]
Utilities	[●]	-	[●]
Others	[●]	-	[●]
Total	[●]	-	[●]

Notes:

- (1) For Sabah branch office, it includes hiring of 35 personnel including animation technical personnel and admin staff for FYE 2024, FYE 2025 and FYE 2026. For Sarawak branch office, it includes hiring of 40 personnel including animation technical personnel and admin staff for FYE 2024, FYE 2025 and FYE 2026.
- (2) Subscription of animation production software and animation production management software which are valid for 36 months.
- (3) Rental of premise is estimated based on floor space of approximately 1,800 sq. ft. for Sabah branch office and approximately 3,200 sq. ft for Sarawak branch office. It also includes estimated utilities expenses for 1 year.
- (4) Include others such as professional fees, administrative fees and other expenses.

7. BUSINESS OVERVIEW (CONT'D)

7.6.1.2 Technical resources expansion and upgrade of existing operational office in Selangor

As at the LPD, our existing 2D animation production operational office is located in Petaling Jaya, Selangor which could house up to 420 employees including our administrative employees as well as 2D animation production personnel.

We intend to expand our technical resources by hiring additional 30 animation technical personnel to support our animation production operations. In addition, we intend to upgrade our existing operational office include refurbishment of the premise and replacement of our IT hardware by the first quarter of 2025.

The cost of the technical resource expansion and upgrade of our existing operational office is estimated at RM[●] which will be funded by the following:

	Estimated cost RM'000	Sources of funds	
		Internal funds/bank borrowings RM'000	IPO proceeds RM'000
Salaries of personnel ⁽¹⁾	[●]	-	[●]
Replacement of IT hardware	[●]	-	[●]
Refurbishment and upgrade of existing facilities ⁽²⁾	[●]	-	[●]
Software subscription ⁽³⁾	[●]	-	[●]
Total	[●]	-	[●]

Notes:

- (1) Hiring of 30 animation technical personnel for FYE 2024, FYE 2025 and FYE 2026.
- (2) Include refurbishment and upgrade of existing facilities including upgrading of fixtures, remodelling production layout and space, plumbing, and improving office energy usage efficiency.
- (3) Subscription of animation production software and animation production management software which are valid for 36 months.

7.6.2 Foreign expansion

Part of our business strategy is to establish a sales office in Los Angeles (“LA”), California in the USA by 2H 2024. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our revenue from countries within North America accounted for 49.54%, 64.77%, 93.22% and 72.91% of our total revenue respectively. Presently, although we do not have physical presence or business entity in any of the foreign countries, our Group was able to secure 2D animation production projects from customers in foreign countries including the USA. All our projects are carried out in Malaysia as all of our 2D animation production works are undertaken digitally, where we receive the pre-production package and we deliver our completed production works through the internet. Communications with our customers in the USA are mainly through e-mails and virtual meetings. In this respect, the sales office is intended to serve the following purposes:

- (i) addressing potential business opportunities with prospective customers; and
- (ii) to improve our customer service by attending promptly to our existing customers in countries within North America.

7. BUSINESS OVERVIEW (CONT'D)

By having a physical presence in the USA, we are able to enhance our customer service coverage efforts, increase our business development activities, have access to latest trends and insights within the industry as well as widen the channel that potential customers could reach us. We will be able to have face-to-face interactions and provides localised support to potential customers within North America.

We intend to employ 1 sales and marketing personnel and 1 business development personnel with animation experience to allow us to provide a faster response time with improved communications and interaction with existing and prospective customers. Having a physical presence in LA will enable us to serve our existing customers more efficiently and more importantly, secure new projects. Our target customers will be the owners and producers of animated series and films, as well as other 2D animation production studios. As at the LPD, our Group is still in the process of identifying a suitable location in LA for the establishment of the sales office.

The sales office in LA is expected to commence operation by 2H 2024. The cost of setting up a sales office in LA is estimated at RM[●] which will be funded as follows:

	Estimated cost RM'000	Sources of funds	
		Internal funds/bank borrowings	IPO proceeds
		RM'000	RM'000
Salaries of personnel ⁽¹⁾	[●]	-	[●]
Rental of office ⁽²⁾	[●]	-	[●]
Business maintenance ⁽³⁾	[●]	-	[●]
Administrative expenses ⁽⁴⁾	[●]	-	[●]
Interior fit-out and furnishing	[●]	-	[●]
Software subscription ⁽⁵⁾	[●]	-	[●]
Total	[●]	-	[●]

Notes:

- (1) Hiring of 1 sales and marketing personnel and 1 business development personnel for FYE 2024, FYE 2025 and FYE 2026.
- (2) Rental of co-working space for 1 year.
- (3) Business maintenance expenses include costs for printing, stationary, postage and employee amenities.
- (4) Include administrative fees and professional fees for setting up of the sales office.
- (5) Subscription of animation production software which are valid for 36 months.

7. BUSINESS OVERVIEW (CONT'D)

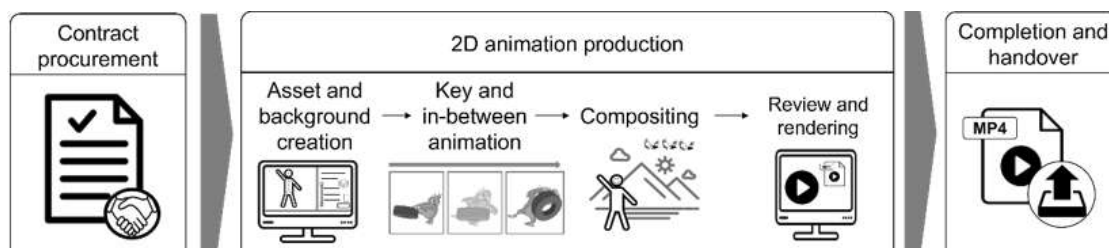
7.6.3 Total cost for our future plans and strategies

The total cost for our future plans and strategies is estimated at RM[●] which will be funded through the proceeds from the Public Issue is as set out as below:

	Estimated cost (RM'000)	Estimated time to commence
Domestic expansion	[●]	
- Set-up branch offices in Sabah and Sarawak	[●]	2H 2024
- Technical resources expansion and upgrade of existing operational office in Selangor	[●]	Q1 2025
Foreign expansion	[●]	
- Set-up sales office in the USA	[●]	2H 2024
Total	[●]	

7.7 OUR OPERATIONAL PROCESS

The general process flow for our 2D animation production projects is depicted in the diagram below:



Contract procurement

The contracts for our 2D animation production projects are secured through competitive bidding including open tenders or invitations to quote from our existing and prospective customers. Upon receiving the tender document or project requirement specifications, we will conduct an internal assessment of the contract's terms, work scope, time and resource commitment requirements, project timeframe and costs before participating in the tender or providing a quotation.

If our internal assessment is positive, we will commence the preparation of our tender bid or quotation for the project. Generally, our bid documents or quotation proposals will include commercial and technical terms. Commercial terms will involve contract value, and payment terms and schedule. Technical terms will include, technical specifications such as scope of work, technological software used and output format, project scheduling and milestones, commitment of resources, as well as capabilities and experience profile of the company. We will enter into a contract once the terms and conditions are negotiated and agreed.

7. BUSINESS OVERVIEW (CONT'D)

2D animation production

Once the contract is secured, the pre-production package will be provided to us by our customer. We would typically discuss with our customers to ascertain their requirements as well as any clarifications on technical details. Subsequently, we will carry out the project planning which involves, amongst others, scheduling milestones, timeline, workflow, costing and financial resources as well as assigning animation production personnel for the contract. While we have our in-house personnel, we will also engage freelancers for our animation production depending on the availability of our in-house resources and the timeline required to complete the project. Generally, 2D animation production involves processes as described below:

(a) Asset and background creation

This process involves the creation of characters, backgrounds and other visual elements that will be used for the animation. Generally, the conceptual design of the animation characters, key background and other elements are provided by the customer in the pre-production package as a guide for our animation production. Our production team will create the assets by producing the sketches, clean line art and coloured drawings of the assets. The digitally drawn asset will be reviewed and approved by our creative supervisors before the commencement of rigging. Rigging refers to the creation of digital skeletons to control the movement as well as the facial expression of an animated character. Once the final assets including the rigs are created, they will be stored in a library in digital format and can be used across multiple scenes of the animation.

(b) Key and in-between animation

Subsequently, the assets created will be used as the building blocks to create the key animation which comprises the start and end frames, and the in-between animation. The key animation will be created based on the storyboard and will depict the required key poses or movements of the character or the object for the particular scene. In-between animations refer to the creation of intermediate frames that will fill in the movements between the start and end frames, thereby creating smooth and fluid animation.

(c) Compositing

Once the keyframes and in-between frames are created, the compositing process will commence. During this stage, the main objective is to produce a finished output where the animated character, background, special effects, voice-over and other elements are placed on each of the keyframes and in-between frames, and subsequently in sequence to form a moving animated content.

(d) Review and rendering

Upon the completion of the compositing process, we will carry out the reviewing process of the animated content produced. This is to ensure that the timing and pacing of the animation are correct and that any errors or issues identified can be rectified before it is handed over to the customer.

Subsequently, the rendering process will commence by converting the animated content into the agreed specification, format and resolution before it is delivered to the customer.

Completion and handover

Generally, the first version of the animation content delivered to the customer is subject to further revisions. Upon receiving comments and feedback from the customer, we will make the necessary adjustments requested by the customer. Once all the changes are made, the customer will approve and sign-off their acceptance of the work which marks the completion of our contract for the production work.

7. BUSINESS OVERVIEW (CONT'D)**Typical project timeframe**

Typically, one episode of an 11-minute 2D animated series takes between 2 to 4 weeks to complete from project commencement to acceptance sign-off by our customers. The duration of each project would depend on design complexity, number of characters, runtime of the episode and whether it is a new or recurring series. A recurring series would mean we may be able to reuse existing character riggings, backgrounds and other elements stored in our library, which would speed up the production process.

7.7.1 Operational facilities

Our head office and operational facilities are located in Malaysia as follows:

Company	Main functions	Location
Inspidea	Head office and 2D animation production facility	G-G-01, G-01-01, G-02-01, G-G-03A, G-01-03A, G-02-03A, H-G-03A, H-1-03A, H-2-03A, H-G-3, H-1-3, H-2-3, G-G-05, -G-1-5, G-2-5, H-01-02, H-02-02, G-1-06, G-G-06 Glomac Square, Jalan SS 6/16A, 47301 Petaling Jaya, Selangor
Bowleh	Restaurant	H-G-02 Glomac Square, Jalan SS 6/16A, 47301 Petaling Jaya, Selangor

Please refer to Section 7.20.2 for further details of our operational facilities.

7.7.2 Major machinery and equipment

The key equipment and systems for our 2D animation production operations are as follows:

Main equipment and systems	Quantities	NBV as at 30 June 2023 (RM '000)
Personal computer	489	441
Network-attached storage server system	82	46
Uninterrupted power supply battery	333	20
Computer screen monitor	481	16
Network switches	61	8
Drawing tablets	618	*
TOTAL		531

* Less than RM1,000.

7.7.3 Production output, capacity and utilisation

We are principally involved in the provision of 2D animation production services. Operational output, capacity and utilisation rate do not apply to our 2D animation production operations as the nature of our production is service based. Although we use computers as our main tool for the provision of our services, computer hardware is easily available for purchase as and when required.

7. BUSINESS OVERVIEW (CONT'D)

Nevertheless, the number of production employees and freelancers that we have may pose a limit to our production capacity. Our personnel comprise both full-time and contracted staff as well as freelancers. Freelancers provide us with workforce flexibility to cater to varying project workload. The engagement of freelancers is a common industry practice.

7.8 SALES AND MARKETING STRATEGIES

The sales and marketing activities is part of the business development portfolio headed by our Executive Directors, See Chin Joo and Ooi Kok Hong. Our marketing positioning and activities to retain existing customers, secure new customers and develop new business opportunities are focused on the following:

Market positioning

- Positioning our Group as having the established track record of 21 years in providing 2D animation production. We have been involved in 2D animation production since the commencement of our business in 2002 where our initial principal business activity was in the creation and development of proprietary content. Subsequently, we shifted focus to providing 2D animation production services. For the Financial Periods Under Review and up to the LPD, we have completed 59 animation production projects with a collective contract value of RM63.22 million and a total runtime of approximately 4,617 minutes.
- Positioning our Group as having a client base of internationally recognised brands. Some of our internationally recognised customers include Warner Bros. Group and its group of companies as well as Titmouse Inc., and the notable animated contents where we carried out 2D animation production include Monster Beach, Lamput 3, The Harper House and Mao Mao Heroes of Pure Heart. Our ability to secure contracts from these customers serves as a reference for the quality and standard of our 2D animation production services and our ability to meet the technical requirements.
- Positioning our Group as having the capacity to carry out large-scale and many simultaneous 2D animation production. Typically, our large-scale projects are projects with contract value of RM3.00 million and above as well as total runtime of 100 minutes and above. This is substantiated by the completion of 2D animation projects with a total of approximately 941 minutes, 1,160 minutes, 1,323 minutes and 476 minutes for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.
- Positioning our Group as having stringent content security measures to protect the intellectual properties of our customers. Content security measures implemented by our Group include device, network, account, data movement, asset tracking security as well as employee awareness training on content security. Please refer to Section 7.4.1.6 of this Prospectus for further details on content security.

Marketing and sales activities

We adopt a proactive approach in sales and marketing activities to maintain our existing customers and address potential opportunities. We also approach new customers through referrals from our existing customers. Our sales and marketing activities include the following:

- We proactively target and approach prospective customers for the opportunity to showcase our Group's capabilities, profile and experience as a 2D animation production service provider. Our intention with prospective customers is to be invited to submit tender bids or quotations for potential projects.
- We follow up closely with existing customers to obtain their feedback on our 2D animation production works as well as to understand their expectations, particularly for upcoming opportunities in animation projects.

7. BUSINESS OVERVIEW (CONT'D)

- We participate in exhibitions, animation festivals and conferences as part of our marketing programme of broadening our network and communications with prospective customers. Since 2018 and up to the LPD, the events which we have participated include the followings:

Year	Event	Location
2018	Annecy International Animation Film Festival and Market (MIFA)	France
2018	Marché International des Programmes de Communication (MIPCOM) 2018	France
2018	Licensing Expo 2018 ⁽¹⁾	USA
2018	Licensing Expo Japan 2018 ⁽¹⁾	Japan
2019	Annecy International Animation Film Festival and Market (MIFA)	France
2019	MIPCOM 2019	France
2019	Licensing Expo 2019 ⁽¹⁾	USA

Note:

- (1) *Licensing Expo is an exhibition that serves as a platform to facilitate licensing partnerships for various product categories including, amongst others, animation, art and design, gaming and others.*

7.9 SEASONALITY

We did not experience any seasonality in our business operations for the Financial Periods Under Review.

7.10 TECHNOLOGY USED

2D animation production is a technology-intensive operation which requires IT infrastructure and management system to support the production process. We rely on the technologies that are embedded in the technology infrastructure and management system for our day-to-day operations.

(a) Technology infrastructure

The technology infrastructure supporting our 2D animation production operations consists of hardware, networks and software.

Hardware

Hardware includes computers, graphic tablets, digital pens, servers, storage devices, graphic processing units and networking equipment. The hardware in our operation offices is set up to meet the specific requirements of 2D animation production to ensure that animation works carried out can be done effectively.

Our servers are linked to cloud-based data storage for project assets, animation files and audio files. We are also equipped with data redundancy to ensure that data is secured, backed up and accessible at all times. Our data storage redundancy includes mirroring where data that is saved into our primary storage device are instantly mirrored or backed up in a secondary storage device. Our centralised cloud or primary storage device is located at our head office in Selangor while our secondary storage device is located offsite. In the event of issues affecting our primary data storage, we can switch

7. BUSINESS OVERVIEW (CONT'D)

to our secondary data storage with no loss of data and our staff can continue production works with minimal interruptions.

Network

Our network infrastructure links all the key hardware through a combination of wired and wireless connections to facilitate the collaboration of works among our animation production personnel from various locations and devices while ensuring data security.

As content security is critical for our animation production operations, our network topology is designed to integrate our servers with firewalls and other security equipment. The firewalls and security equipment are set up at key entry points of our network, forming a barrier between our internal technology infrastructure from the external network. The firewall and security equipment that we deploy within our network are embedded with intrusion detection and prevention systems to prevent unauthorised access to our data and animation production works.

Software

We also have a range of software to facilitate our animation production process. Some of the main production software that we use includes the following:

- **Animation production software** is the primary tool used in our 2D animation production. This software provides a wide range of features including drawing tools, animation tools and special effects which allow our production team to create 2D animation. The animation production software that we use includes Toon Boom Harmony and Adobe Animate. The animation production software is also embedded with a function to render the final animation and export it in resolutions and formats requested by the customers such as Shockwave Flash (SWF), MPEG-4 (MP4), QuickTime and Adobe Flash (FLA), making it compatible with playback on various devices and platforms. In addition, adjustments such as colour correction and adding of final touches can also be done using animation production software.
- **Editing software** is used to assemble and edit the sequences of the animation. Our production team can adjust each frame to fine tune the animation by ensuring that the time, pacing and transitions between frames are in accordance with the intended storyline. The editing software that we use for our 2D animation production includes Adobe Premier Pro and Final Cut Pro.

Generally, the software that we use is through subscription based on the number of users and features used. The subscription basis for our software provides us with access to regular updates and new features, allowing our production team to keep up with advanced tools offered by the respective software producer.

(b) Animation production management software

The animation production management software we use is mainly to assist our supervisors in managing the project, production team members and resources including time and budget. The animation production management software is used for the management of animation production projects where our project managers can track the progress of the project, the amount of work completed by each of the production team members and monitor the overall workflow to ensure that the project can be completed within the time and budget as agreed with the customers. The animation production management software we use is TESSR which is charged based on the number of users and features subscribed.

7. BUSINESS OVERVIEW (CONT'D)**7.11 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

The main types of materials and services we purchased for the Financial Periods Under Review are set out below:

Main input materials and services	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Animation production	1,038	98.02	1,971	96.71	2,570	97.68	1,093	97.42
- Computer software ⁽¹⁾	953	89.99	1,244	61.04	1,261	47.93	686	61.14
- Subcontracted animation services	85	8.03	727	35.67	1,309	49.75	407	36.28
Food services	21	1.98	67	3.29	61	2.32	29	2.58
- Food ingredients	21	1.98	67	3.29	61	2.32	29	2.58
Total purchases	1,059	100.00	2,038	100.00	2,631	100.00	1,122	100.00

Note:

- (1) *Relates to IT expenses which include animation production management software subscriptions and computer software for animation production.*

For the Financial Periods Under Review, purchases of materials and services used in our animation production operations accounted for 98.02% (RM1.04 million), 96.71% (RM1.97 million), 97.68% (RM2.57 million) and 97.42% (RM1.09 million) of our purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Within animation production operations, our purchases of materials and services consist of computer software and subcontracted animation services from individual freelancers and animation production companies.

The purchases of computer software accounted for 89.99% (RM0.95 million), 61.04% (RM1.24 million), 47.93% (RM1.26 million) and 61.14% (RM0.69 million) of our total purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Our computer software is related to subscription fees for various production software to carry out the animation work as well as subscription fees for animation production management software.

For the Financial Periods Under Review, purchases of subcontracted animation services accounted for 8.03% (RM0.09 million), 35.67% (RM0.73 million), 49.75% (RM1.31 million) and 36.28% (RM0.41 million) of our total purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

As for our food services operations, purchases are mainly for food ingredients which accounted for 1.98% (RM0.02 million), 3.29% (RM0.07 million), 2.32% (RM0.06 million) and 2.58% (RM0.03 million) of our total purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Periods Under Review, our purchases of local and imported materials and services are as below:

Main input materials and services	FYE 2020			FYE 2021			FYE 2022			FPE 2023		
	Purchases RM'000	Domestic (%)	Imported (%)	Purchases RM'000	Domestic (%)	Imported (%)	Purchases RM'000	Domestic (%)	Imported (%)	Purchases RM'000	Domestic (%)	Imported (%)
Animation production	1,038	21.06	76.96	1,971	55.98	40.73	2,570	63.70	33.98	1,093	61.59	35.83
- Computer software ⁽¹⁾	953	13.03	76.96	1,244	20.32	40.73	1,261	13.95	33.98	686	25.32	35.83
- Subcontracted animation services	85	8.03	-	727	35.66	-	1,309	49.75	-	407	36.27	-
Food services	21	1.98	-	67	3.29	-	61	2.32	-	29	2.58	-
- Food ingredients	21	1.98	-	67	3.29	-	61	2.32	-	29	2.58	-
Total	1,059	23.04	76.96	2,038	59.27	40.73	2,631	66.02	33.98	1,122	64.17	35.83

Note:

(1) Relates to IT expenses which include animation production management software subscriptions and computer software for animation production.

For the Financial Periods Under Review, our purchases of local materials and services accounted for 23.04%, 59.27%, 66.02% and 64.17% of our total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Our purchases of imported materials and services accounted for 76.96%, 40.73%, 33.98% and 35.83% of our total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The imported materials that we purchase are computer software which are based on subscription fees for the usage of animation production software.

For the Financial Periods Under Review and up to the LPD, we have not experienced any interruptions or shortages in the supply of materials and services for our business operations. As our materials and services for our 2D animation production services are not commodities, we are not subject to global price fluctuations arising from demand and supply conditions.

The materials that we purchase for our food services operations are minor and constituted less than RM100,000 per year during the Financial Periods Under Review.

7. BUSINESS OVERVIEW (CONT'D)

7.12 RESEARCH AND DEVELOPMENT

We do not carry out research and development activities for our 2D animation production operations as it is not relevant to the nature of our business. However, we were involved in proprietary content creation and development where we have developed 12 proprietary contents including 9 animated series, 1 animated short film, 1 graphic novel and 1 animated character since the commencement of our business up to the LPD.

The creation and development of our proprietary content involves the processes as follows:

- **market research** where we will conduct research and analysis to understand the trend, market preference and the market acceptance of a potential animated content.
- **conceptualisation** which involves the preliminary design of the overall storyline of the animated content. The process of market research and conceptualisation may be conducted concurrently where the conceptual design of the animated content may be enhanced based on the analysis from market research.
- **scriptwriting** which involves the planning of scenes, actions and dialogues.
- **character design** which involves the conceptual and detailed design of characters required for the animated content.
- **storyboarding** which involves animatics planning pertaining to sequence of events, scenes, voice-over and sound.
- **animation production** which transforms the concept and storyline into actual animated content; and
- **post-production** which involves reviewing and final editing of the animated content.

These processes require creativity, innovation as well as research and studies to create content that is suitable for the target audience. The proprietary contents that we have developed provide a potential monetary value in the future where we may license the animated series or character to third-parties.

Since the commencement of our business and up to the LPD, the proprietary content we developed are as follows:

	Proprietary content ⁽⁴⁾	Year of release	Type of content	Ownership as at the LPD
1.	Johan the Young Scientist	2004	26-episode animated series with total runtime of approximately 312 minutes.	100.00%
2.	Mustang Mama Football Fever	2006	26-episode animated series with total runtime of approximately 52 minutes.	100.00%
3.	Mustang Mama Diehard Sports Fan	2007	26-episode animated series with total runtime of approximately 52 minutes.	100.00%
4.	Mustang Mama X3	2010	26-episode animated series with total runtime of approximately 52 minutes.	100.00%
5.	Happy Together	2010	52-episode animated series with total runtime of approximately 52 minutes,	100.00%
6.	Boo & Me	2010	26-episode animated series with total runtime of approximately 52 minutes.	100.00% ⁽¹⁾

7. BUSINESS OVERVIEW (CONT'D)

	Proprietary content⁽⁴⁾	Year of release	Type of content	Ownership as at the LPD
7.	Pet Squad	2011	52-episode animated series with total runtime of approximately 572 minutes.	20.00% ⁽²⁾
8.	Akis	2012	12-episode animated series with total runtime of approximately 24 minutes.	100.00%
9.	Kobushi	2012	104-episode animated series with total runtime of approximately 728 minutes.	42.50% ⁽³⁾
10.	Inner Tommy	2015	A short film with total runtime of approximately 5 minutes	100.00%
11.	Osiana World	2009	A graphic novel	100.00%
12.	Terrified Sushi	2019	A sushi-like animated character	100.00%

Notes:

- (1) *Boo & Me* animated series was co-produced by our Group and an international children's television channel from United Kingdom, namely KidsCo Limited (a subsidiary of NBCUniversal Media LLC) where we own 100.00% ownership of the content created. NBCUniversal Media LLC is a subsidiary of Comcast Corporation Inc., an entity listed on National Association of Securities Dealers Automated Quotations ("NASDAQ") Stock Exchange in the USA.
- (2) *Pet Squad* animated series was co-produced by our Group together with 2 co-production partners from United Kingdom, namely Pet Squad Limited, and Canada, namely March Entertainment Limited, where we own 20.00% ownership of the content created.
- (3) *Kobushi* animated series was co-produced by our Group and a co-production partner from France, namely Zagtoon SARL, where we own 42.50% ownership of the content created.
- (4) For the Financial Periods Under Review and up to the LPD, there was no revenue generated from the proprietary content that we developed. Prior to the Financial Periods Under Review, the accumulated revenue generated from our proprietary content are as below:

Proprietary content	Accumulated revenue generated prior to Financial Periods Under Review (RM '000)
<i>Johan the Young Scientist</i>	414
<i>Mustang Mama Football Fever</i>	263
<i>Mustang Mama Diehard Sports Fan</i>	126
<i>Mustang Mama X3</i>	48
<i>Happy Together</i>	12
<i>Boo & Me</i>	645
<i>Pet Squad</i>	(a)-
<i>Akis</i>	310
<i>Kobushi</i>	(a)-
<i>Inner Tommy</i>	(b)-
<i>Osiana World</i>	(c)-
<i>Terrified Sushi</i>	(d)-

Notes:

- (a) In view that the distributors for these animated series have yet to recover from their respective investments in *Kobushi* and *Pet Squad*, there has been no distribution of profit generated from these proprietary content to our Group up to and including the LPD. The expenses for the creation and development of *Pet Squad* and *Kobushi* were funded by our co-production partner as well as grant from MDEC.

7. BUSINESS OVERVIEW (CONT'D)

- (b) *This short film was produced by our Group for the purpose of a festival and for promotional purpose, and there has been no revenue generated from this proprietary content up to and including the LPD. The expenses for the creation and development of Inner Tommy was funded through internally generated funds.*
- (c) *This is a novel developed by our Group and there was no revenue generated from this proprietary content up to and including the LPD. The expenses for the creation and development of Osiana World were funded through internally generated funds.*
- (d) *This is a character developed by our Group that was released on social media platforms including Facebook and Instagram in 2019 to create market awareness, but it was not commercialised. As such, there has been no revenue generated from this proprietary content up to and including the LPD. The expenses for the creation and development of Terrified Sushi were funded through internally generated funds.*

The illustration of the proprietary content we have developed are as follows:

Johan the Young Scientist



Mustang Mama Football Fever



Mustang Mama Diehard Sports Fan



7. BUSINESS OVERVIEW (CONT'D)

Mustang Mama X3



Happy Together



Boo & Me



Pet Squad



7. BUSINESS OVERVIEW (CONT'D)

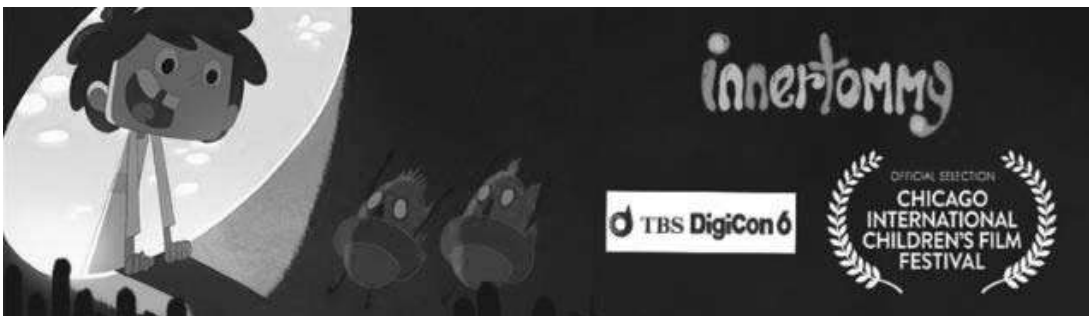
Akis



Kobushi



Inner Tommy



Osiana World



7. BUSINESS OVERVIEW (CONT'D)**Terrified Sushi**

We may submit a copyright voluntary notification to MyIPO in respect of the proprietary content that we developed, and such notification may serve as prima facie evidence of our ownership and the date of creation of such proprietary content that we developed. Notwithstanding that, we have not submitted such notification for any of our proprietary content as at the LPD.

For the Financial Periods Under Review and up to the LPD, the focus of our business is in 2D animation production services and there was no revenue generated from the proprietary content that we developed. As at the LPD, we are engaged in preliminary discussion with a company operating in the entertainment industry from France for the joint development of a feature film based on the one of our proprietary contents.

7.13 INTERRUPTIONS TO THE BUSINESS AND OPERATIONS

Save as disclosed below, our Group did not encounter any other material interruptions during the Financial Periods Under Review and up to the LPD.

COVID-19 conditions in Malaysia

- **Effects of COVID-19 on our business operations**

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. The Government implemented several measures to reduce and control the spread of COVID-19 in the country, commencing on 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities.

During the MCO 1 period between 18 March 2020 and 3 May 2020, our business operations at our operational office were temporarily suspended and all of our management and employees worked from home following constraints imposed for MCO 1. We also notified our customers about the temporary suspension of our business operations and the delay in the delivery of animation works due to the constraints during the said period.

Following the implementation of Conditional MCO (“**CMCO**”) on 4 May 2020, we resumed our business operations at our operational office. We continued to operate during the Recovery MCO (RMCO) period in accordance with the specified guidelines and standard operating procedure (SOP) including the specified workforce capacity.

Subsequently, following the imposition of Enhanced MCO (“**EMCO**”) in Kuala Lumpur and Selangor on 1 July 2021, our business operations at our operational office were temporarily suspended and all of our management and employees worked from home. We resumed our business operations at our operational office following the upliftment of the EMCO on 18 July 2021.

7. BUSINESS OVERVIEW (CONT'D)

On 1 April 2022, Malaysia began its transition into the endemic phase, and we continued to operate at full workforce capacity according to Government SOP and guidelines.

- **Impact on our financial performance**

In FYE 2020, our financial performance was impacted by the COVID-19 pandemic mainly due to lower activities for our 2D animation production operations resulting from lower headcount partly due to uncertainties caused by the COVID-19 pandemic. For information, Inspidea recorded an audited revenue of approximately RM25.90 million in FYE 2019 at the company level.

In FYE 2021, our financial performance recovered where our total revenue increased by 18.44% from RM14.92 million in FYE 2020 to RM17.68 million in FYE 2021. In FYE 2022, our total revenue continued to increase by 32.87% from RM17.68 million in FYE 2021 to RM23.49 million in FYE 2022.

7.14 MAJOR CUSTOMERS

Our Group's top 5 major customers and their contribution to our revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 are as follows:

FYE 2020

Major customer	Country	Revenue contribution		Length of business relationship (years)	Main services
		RM'000	%		
Customer A Group	USA, Australia	4,939	33.10	13	2D animation production
Customer B Group	Canada, USA	3,775	25.30	6	2D animation production
Customer C Group	Canada	2,386	15.99	5	2D animation production
Customer D	France	1,028	6.89	Less than 1	2D animation production
Customer E Group	USA	897	6.01	3	2D animation production
Sub-total		13,025	87.29		
Group revenue		14,923			

FYE 2021

Major customer	Country	Revenue contribution		Length of business relationship (years)	Main services
		RM'000	%		
Customer B Group	Canada, USA	7,886	44.62	7	2D animation production
Customer D	France	1,918	10.85	1	2D animation production
Customer F	France	1,753	9.92	7	2D animation production
Customer A Group	USA, Australia	1,479	8.37	14	2D animation production
Customer G Group	Netherlands	1,454	8.23	Less than 1	2D animation production
Sub-total		14,490	81.99		
Group revenue		17,675			

7. BUSINESS OVERVIEW (CONT'D)**FYE 2022**

Major customer	Country	Revenue contribution		Length of business relationship (years)	Main services
		RM'000	%		
Customer B Group	USA, Canada	9,350	39.81	8	2D animation production
Customer A Group	USA, Australia	4,275	18.20	15	2D animation production
Customer H Group	Canada, UK	4,321	18.40	Less than 1	2D animation production
Customer C Group	Canada	2,459	10.47	7	2D animation production
Customer G Group	Netherlands	1,123	4.78	1	2D animation production
Sub-total		21,528	91.66		
Group revenue		23,485			

FPE 2023

Major customer	Country	Revenue contribution		Length of business relationship (years)	Main services
		RM'000	%		
Customer H Group	Canada, UK	3,480	31.56	1	2D animation production
Customer B Group	USA, Canada	2,993	27.14	9	2D animation production
Customer A Group	USA, Australia	2,054	18.63	16	2D animation production
Customer J	France	1,262	11.44	12	2D animation production
Customer G Group	UK	791	7.17	2	2D animation production
Sub-total		10,580	95.94		
Group revenue		11,028			

Notes:

- (1) *The customers' names have not been disclosed due to the confidentiality provisions in agreements entered with our customers. The confidentiality provisions are the conditions of our contracts placed by our customers. We have sought consent from our customers for the inclusion of their names in this Prospectus. However, our customers are unable to accede to the said request or have not responded.*
- (2) *Length of the relationship as at the respective financial period.*

None of our Directors, Promoters and substantial shareholders has any interest in, or undue influence over, any of our top 5 major customers.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Periods Under Review, our top 5 major customers collectively contributed 87.29%, 81.99%, 91.66% and 95.94% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

We are dependent on the following customers by virtue of their revenue contribution of more than 10.00% to our revenue for any one or more years during the Financial Periods Under Review. Our business relationships with these customers are set out below:

(i) Customer A Group

Customer A Group have been our customer between 8 years and 16 years as at FPE 2023. The overall revenue contribution from Customer A Group accounted for 33.10% (RM4.94 million), 8.37% (RM1.48 million), 18.20% (RM4.28 million) and 18.63% (RM2.05 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We provide 2D animation production services to Customer A Group.

The revenue contribution of Customer A Group by its subsidiaries is as follows:

Customer	Year of business relationship commenced/ length of business relationship ⁽¹⁾	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾
Customer A1	2007 / 16 years	-	-	847	4.79	4,275	18.20	2,054	18.63
Customer A2	2015 / 8 years	4,925	33.01	351	1.99	-	-	-	-
Customer A3	2015 / 8 years	14	0.09	281	1.59	-	-	-	-
Total		4,939	33.10	1,479	8.37	4,275	18.20	2,054	18.63

Notes:

- (1) Length of business relationship as at FPE 2023.
(2) Percentages are in proportion to our total revenue.

7. BUSINESS OVERVIEW (CONT'D)**(ii) Customer B Group**

Customer B Group has been our customer between 4 years and 9 years as at FPE 2023 with revenue contribution of 25.30% (RM3.78 million), 44.62% (RM7.89 million), 39.81% (RM9.35 million) and 27.14% (RM2.99 million) for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We provide 2D animation production services to Customer B Group.

The revenue contribution of Customer B Group by its subsidiaries is as follows:

Customer	Year of business relationship commenced/ length of business relationship ⁽¹⁾	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾
Customer B1	2014 / 9 years	274	1.84	1,263	7.15	8,895	37.88	2,809	25.47
Customer B2	2019 / 4 years	3,501	23.46	6,623	37.47	455	1.93	184	1.67
Total		3,775	25.30	7,886	44.62	9,350	39.81	2,993	27.14

Notes:

(1) Length of business relationship as at FPE 2023.

(2) Percentages are in proportion to our total revenue.

(iii) Customer C Group

Customer C Group has been our customer for 1 and 8 years as at FPE 2023. The length of business relationship with Customer C Group commenced in 2015 where we were engaged by one of its subsidiaries for the 2D animation services. For the Financial Periods Under Review, there was no revenue from this said subsidiary. However, we continued to secure projects from other subsidiaries of Customer C Group and the revenue contribution from Customer C Group accounted for 15.99% (RM2.39 million), 7.53% (RM1.33 million) and 10.47% (RM2.46 million) for the FYE 2020, FYE 2021 and FYE 2022 respectively. There was no revenue from Customer C Group in FPE 2023. We provide 2D animation production services to Customer C Group.

7. BUSINESS OVERVIEW (CONT'D)

The revenue contribution of Customer C Group by its subsidiaries is as follows:

Customer	Year of business relationship commenced/ length of business relationship ⁽¹⁾	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾
Customer C1	2021 / 2 years	-	-	313	1.77	1,504	6.40	-	-
Customer C2	2022 / 1 year	-	-	-	-	922	3.93	-	-
Customer C3	2022 / 1 year	-	-	-	-	33	0.14	-	-
Customer C4	2020 / 3 years	358	2.39	744	4.21	-	-	-	-
Customer C5	2019 / 4 years	1,604	10.76	274	1.55	-	-	-	-
Customer C6	2019 / 4 years	424	2.84	-	-	-	-	-	-
Total		2,386	15.99	1,331	7.53	2,459	10.47	-	-

Notes:

(1) Length of business relationship as at FPE 2023.

(2) Percentages are in proportion to our total revenue.

(iv) Customer D

Customer D has been our customer for 3 years as at FPE 2023 and its revenue accounted for 6.89% (RM1.03 million) and 10.85% (RM1.92 million) for the FYE 2020 and FYE 2021 respectively. There was no revenue from Customer D in FYE 2022 and FPE 2023. We provide 2D animation production services to Customer D.

The revenue contribution of Customer D is as follows:

Customer	Year of business relationship commenced/ length of business relationship ⁽¹⁾	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾
Customer D	2020 / 3 years	1,028	6.89	1,918	10.85	-	-	-	-
Total		1,028	6.89	1,918	10.85	-	-	-	-

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Length of business relationship as at FPE 2023.
 (2) Percentages are in proportion to our total revenue.

(v) Customer H Group

Customer H Group has been our customer for 1 year as at FPE 2023 and revenue contribution from this customer accounted for 18.40% (RM4.32 million) and 31.56% (RM3.48 million) in FYE 2022 and FPE 2023 respectively. We provide 2D animation production services to Customer H Group.

The revenue contribution of Customer H Group by its subsidiaries is as follows:

Customer	Year of business relationship commenced/ length of business relationship ⁽¹⁾	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾
Customer D2	2022 / 1 year	-	-	-	-	285	1.22	1,985	18.00
Customer D4	2022 / 1 year	-	-	-	-	35	0.15	555	5.03
Customer D3	2022 / 1 year	-	-	-	-	69	0.29	554	5.03
Customer D1	2022 / 1 year	-	-	-	-	3,932	16.74	386	3.50
Total		-	-	-	-	4,321	18.40	3,480	31.56

Notes:

- (1) Length of business relationship as at FPE 2023.
 (2) Percentages are in proportion to our total revenue.

(vi) Customer J

Customer J had been our customer for 12 years as at FPE 2023 and revenue contribution from this customer accounted for 11.44% (RM1.26 million) of our total revenue in FPE 2023. We provide 2D animation production services to Customer J.

7. BUSINESS OVERVIEW (CONT'D)

The revenue contribution of Customer J is as follows:

Customer	Year of business relationship commenced/ length of business relationship ⁽¹⁾	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾	RM'000	% ⁽²⁾
Customer J	2011 / 12 years	-	-	-	-	-	-	1,262	11.44
Total		-	-	-	-	-	-	1,262	11.44

Notes:

- (1) Length of business relationship as at FPE 2023.
- (2) Percentages are in proportion to our total revenue.

Due to these customers' substantial contribution to our revenue during the Financial Periods Under Review, losing them as customers may adversely affect our financial performance. In this respect, we intend to mitigate such risk by:

- (i) maintaining close working relationships with our existing customers and ensuring our service quality meets our customers' requirements. We have an established business relationship with Customer A Group, Customer B Group, Customer C Group and Customer J where the length of our business relationship with them ranges between 8 and 16 years as at FPE 2023. Since the start of our business relationship with them, we were able to maintain a close working relationship as evidenced by the multiple projects secured from each of the customer. Similarly, we maintain a close working relationship with Customer H Group and secured multiple projects from them although our length of business relationship with them is 1 year as at FPE 2023;
- (ii) taking proactive steps to look for new project opportunities and to expand our customer base. Our Directors, with the support from our key senior management, will actively seek for new projects by engaging with stakeholders within the animation industry and continue to participate in bidding for new projects from existing as well as prospective customers. In addition, we participate in relevant exhibitions as part of our marketing strategy to secure new customers; and
- (iii) part of our business strategy is to establish a sales office in LA, California in the USA. This will enable us to address potential business opportunities as well as to improve customer service by attending promptly to our existing customers within North America. Please refer to Section 7.6 of this Prospectus for further details on our business strategies and future plans.

Our established track record of 21 years in the 2D animation production will serve as testament of our capabilities and provide us with the advantage to secure new projects from our existing and prospective customers.

7. BUSINESS OVERVIEW (CONT'D)**7.15 MAJOR SUPPLIERS**

Our Group's top 5 major suppliers and their contribution to our total purchases of materials and services for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 are as follows:

FYE 2020

Major suppliers⁽¹⁾	Country	Purchase contribution		Length of business relationship (years)⁽²⁾	Products / services sourced
		RM'000	%		
Arboratory Limited ⁽³⁾	Hong Kong	733	69.22	1	Animation production management software
Ingram Micro Malaysia Sdn Bhd	Malaysia	131	12.37	10	Computer software
Toon Boom Animation Inc.	Canada	82	7.74	14	Computer software
Integrasi Erat Sdn Bhd	Malaysia	6	0.57	6	Computer software
Sub-total		952	89.90		
Total purchases		1,059			

FYE 2021

Major suppliers	Country	Purchase contribution		Length of business relationship (years)⁽²⁾	Products / services sourced
		RM'000	%		
Arboratory Limited ⁽³⁾	Hong Kong	763	37.44	2	Animation production management software
Ingram Micro Malaysia Sdn Bhd	Malaysia	399	19.58	11	Computer software
Lil Critter Workshop Sdn Bhd	Malaysia	211	10.35	Less than 1 year	Animation pre-production service
Tribal MNE Sdn Bhd	Malaysia	136	6.67	Less than 1 year	Animation pre-production service
Toon Boom Animation Inc.	Canada	68	3.34	15	Computer software
Sub-total		1,577	77.38		
Total purchases		2,038			

7. BUSINESS OVERVIEW (CONT'D)**FYE 2022**

Major suppliers	Country	Purchase contribution		Length of business relationship (years)⁽²⁾	Products / services sourced
		RM'000	%		
Tessereum Limited ⁽⁴⁾	Hong Kong	790	30.03	1	Animation production management software
Lil Critter Workshop Sdn Bhd	Malaysia	615	23.38	1	Animation pre-production service
Ingram Micro Malaysia Sdn Bhd	Malaysia	326	12.39	12	Computer software
Tribal MNE Sdn Bhd	Malaysia	303	11.51	1	Animation post-production service
Toon Boom Animation Inc.	Canada	105	3.99	16	Computer software
Sub-total		2,139	81.30		
Total purchases		2,631			

FPE 2023

Major suppliers⁽¹⁾	Country	Purchase contribution		Length of business relationship (years)⁽²⁾	Products / services sourced
		RM'000	%		
Tessereum Limited ⁽⁴⁾	Hong Kong	402	35.83	2	Animation production management software
Lil Critter Workshop Sdn Bhd	Malaysia	205	18.27	2	Animation pre-production service
Ingram Micro Malaysia Sdn Bhd	Malaysia	186	16.58	13	Computer software
Tribal MNE Sdn Bhd	Malaysia	87	7.75	2	Animation post-production service
Toon Boom Animation Inc.	Canada	77	6.86	17	Computer software
Sub-total		957	85.29		
Total purchases		1,122			

Notes:

- (1) For FYE 2020, the fifth supplier was not disclosed as it is an individual freelancer who provide animation production services on a contract basis with the Group. Purchases of services from each freelancer amounted to less than RM25,000 for each of the Financial Periods Under Review.
- (2) Length of the relationship as at the respective financial period.
- (3) Please refer to Section 10.1.1 for further details on the related party transactions in relation to the services provided by Aboratory Limited to the Group.

7. BUSINESS OVERVIEW (CONT'D)

(4) Please refer to Section 10.1.1 for further details on the related party transactions in relation to the services provided by Tessereum Limited to the Group.

As an animation production service provider, our purchases are mainly subscription fees for the use of computer software as well as subcontracted animation production services. The computer software that we use includes software for animation creation and editing, and project management for our animation production operations.

Arboratory Limited (a related party), Tessereum Limited (a related party) and Toon Boom Animation Inc. (a non-related party) are the IP owners of their respective computer software that we use in our business operations.

(i) Arboratory Limited and Tessereum Limited

The purchases from Arboratory Limited for the supply of animation production management software customised based on our requirement, namely "Inspirator" accounted for 69.22% and 37.44% of our total purchases of materials and services FYE 2020 and FYE 2021 respectively. The animation production management software is used for the management of animation production projects where our project managers can track the progress of the project, the amount of work completed by each of the production team members and monitor the overall workflow. Our project manager will monitor the overall workflow to ensure that the project can be completed within the time and budget as agreed with the customers.

We entered into a software sublicense agreement with Tessereum Limited (a subsidiary of Arboratory Limited) on 1 January 2022 for the usage of the animation production management software, namely "TESSR". The TESSR is a similar animation production management software to Arboratory Limited. Arboratory Limited owns Tessereum Limited via 37.5% of the ordinary shares and 100% of the convertible preference shares of Tessereum Limited. For FYE 2022 and FPE 2023, the purchases from Tessereum Limited amounted to 30.03% and 35.83% of our total purchases respectively.

Please refer to Section 10.1.1 for further details of the related party transactions.

(ii) Toon Boom Animation Inc

Purchases from Toon Boom Animation Inc. for the supply of animation production software namely Toon Boom Harmony which accounted for 7.74%, 3.34%, 3.99% and 6.86% of our total purchases of materials and services for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

In addition, we have been using Adobe software for our business operations during the Financial Periods Under Review. We purchased the Adobe software from Ingram Micro Malaysia Sdn Bhd, a supplier of Adobe software in Malaysia, which accounted for 12.37%, 19.58%, 12.39% and 16.58% of our total purchases of materials and services the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

We are not dependent on the above software or supplier as we can use alternative software such as ShotGrid for animation production management or CelAction for animation production or we may purchase Adobe software from other suppliers.

We are also not dependent on our suppliers of subcontracted animation production services namely Lil Critter Workshop Sdn Bhd and Tribal MNE Sdn Bhd as these are nominated subcontractors for an animation production project by a customer during the FYE 2021 and FYE 2022 respectively.

7. BUSINESS OVERVIEW (CONT'D)

7.16 MATERIAL DEPENDENCY ON COMMERCIAL CONTRACTS, AGREEMENT AND OTHER ARRANGEMENTS

As at the LPD, our Group is not dependent on any material contracts, agreements, documents or other arrangements that could affect our Group's business or profitability.

7.17 EMPLOYEES

As at the LPD, we have a total workforce of 234 employees whereby 52 of our employees are permanent employees and the remaining 182 are contract / temporary employees.

The breakdown of our employees by business segment and department as at FYE 2022 is depicted as follows:

Categories	2D animation production				Food services				Total employees
	Permanent		⁽³⁾ Contract / Temporary		Permanent		Contract / Temporary		
	Local	Foreign	Local	⁽⁴⁾ Foreign	Local	Foreign	Local	Foreign	
Management⁽¹⁾	15	-	2	3	-	-	-	-	20
Technical professionals⁽²⁾	2	-	1	-	1	-	2	-	6
Skilled staff (Animation technical personnel)	38	-	127	4	-	-	-	-	169
- Animator ⁽³⁾	29	-	91	4	-	-	-	-	124
- Background artist ⁽⁴⁾	5	-	21	-	-	-	-	-	26
- Compositing artist ⁽⁵⁾	2	-	4	-	-	-	-	-	6
- Others ⁽⁶⁾	2	-	11	-	-	-	-	-	13
Total	55	-	130	7	1	-	2	-	195

7. BUSINESS OVERVIEW (CONT'D)

The breakdown of our employees by business segment and department as at the LPD is depicted as follows:

Categories	2D animation production				Food services				Total employees
	Permanent		⁽⁷⁾ Contract / Temporary		Permanent		Contract / Temporary		
	Local	Foreign	Local	⁽⁸⁾ Foreign	Local	Foreign	Local	Foreign	
Management ⁽¹⁾	15	-	2	3	-	-	-	-	20
Technical professionals ⁽²⁾	2	-	-	-	1	-	2	-	5
Skilled staff (Animation technical personnel)	34	-	168	7	-	-	-	-	209
- Animator ⁽³⁾	23	-	128	7	-	-	-	-	158
- Background artist ⁽⁴⁾	6	-	26	-	-	-	-	-	32
- Compositing artist ⁽⁵⁾	3	-	4	-	-	-	-	-	7
- Others ⁽⁶⁾	2	-	10	-	-	-	-	-	12
Total	51	-	170	10	1	-	2	-	234

Notes:

- (1) *Relates to personnel which are entrusted with managerial responsibilities within our Group.*
- (2) *Relates to personnel which are responsible for matters such as information technology support for 2D animation production, as well as restaurant manager and kitchen crew for the food services segment.*
- (3) *The role of an animator is to create character and object movements according to the requirements of the production.*
- (4) *The role of a background artist is to illustrate visual background and environment surrounding the animated characters and the actions of the animation.*

7. BUSINESS OVERVIEW (CONT'D)

- (5) *The role of a compositor is to integrate elements such as animated characters, visual background and others to form the final output of an animated content.*
- (6) *Includes production coordinators and builders. The role of a production coordinator includes production planning. The role of a builder involves the process of character modelling and create digital skeletons (rigs) which enable animators to manipulate and move the characters.*
- (7) *The Group has hired more employees under contract/temporary arrangements instead of permanent arrangement in view that this will accord the Group with the flexibility and agility to promptly adapt its human capital resources in response to changing demands and to cater for specific project requirements.*

Contract staffs are typically engaged on a fixed term basis which usually last for a duration of 2 years, and are paid a fixed salary together with project incentives and participation in bonuses. On the other hand, temporary staffs (which are the freelancers) are typically engaged on a project basis, which usually last for less than 12 months. The temporary staffs are paid based on output produced. The Group has hired a total of 16 and 48 freelancers for the FYE 2022 and as at the LPD, respectively.

- (8) *All 10 non-Malaysians under contract employment are currently holding a valid working permit.*

None of our employees belongs to any trade unions. During the Financial Periods Under Review, there has been no major labour disputes involving our employees.

7.18 MAJOR APPROVALS, LICENCES AND PERMITS OBTAINED

As at the LPD, save as disclosed below and the general business approvals, licences and permits issued by local councils, there are no other major approvals, licences and permits issued to our Group in order for us to carry out our business operations:

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
Inspidea						
1.	National Film Development Corporation Malaysia (FINAS)	Licence to engage in the production of films	Licence No. PF 05/10566	Date of issuance: 17 January 2023/	(i) The licence is issued subject to the conditions prescribed in the Third Schedule to the Perbadanan Kemajuan Filem Nasional Malaysia (Licensing) Regulations 1983.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
				Validity period: 17 January 2024 to 16 January 2025	(ii) The licence is valid for a period of one year from the date of issuance or renewal.	Noted
					(iii) Inspidea shall not transfer or assign the licence to any other person.	Complied
					(iv) Inspidea duly registered under the Companies Act 1965 shall inform FINAS of any change in the share capital or the composition of the board of directors of Inspidea. Such information shall be given not less than 14 days from the day the change take effect.	Complied
					(v) Inspidea shall not change the location of the place of business without obtaining the prior approval of FINAS.	Complied
					(vi) Inspidea shall:	
					i. inform FINAS in writing if Inspidea ceases to engage in the activity for which Inspidea is licenced and shall forthwith return the licence to FINAS for cancellation;	Noted
					ii. not engage in the activity for which Inspidea is licenced under a name different from that stated in the licence;	Complied
					iii. display the licence in a conspicuous manner at the premises specified in the licence;	Complied
					iv. inform FINAS in writing and within 14 days any change in the composition of Inspidea's officers holding	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
					<p>managerial or executive positions; and</p> <p>v. not later than 6 months after the end of the financial year of Inspidea's business, submit to FINAS its audited statement of accounts and any other reports as may be required by FINAS.</p>	Complied
2.	Malaysia Digital Economy Corporation (MDEC)	For the grant of the Multimedia Super Corridor Malaysia ("MSC") status (now known as Malaysian Digital Status) to Inspidea	Certificate No. 0954	Date of issuance: 9 June 2004 Date of expiry: Not applicable	<p>Inspidea shall, amongst others:</p> <p>(i) complete business registration of the proposed entity as a locally incorporated company under the Companies Act 1965 within 1 month from 9 June 2004, commence operations of the proposed entity within 6 months from 9 June 2004, and undertake such activities specified in the company's business plan as approved by Malaysia Digital Economy Corporation Sdn Bhd (formerly known as Multimedia Development Corporation Sdn Bhd) ("MDEC") ("MSC Qualifying Activities"), MDEC, within 6 months from 9 June 2004, or by such dates as may be specified in the company's business plan as approved, which dates may be extended or modified with the written consent of MDEC, and thereafter continue with such business and activities unless otherwise approved by MDEC. The MSC Qualifying Activities are "development and provision of content animation production" and "provision of animation production services". Any changes proposed to the MSC Qualifying Activities must receive the prior written consent of MDEC;</p>	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
					(ii) locate the implementation and operation of the MSC Qualifying Activities in Cyberjaya, within 6 months from 9 June 2004 and will seek MDEC's prior written approval in the event of any changes in the location or address of Inspidea ⁽¹⁾ ;	Complied
					(iii) ensure that at all times at least 15.00% of the total number of employees (excluding support staff) of Inspidea shall be "knowledge workers";	Complied
					"Knowledge worker" is an individual who holds one of the following:	Complied
					i. tertiary qualification from an institution of higher learning (in any field);	
					ii. diploma in information and communication technologies, engineering, technology or specialised certification plus at least 2 years' relevant experience in a field that is a heavy user of technology;	
					iii. professional, executive, management and technical work categories in information technology enabled services (e.g. information technology / information systems professionals, finance / accounting, business administration, engineering, medical or legal);	
					iv. also includes foreign workers with knowledge-based skills that are not	

7. BUSINESS OVERVIEW (CONT'D)

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
					prevalent in Malaysia and required by Inspidea; or	
					v. workers who are utilised for their creative talent to produce value-added creative work for Inspidea;	
				(iv)	continuously comply with MDEC's environmental guidelines as determined by MDEC from time to time;	Complied
				(v)	submit to MDEC a copy of the company's annual report and audited statements in parallel with submission to the Companies Commission of Malaysia;	Complied
				(vi)	inform and obtain the prior approval of MDEC for any proposed change in the name of Inspidea;	Complied
				(vii)	inform MDEC of any change in the equity structure or shareholding structure of Inspidea, or such other changes that may affect the direction or operation of Inspidea. MDEC must be informed of any change before steps are taken to effect such change;	Complied
				(viii)	comply with all such statutory, regulatory and/or licensing requirements as may be applicable;	Complied
				(ix)	the MSC status shall not be transferable or assignable in any way whatsoever without the prior written consent of MDEC; and	Complied
				(x)	MDEC may from time to time add to, remove from or vary the conditions as set out above.	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
					<p>In the event Inspidea:</p> <ul style="list-style-type: none"> (a) fails to comply with the terms and conditions as set out above; (b) fails to comply with the monitoring processes and procedures as prescribed by MDEC and/or willingly refuses to provide such assistance as may be required by MDEC in its monitoring activities; or (c) fails to or is unable to achieve or fulfill its objectives, projections or assurances as contained in the application documents (including but not limited to the three year business development plan) and/or any subsequent update documents, <p>then MDEC shall in the first instance notify Inspidea of such failure and/or non-compliance and afford an opportunity to Inspidea to explain its position to MDEC and seek a waiver or otherwise come to a mutually acceptable compromise or resolution of the matters relating to such failure and/or non-compliance. In the event that MDEC and Inspidea are unable to arrive at a mutually acceptable compromise or resolution, MDEC may at anytime thereafter notify Inspidea in writing of its intention to recommend the revocation of the grant of MSC status of Inspidea. Upon receipt of the notice, Inspidea may within thirty days, appeal to MDEC in writing stating any grounds or arguments supporting its appeal against the intended revocation, failing which, MDEC may in its discretion proceed to issue a written notice to Inspidea stating the grant of MSC status of Inspidea will be revoked.</p>	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
<i>Note:</i>						
(1) <i>Inspidea has an office located in Cyberjaya between 2010 – 2020. Pursuant to the announcement made by MDEC on March 2022, company with Malaysia Digital Status may operate their business in any location in Malaysia. As at the LPD, Inspidea still maintains the Malaysia Digital Status and is operating at their existing office in Selangor.</i>						
Bowleh						
1.	Ministry of Health Malaysia	Certificate of registration for food premises to conduct restaurant business (P3 – food premises where food is prepared, processed, stored or served for sale)	FSSM032301271-0	Date of issuance: 10 March 2023 Validity period: 10 March 2023 to 10 March 2026	-	-

In the event Inspidea failed to renew the licence issued by National Film Development Corporation Malaysia (FINAS) as set out above, Inspidea will not be able to produce its own proprietary content.

Prior to 10 March 2023, Bowleh commenced restaurant operations without obtaining the certificate of registration for food premises. On 10 March 2023, Bowleh had obtained a valid certificate of registration for food premises issued by Ministry of Health Malaysia. Please refer to Section 7.21.3 of this Prospectus for further details of the said past non-compliance.

As at the LPD, our Group is not in breach of the terms and conditions of the approvals, licences and permits set out above and has not encountered any difficulties in renewing the approvals, licences and permits, where applicable, in the past.




7. BUSINESS OVERVIEW (CONT'D)

7.19 INTELLECTUAL PROPERTY RIGHTS

Our Group is not highly dependent on any of the trademarks and patents. We do not foresee any material impact to the Group's business or profitability in the event of non-approval for registration / renewal of the trademarks and patents.

7.19.1 Trademarks

As at the LPD, our Group holds the following trademarks:

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Expiry Date
1.		Inspidea / 06014995	MyIPO, Malaysia	Class 41 / Education; providing of training; entertainment; or sporting and cultural activities	Registered / 23 August 2026
2.		Bowleh / TM2020012941	MyIPO, Malaysia	Class 43 / Restaurant services	Registered / 1 July 2030
3.		Bowleh / TM2020013139	MyIPO, Malaysia	Class 43/ Restaurant services	Registered / 2 July 2030

7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Expiry Date
4.	INSPIDEA	Inspidea / TMA771488	Canadian Intellectual Property Office, Canada	<p>Class 9 / Animated films, television film recordings, prerecorded video tapes featuring animation, prerecorded audio tapes featuring narrative text, prerecorded audio tapes featuring music, prerecorded compact discs featuring narrative text, prerecorded compact discs featuring music, prerecorded compact discs featuring computer games, prerecorded compact discs featuring animation, rerecorded optical discs featuring animation, downloadable video recordings featuring animated entertainment, downloadable audio recordings featuring narrative text, downloadable audio recordings featuring music, downloadable electronic publications, namely, magazines and newsletters in the field of entertainment, and downloadable computer game programs; and</p> <p>Class 41/ Production and distribution of animated films, television programs, video tape recordings, audio tape recordings, compact disc recordings, and optical disc recordings; entertainment services, namely, on-going television programs the field of animation; and entertainment services, namely, providing online computer games; and entertainment services, namely, providing downloadable videos recordings featuring animated entertainment over the Internet mobile telecommunication networks.</p>	Registered / 7 July 2025

7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Expiry Date
5.	INSPIDEA	Inspidea / 3586130	National Institute of Industrial Property, France	<p>Class 9 / Animation films, television film recordings, pre-recorded videotapes containing animation, pre-recorded audio cassettes containing stories, pre-recorded audio cassettes containing music, pre-recorded compact discs containing stories, pre-recorded compact discs containing music, pre-recorded compact discs containing video games, pre-recorded compact discs containing animation, pre-recorded optical discs containing animations, downloadable video recordings containing entertainment in the field of animation, downloadable audio recordings containing stories, downloadable audio recordings containing music, downloadable electronic publications in the form of magazines and newsletters in the field of entertainment, and downloadable computer game programmes.</p> <p><i>(Films d'animation, enregistrements de films télévisés, bandes 159 ideo préenregistrées contenant des animations, cassettes audio préenregistrées contenant des récits, cassettes audio préenregistrés contenant de la musique, disques compacts préenregistrés contenant des récits, disques compacts préenregistrés contenant de la musique, disques compacts préenregistrés contenant des jeux vidéos, disques compacts préenregistrés contenant des animations, disques optiques préenregistrés contenant des animations, enregistrements 159ideo téléchargeables contenant du divertissement dans le domaine de l'animation, enregistrements audio téléchargeables contenant des récits, enregistrements audio téléchargeables contenant de la musique, publications électroniques téléchargeables sous la forme de magazines et de lettres d'information dans le domaine du divertissement,</i></p>	Registered / 3 July 2028

7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Expiry Date
				<i>et programmes de jeux d'ordinateur téléchargeables.)</i>	
				<p>Class 38 / Telecommunications, telephone services, services for the transmission and reception of video images on the Internet using a computer or mobile telephone, television programmes, broadcasting and transmission of television programmes and animated films, communication via computer terminals; communication (transmission) on all multimedia media and networks including the Internet</p> <p><i>(Télécommunications, services téléphoniques, services pour la transmission et la réception d'images vidéo sur internet au moyen d'un ordinateur ou d'un téléphone mobile, programmes de télévision, diffusion et transmission de programmes de télévision et de films d'animation, communication par terminaux d'ordinateurs • communication (transmission) sur tous supports multimédia et réseaux dont internet.)</i></p>	
				<p>Class 41 / Production and distribution of animated films, television programmes, video recordings, audio recordings, compact disc recordings, optical disc recordings; entertainment services in the form of television programmes in the field of animation, and entertainment services, namely provision of on-line computer games, downloadable video recordings containing entertainment in the field of animation accessible via the Internet and wireless telecommunications networks.</p>	

7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Expiry Date
6.	I N S P I D E A	Inspidea / T0614724E	Intellectual Property Office of Singapore, Singapore	<p><i>(Production et distribution de films d'animation, de programmes de télévision, d'enregistrements vidéo, d'enregistrements audio, d'enregistrements de disques compacts, d'enregistrements de disques optiques • services de divertissement sous la forme de programmes de télévision dans le domaine de l'animation, et services de divertissement, à savoir mise à disposition de jeux d'ordinateurs en ligne, d'enregistrements vidéo téléchargeables contenant des divertissements dans le domaine de l'animation accessibles par internet et des réseaux de telecommunication sans fil.)</i></p> <p>Class 41 / Entertainment services, namely production and distribution of animation for television, mobile telecommunication networks, internet; interactive game services provided online; film production; book publications; production and reproduction of audio and video recordings on audio and/or video carriers of different kinds, especially video and audio tapes, cassettes, discs and records; all included in Class 41.</p>	Registered / 25 July 2026

7. BUSINESS OVERVIEW (CONT'D)

In addition, our Group has submitted applications for registration of the following trademarks which are currently pending approval:

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Validity period
1.	KUCINGKO	Kucingko Berhad/ TM2023035725	MyIPO, Malaysia	<p>Class 9 / Videotapes and videodisks recorded with animation; videotapes and videodisks recorded with animation; animated cartoons; pre-recorded video cassettes featuring cartoons; prerecorded video cassettes featuring cartoons; videodisks recorded with animated cartoons; videodisks recorded with animated cartoons; videotapes recorded with animated cartoons; augmented reality software for playing computer games; computer games programmes; computer games programs; computer games software; computer programs for video and computer games; computer software for arcade apparatus and games; downloadable computer games; downloadable computer programs for video and computer games; downloadable interactive entertainment software for playing computer games; downloadable interactive entertainment software for playing video games; games software; recorded programs for hand-held games with liquid crystal displays.</p> <p>Class 41 / Animation production services; special effects animation services for film and video.</p> <p>Class 42 / Animation and special effects design for others; animation design; animation design services; design of animations.</p> <p>Class 45 / Cartoon character licensing; licensing of advertising slogans and cartoon characters.</p>	Pending (Application submitted on 24 November 2023)

7. BUSINESS OVERVIEW (CONT'D)

7.20 MATERIAL PROPERTIES

7.20.1 Properties

As at the LPD, we do not own any properties.

7.20.2 Rented Properties

As at the LPD, the details of the material properties rented by our Group are set out as follows:

Landlord	Tenant	Postal Address	Description / Existing Use	Date of CFO / CCC or equivalent	Approximate Floor Area	Tenure	Rental Per Annum (RM)
Yang Li Fu @ Yeoh Chin Choon and Yang Chong Yaw, Alan	Inspidea	G-G-01, G-1-01 and G-2-01, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor	Office	3 July 2006	5,237.25 sq.ft.	5 years Commencing from 1 January 2021 to 31 December 2025	102,000
Yang Li Fu @ Yeoh Chin Choon and Yang Chong Yaw, Alan	Inspidea	G-G-03A, G-1-03A and G-2-03A, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor	Office	3 July 2006	5,237.25 sq.ft.	5 years Commencing from 1 January 2021 to 31 December 2025	102,000
Seating Lane (M) Sdn Bhd	Inspidea	G-G-5, G-1-05, G-2-05, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301	Office	3 July 2006	5,237.25 sq.ft.	5 years Commencing from 1 June	108,000

7. BUSINESS OVERVIEW (CONT'D)

<u>Landlord</u>	<u>Tenant</u>	<u>Postal Address</u>	<u>Description / Existing Use</u>	<u>Date of CFO / CCC or equivalent</u>	<u>Approximate Floor Area</u>	<u>Tenure</u>	<u>Rental Per Annum (RM)</u>
		Petaling Jaya, Selangor				2022 to 31 May 2027	
Gulf Media Sdn Bhd	Inspidea	H-G-02, H-1-02, H-2-02, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor	Office	3 July 2006	5,237.25 sq.ft.	4 ½ years Commencing from 1 July 2022 to 31 December 2026	96,000
Tan Tuan Hui	Inspidea	H-G-03, H-1-03, H-2-03, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor	Office	3 July 2006	5,237.25 sq.ft.	5 years Commencing from 1 January 2022 to 31 December 2026	96,000
Spurs Industries (M) Sdn Bhd	Inspidea	H-G-03A, H-1-03A, H-2-03A, Glomac Square, Jalan SS6/16A, Kelana Jaya, 47301 Petaling Jaya, Selangor	Office	3 July 2006	5,237.25 sq.ft.	5 years Commencing from 1 June 2019 to 1 June 2024	108,000

7. BUSINESS OVERVIEW (CONT'D)

7.20.3 Material plans to construct, expand or improve property, plant and equipment

As at the LPD, our Group does not have any existing properties or plants. Save as disclosed in Sections 4.8.1 and 4.8.2 of this Prospectus, our Group has no immediate material plans to expand or improve any of our tenanted properties or existing equipment.

7.21 GOVERNING LAWS AND REGULATIONS INCLUDING ENVIRONMENTAL CONCERNS

7.21.1 Governing Laws and Regulations

Our business is regulated by and in some instances required to be licenced under specific laws of Malaysia. As such, the following is an overview of the material laws and regulations that are relevant to the business operations of our Group in Malaysia:

- **Perbadanan Kemajuan Filem Nasional Malaysia Act 1981 (“FINAS Act”)**

All film producers and film distributors in Malaysia are subject to the provisions contained in the FINAS Act, a legislation which was specifically enacted with the objective to promote, nurture and facilitate the development of the film industry of Malaysia. National Film Development Corporation Malaysia (FINAS) is a statutory body under the purview of the Ministry of Information, Communication and Culture and tasked with the responsibility of encouraging growth of the Malaysian film industry.

National Film Development Corporation Malaysia (FINAS) is also the licensing body empowered under the FINAS Act to issue licences for companies which carry out film/video production, film/video distribution and film/video exhibition activities. Each licence is renewable annually.

As at the LPD, Inspidea holds a valid licence issued by National Film Development Corporation Malaysia (FINAS). Please refer to Section 7.18 of this Prospectus for further details of the said licence.

The following are some of the ancillary laws and regulations in respect of our business in Malaysia:-

- (i) **Employees Provident Fund Act 1991**

In the past, our subsidiary, Inspidea did not make Employees’ Provident Fund (“EPF”) deductions and employer’s contribution on project incentives paid out to employees who achieved their quota and targets.

Our Group had on its own volition consulted with EPF on 8 June 2023 to seek clarification on the requirement to make EPF deduction and employer’s contribution for the project incentives including, if necessary, payment of any penalties which may arise therefrom.

On 24 October 2023, EPF has issued a letter to inform Inspidea that the outstanding EPF contribution for the past project incentives for the affected period, being August 2020 until August 2023, amounts to RM93,337.00 and Inspidea is required to make the payment within 14 calendar days from the date of the said letter. Inspidea had made the necessary payment to EPF and as at to date, EPF has not taken any other action against Inspidea in relation to the abovementioned matter. As such, the abovementioned matter will not result in a material adverse impact on the overall business operations and/or financial performance of our Group.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Food Act 1983

The Ministry of Health is mandated under the Food Act 1983 to protect the public against health hazards and fraud in the preparation, sale and use of food. The way food is prepared, preserved, packaged, stores, distributed or sold falls within the ambit of the Food Act 1983.

Pursuant to Regulation 3 of the Food Hygiene Regulations 2009, a subsidiary legislation under the Food Act 1983, no person shall use any food premises for the purposes of preparing, preserving, packaging, storing, distributing or sale of any food except where the premises is registered under the Food Hygiene Regulations 2009. Any person who fails to comply with the Regulation 3 of the Food Hygiene Regulations 2009 may be liable to a fine not exceeding RM10,000.00 or to imprisonment for a term not exceeding 2 years.

As at the LPD, Bowleh holds a valid certificate of registration for food premises issued by Ministry of Health Malaysia.

Please refer to Section 7.18 of this Prospectus for further details of the said certificate.

(iii) Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990

Section 24D(1) of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 provides that no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation, and an employer or centralised accommodation provider who contravenes Section 24D(1) of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 shall be liable on conviction to a fine not exceeding RM50,000.00.

Our subsidiary, Inspidea is required to comply with the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 as Inspidea provide accommodations to 19 of its employees, Inspidea has rented a total of 6 condominium units as accommodation for its employees, one of which has been terminated on 31 August 2023. Inspidea has submitted applications for Certificates for Accommodation to the Department of Labour of Peninsular Malaysia (Jabatan Tenaga Kerja) for the 5 condominium units on 17 August 2023. On 19 October 2023, the Department of Labour of Peninsular Malaysia (Jabatan Tenaga Kerja) has vided its 5 letters all dated 19 October 2023, rejected all 5 applications submitted by Inspidea on the basis that the accommodations did not meet certain requirements under the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990. Notwithstanding, Inspidea has vide its 5 letters all dated 14 November 2023, appealed against the decision of the Department of Labour of Peninsular Malaysia (Jabatan Tenaga Kerja). On 15 February 2024, the Department of Labour of Peninsular Malaysia (Jabatan Tenaga Kerja) has issued an approval letter to Inspidea in respect of the successful appeal of the applications, and Inspidea has obtained the Certificates for Accommodation for the 5 condominium units.

As at the LPD, Inspidea has not been penalised and has not received any penalty in relation to the accommodation provided to its employees without Certificates for Accommodation in the past.

The abovementioned matter will not result in a material adverse impact on the overall business operations and/or financial performance of our Group.

7. BUSINESS OVERVIEW (CONT'D)

7.21.2 Environmental Concerns

As at the LPD, there are no environmental issues which may materially affect our Group's business or operations and usage of properties rented by our Group.

7.21.3 Additional Disclosures

There are other non-compliances by our Group in the past. Example of such non-compliances include the following:

- (i) late payment of tax instalments by Inspidea and Tourific for year 2020. where the aggregate late payment penalty of RM31,113.60 has been imposed and subsequently waived by the Inland Revenue Board of Malaysia;
- (ii) underestimation of tax payable by Fuluso and Toonigami for year 2020 and 2021 where aggregate penalties of RM129.24 have been imposed by the Inland Revenue Board of Malaysia ("**Underestimation of Tax Payable**"); and
- (iii) failure to obtain certain certificates or licences such as certificate of registration for food premises and music licence (to play/broadcast music in the restaurant premises) since our restaurant commenced operations in October 2019.

In respect of the music licence, any person who fails to obtain such licence may be liable to a fine not less than RM10,000 and not more than RM50,000 or to imprisonment for a term not exceeding 5 years or to both pursuant to the Copyright Act 1987. In respect of the certificate of registration for food premises, please refer to Section 7.21.1(ii) of this Prospectus for further details on the potential penalties.

These non-compliances are mainly due to oversight on our part, and do not have any impact to the financial performance and business operations of the Group.

As at the LPD, such non-compliances have been resolved without penalties being imposed on our Group or penalties imposed but waived, save for non-compliances relating to the Underestimation of Tax Payable where penalties have been imposed on and settled by our Group. Notwithstanding, such penalties are immaterial to our Group. Further, Bowleh has also obtained the certificate of registration for food premises and music licence on 10 March 2023 and 30 April 2023 respectively.

To reduce the risk of non-compliance and improve the overall handling of the Group's compliance, our Group has put in place adequate measures/policies which include, amongst others, the following:

- (i) our Company has identified our Group's finance manager as a designated personnel within our Group to oversee our Group's compliance with the relevant law, rules and regulations, and ensure our Group's ongoing compliances moving forward;
- (ii) our Group is establishing a compliance register to facilitate the management and monitoring of applicable legal and regulatory obligations. The register will be reviewed and updated regularly to ensure that any changes or updates to the laws and regulations are reflected in the register. On a periodic basis, the compliance status of the applicable laws and regulations will be reported to our management including the development of corrective action plans to rectify any non-compliances matters identified and the status of its implementation;
- (iii) The Audit and Risk Management Committee have been established comprising entirely of Independent Non-Executive Directors. The Audit and Risk Management Committee is responsible to assist our Board in evaluating, assessing and reviewing the adequacy and effectiveness of our Group's system of risk management and internal control.

7. BUSINESS OVERVIEW (CONT'D)

Significant risks and internal control weaknesses, including any material non-compliances, will be reported to our Board. After our Listing, a statement about the state of risk management and internal control of our Group will be provided in the annual report, including the disclosure of any significant risks and material non-compliances identified during the respective financial year; and

- (iv) After our Listing, our Group will establish an internal audit function which is independent of the activities it audits and report directly to the Audit and Risk Management Committee. The internal audit function shall, amongst others, provide assessment of the adequacy and effectiveness of our Group's system of internal controls for compliance with applicable laws and regulations, and provide recommendations for improvement. Our Management is responsible to ensure the recommended corrective actions are implemented within the required time frame. The results of internal audit assessments are to be reported periodically to the Audit and Risk Management Committee.

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