

INFORMATION MEMORANDUM

FOR RESTRICTED CIRCULATION ONLY



DYNAFRONT HOLDINGS BERHAD
Registration No. 202001042085 (1398406-X)
(Incorporated in Malaysia)

PROPOSED PLACEMENT OF 12,000,000 NEW ORDINARY SHARES IN DYNAFRONT HOLDINGS BERHAD TO SOPHISTICATED INVESTORS AT AN INDICATIVE PLACEMENT PRICE OF RM0.21 PER SHARE IN CONJUNCTION WITH OUR LISTING ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD

APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER



Hong Leong Investment Bank Berhad
(Registration No. 197001000928 (10209-W))

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

THIS INFORMATION MEMORANDUM IS DATED 16 JUNE 2021

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("LEAP MARKET")

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON BURSA MALAYSIA SECURITIES BERHAD. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY THE LISTED CORPORATION. SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATIONS AND, IF APPROPRIATE, CONSULTATION WITH STOCKBROKER, MANAGER, SOLICITORS, ACCOUNTANT AND OTHER PROFESSIONAL ADVISERS.

INVESTORS SHOULD NOTE THAT THEY MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA") FOR BREACHES OF SECURITIES LAWS INCLUDING ANY STATEMENT IN THE INFORMATION MEMORANDUM THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION; OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THE INFORMATION MEMORANDUM OR THE CONDUCT OF ANY OTHER PERSON IN RELATION TO THE CORPORATION.

SHARES LISTED ON BURSA MALAYSIA SECURITIES BERHAD ARE OFFERED TO THE PUBLIC ON THE PREMISE OF FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE OFFERING, FOR WHICH ANY PERSON SET OUT IN SECTION 236 OF THE CMSA, IS RESPONSIBLE.

All defined terms used in this section are defined under "Definitions" from pages vii to xi.

Important Notice

No person is authorised in connection with our Proposed Placement and Proposed Listing to give any information or to make any representation other than as contained in this Information Memorandum, and if given or made, such information or representation must not be relied upon as having been authorised by the Company or HLIB as our Approved Adviser, Placement Agent and Continuing Adviser. The delivery of this Information Memorandum shall not, under any circumstances, imply or constitute a representation that there has been no change in the affairs or financial position of our Company and/or subsidiaries since the date of this Information Memorandum or that the information contained in it is correct as of any time subsequent to the date of this Information Memorandum.

The purpose of this Information Memorandum is to provide information on the business and affairs of our Group only. This Information Memorandum does not constitute or form part of any offer or invitation to subscribe for or purchase, or solicitation of any offer to subscribe for or purchase of our Shares, nor is it intended to invite or permit the making of offers by the public to subscribe for or purchase of our Shares.

This Information Memorandum is intended for circulation only to persons whom an invitation to subscribe for or purchase securities or an issue of securities would constitute an excluded issue within the meaning of Section 230 of the CMSA.

This Information Memorandum, if furnished to you, is strictly for your own use and is not to be circulated to any other party. Information in this document is subject to change from time to time as we and/or HLIB shall deemed fit.

The Directors and Promoters of the Company have seen and approved this Information Memorandum. They collectively and individually accept full responsibility for the accuracy of all the information and statements contained in this Information Memorandum. Having made all reasonable enquiries, and to the best of their knowledge, information and belief, they confirm that there are no false or misleading statements or other material facts which if omitted, would make any statement in this Information Memorandum false or misleading.

HLIB, being the Approved Adviser, Placement Agent and Continuing Adviser to our Proposed Listing acknowledges that, based on all available information, and to the best of its knowledge, this Information Memorandum constitutes a full and true disclosure of all material facts concerning the Proposed Listing and the Proposed Placement.

This Information Memorandum has been drawn up in accordance with the LEAP Listing Requirements for the Proposed Listing and the Proposed Placement. This Information Memorandum is not a prospectus and has not been registered nor will it be registered as a prospectus under the CMSA. The Proposed Placement constitutes an excluded issue within the meanings of Section 230 of the CMSA. The Information Memorandum has been prepared in the context of securities offering under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

A copy of this Information Memorandum has been deposited with the SC.

The SC and Bursa Securities take no responsibility for the contents of this Information Memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Information Memorandum. The SC and Bursa Securities also do not make any assessment on the suitability, viability or prospects of our Group. Sophisticated Investors are expected to make their own assessment on our Group or seek appropriate advice before making their investment decisions. The Approved Adviser has assessed the suitability of our Company for admission to the LEAP Market as per the LEAP Listing Requirements.

An application has been made to Bursa Securities for admission of our Company and the listing of and

quotation for the entire ordinary share capital of our Company on the LEAP Market. No monies shall be collected from Sophisticated Investors for the subscription of the Placement Shares, and no new Shares shall be allotted pursuant to the Proposed Placement until Bursa Securities has granted its approval-in-principle for the admission of our Company to the LEAP Market. Approval from Bursa Securities of the same is not an indication of the merits of our Proposed Listing, Proposed Placement, our Company or our Shares. This Information Memorandum can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com.

THERE ARE CERTAIN RISK FACTORS WHICH SOPHISTICATED INVESTORS SHOULD CONSIDER. PLEASE REFER TO "RISK FACTORS" AS SET OUT IN PART I: SECTION 5.

Sophisticated Investors should note that they may seek recourse under the CMSA for breaches of securities laws and regulations including any statement in the Information Memorandum that is false, misleading, or from which there is a material omission, or for any misleading or deceptive act in relation to the Information Memorandum.

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of our Shares is not and should not be construed as a recommendation by us and/or the Approved Adviser to subscribe for or purchase our Shares. This Information Memorandum is not a substitute for and should not be regarded as an independent evaluation and analysis and does not purport to be all inclusive. Each Sophisticated Investor should perform and is deemed to have made its own independent investigation and analysis of our Company and all other relevant matters.

(The rest of this page is intentionally left blank)

EXPECTED TIMETABLE FOR THE PROPOSED PLACEMENT AND PROPOSED LISTING

All defined terms used in this section are defined under “Definitions” from pages vii to xi.

The indicative timing of events leading to the listing of and quotation for our entire enlarged share capital on the LEAP Market is set out below:

Events	Tentative date
Date of Information Memorandum	16 June 2021
Allotment of Placement Shares	Mid July 2021 ⁽¹⁾
Listing of our Company on the LEAP Market	End July 2021 ⁽¹⁾

Note:

⁽¹⁾ *Subject to receipt of approval-in-principle from Bursa Securities for our Proposed Listing.*

The timetable is indicative and is subject to changes which may be necessary to facilitate the implementation procedures. An announcement for the key relevant dates will be made after obtaining Bursa Securities’ approval-in-principle for our Proposed Listing.

PLACEMENT STATISTICS

Method of offering	Private placement
Indicative Placement Price per Share	RM0.21
Number of existing Shares	60,000,000
Number of Placement Shares being issued under Proposed Placement	12,000,000
Number of Shares in issue upon Proposed Listing	72,000,000
Percentage of enlarged share capital represented by Placement Shares	16.7%
Indicative gross proceeds of the Proposed Placement	RM2,520,000
Estimated net proceeds of the Proposed Placement receivable by the Company	RM1,670,000
Market capitalisation of the Company at the Indicative Placement Price upon Proposed Listing	RM15,120,000

IMPORTANT INFORMATION (CONT'D)

All defined terms used in this section are defined under "Definitions" from pages vii to xi.

This Information Memorandum shall not be, in whole or in part, reproduced, disclosed or distributed to any other person or used for any other purpose. By accepting this Information Memorandum, Sophisticated Investors agree to be bound by the limitations and restrictions described herein.

This Information Memorandum includes certain historical information, estimates or reports thereon derived from sources mentioned in this Information Memorandum. Such information, estimates or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and or report thereon derived from such and other third-party sources.

Presentation of Financial and Other Information

All references to "**our Company**" and "**DynaFront**" in this Information Memorandum are to DynaFront Holdings Berhad. All references to "**DynaFront Group**" and "**our Group**" in this Information Memorandum are to our Company and our subsidiary(ies) as a whole and all references to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company and our subsidiary(ies), save where the context otherwise requires. Statements as to our beliefs, expectations, estimates and opinions are those of our Company.

Unless the context otherwise requires, all references to "**Management**" are to our Directors and key management of DynaFront Group as at the date of this Information Memorandum, and statements to our Management's beliefs, expectations, estimates and opinions are those of our Management solely.

The word 'approximately' used in this Information Memorandum is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousand or million or 2 decimal places (for percentages) or 1 sen (for currency). Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in the "Definitions" section and technical terms used herein are defined in the "Glossary of Technical Terms" section appearing after this Section. Words importing the singular shall, where applicable, include the plural and vice-versa and words importing the masculine gender shall, where applicable, include the feminine and neutral genders and vice versa.

Any reference to a time of a day in this Information Memorandum shall be a reference to Malaysian time, unless otherwise stated.

Any reference in this Information Memorandum to any statutory legislation, regulations, by-laws, guidelines, listing requirements, directives and/or practice notes is a reference to the same as for the time being amended, modified or re-enacted.

This Information Memorandum includes statistical data and certain information in this Information Memorandum is extracted or derived from the report prepared by Providence Strategic Partners Sdn Bhd ("**PROVIDENCE**"), an independent market research and consulting firm. We have engaged PROVIDENCE to provide an independent market and industry review. In compiling their data for the review, PROVIDENCE had relied on independent and objective view of the industry within the confines of secondary statistics, primary research and evolving industry dynamics. We believe that the information on the industry and other statistical data and projection cited in this Information Memorandum are useful in helping you to understand the major trends in the industry in which we operate. However, neither the Company nor our advisers have independently verified these data, and accordingly, you should not place undue reliance on the statistical data cited in this Information Memorandum. Third party projection cited in this Information Memorandum are subject to significant uncertainties that could cause actual data to differ materially from the projected figures.

The information on our website, or any website directly or indirectly linked to such website does not form part of the Information Memorandum and should not be relied upon.

IMPORTANT INFORMATION (CONT'D)

Privacy Notice

The Personal Data Protection Act 2010 (“**PDPA**”) was introduced to regulate the processing of personal data in commercial transactions. The PDPA requires us to inform you of your rights in respect of your personal data that is to be collected and processed by us.

Consequently, please be informed that the personal data and other information (collectively, “**Personal Data**”) that you provide will be used and processed by us in connection with our Proposed Listing only (“**Purpose**”), and not for any other purpose.

If required for the Purpose, you hereby give consent that your Personal Data may be disclosed to our advisers who provide services to us. Save for the foregoing, your Personal Data will not be knowingly disclosed to any other third party.

Without prejudice to the terms and conditions of our Proposed Listing as contained in this Information Memorandum, you may at any time hereafter make inquiries, complaints and upon payment of a prescribed fee, request in writing to access to, or correction of, your Personal Data or limit the processing of your Personal Data by submitting such request to the following:

Postal address: C-8-1, 8th Floor
Corporate Office Tower Block C
KL Trillion, 338 Jalan Tun Razak
50400 Kuala Lumpur

Kindly be informed that we will assume that you have consented and we will continue to process your Personal Data in accordance with this Privacy Notice unless we hear otherwise from you. You may exercise your rights in respect of Personal Data in the manner described above. This Privacy Notice may be amended from time to time and would be in effect on the date as determined by us. Any amendment to this Privacy Notice shall be published on any medium as we deem fit.

(The rest of this page is intentionally left blank)

IMPORTANT INFORMATION (CONT'D)

Investment Risks

Investment in our Company carries risk. There can be no assurance that our Company's strategy will be achieved and investment results may vary substantially over time. Sophisticated Investors contemplating an investment in our Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that shareholders will receive back the amount of their investment in our Shares.

Sophisticated Investors should carefully consider whether an investment in our Shares is suitable for them in light of their circumstances and financial resources and whether they are able and willing to withstand the potential loss of their entire investment (see further under "**Part I: Section 5 – Risk Factors**").

This Information Memorandum should be read in its entirety before making any investment in the Company.

Forward Looking Statements

This Information Memorandum contains forward-looking statements. All statements other than statements of historical facts included in this Information Memorandum, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements are applicable only as at the date of this Information Memorandum.

Words such as "may", "will", "would", "could", "expect", "anticipate", "should", "intend", "plan", "believe", "seek", "estimate", "project" and variations of such words and similar expressions are intended to identify such forward-looking statements and expectations.

These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. The Company is not under any obligation to update or revise such forward-looking statements in this Information Memorandum. Neither the Company, the Approved Adviser nor any other person represents or warrants that our Group's actual future results, performance or achievements will be as disclosed in those statements.

Factors that could cause our actual results, performance or achievements to differ materially include, without limitation, those discussed in "**Part I: Section 5 – Risk Factors**" and in "**Part I: Section 7 – Historical Financial Information and Management's Discussion and Analysis**". We cannot give any assurance that the forward-looking statements made in this Information Memorandum will be realised.

Sophisticated Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

(The rest of this page is intentionally left blank)

CORPORATE DIRECTORY

Board of Directors	Chan Eng Lim <i>Managing Director / Group Chief Executive Officer</i>
	Gan Hui Ping <i>Executive Director / Group Chief Operating Officer</i>
	Chan Choong Wai <i>Non Independent Non Executive Director</i>
Business Address	C-8-1, 8 th Floor Corporate Office Tower Block C KL Trillion, 338 Jalan Tun Razak 50400 Kuala Lumpur Tel. No. : +603 2713 5778 Fax No. : +603 2713 5768
Registered Office	Unit 30-01, Level 30, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Tel. No. : +603 2783 9191 Fax No. : +603 2783 9111
E-mail	inquiry@dynafront.com
Website	www.dynafront.com
Company Secretaries	<ol style="list-style-type: none">1. Yap Sit Lee (MAICSA 7028098) (SSM Practicing Certificate No. 202008001865)2. Chan Siow Mui (MAICSA 7058742) (SSM Practicing Certificate No. 202008004292) c/o Tricor Corporate Services Sdn Bhd (Reg. No. : 200701021758 (779773-H)) Unit 30-01, Level 30, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Tel. No. : +603 2783 9191 Fax No. : +603 2783 9111
Approved Adviser, Placement Agent and Continuing Adviser	Hong Leong Investment Bank Berhad (197001000928 (10209-W)) Level 30, Menara Hong Leong No 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur Tel. No. : +603 2083 1800 Fax No. : +603 2083 1761

CORPORATE DIRECTORY

Auditors / Reporting Accountants	Moore Stephens Associates PLT (201304000972 (LLP0000963-LCA) & AF002096) Unit 3.3A, 3 rd Floor Surian Tower No, 1, Jalan PJU 7/3 Mutiara Damansara 47810 Petaling Jaya, Selangor Tel. No. : +603 7724 1033 Fax No. : +603 7733 1033
Solicitors for the Proposed Listing	Messrs. Zain Megat & Murad D2-5-1, Blok D Solaris Dutamas No. 1 Jalan Dutamas 1 50480 Kuala Lumpur Tel. No. : +603 6207 9331 Fax No. : +603 6207 9332
Solicitors for Due Diligence in Indonesia	Roosdiono & Partners The Energy 32nd Floor SCBD Lot 11A Jl. Jend. Sudirman Kav. 52 – 53 Jakarta 12190, Indonesia Tel. No. : +6221 2978 3888
Share Registrar	Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H)) Unit 32-01, Level 32, Tower A Vertical Business Suite Avenue 3 Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Tel. No. : +603 2783 9299 Fax No. : +603 2783 9222
Independent Market Research Consultant	Providence Strategic Partners Sdn Bhd (201701024744 (1238910-A)) 67-1, Block D, Jaya One No. 72A, Jalan Universiti 46200 Petaling Jaya, Selangor Tel. No. : +603 7625 1769
Internal Control Reviewer	GovernanceAdvisory.com Sdn Bhd (200801039834 (841183-A)) Suite 10.02, Level 10 The Gardens South Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Tel. No. : +603 2298 0255 Fax No. : +603 2298 0268
Listing Sought	LEAP Market of Bursa Securities

Registration No.: 202001042085 (1398406-X)

CORPORATE DIRECTORY

Principal Banker

HSBC Bank Malaysia Berhad
(198401015221 (0127776-V))
(Branch: Bukit Bintang)
Menara Genesis
No. 33, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel. No. : +603 8321 5400

(The rest of this page is intentionally left blank)

DEFINITIONS

Except where the context otherwise requires or where otherwise defined herein, the following words and abbreviations shall apply throughout this Information Memorandum and shall have the meanings as set out below:

Group Companies

DynaFront or Company	:	DynaFront Holdings Berhad (202001042085 (1398406-X))
DynaFront Systems	:	DynaFront Systems Berhad (199601010383 (382732-W))
DynaFront Group or Group	:	DynaFront and its subsidiaries
DynaFront Indonesia	:	PT DynaFront Systems Indonesia (Business Identification Number (NIB) 9120109230489)

Other Corporations, Establishment and Agencies

APAC CIO Outlook	:	A digital and print magazine on the information and communications technology industry in Asia Pacific countries
Approved Adviser, Placement Agent and Continuing Adviser	:	Hong Leong Investment Bank Berhad (197001000928 (10209-W))
BNM	:	Bank Negara Malaysia
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
DIPL	:	DynaFront International Pte Ltd (200007098N)
Easicircle	:	Easicircle Sdn Bhd (201201023888 (1008378-A))
Glossy Valley	:	Glossy Valley Sdn Bhd (201101013865 (942005-X))
HLIB	:	Hong Leong Investment Bank Berhad (197001000928 (10209-W))
MDeC	:	Malaysia Digital Economy Corporation Sdn Bhd (199601016995 (389346-D)), an agency under the purview of Ministry of Communications and Multimedia Malaysia
MITI	:	Ministry of International Trade and Industry, Malaysia
MOF	:	Ministry of Finance, Malaysia
MyIPO	:	Intellectual Property Corporation of Malaysia
PROVIDENCE	:	Providence Strategic Partners Sdn Bhd (201701024744 (1238910-A))
SC	:	Securities Commission Malaysia
Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
SOCISO	:	Social Security Organisation
Watergate Solidwood	:	Watergate Solidwood Sdn Bhd (200601014467 (734219-T))

DEFINITIONS (CONT'D)

General

Acquisitions	: Acquisitions by DynaFront of the following:
	(i) 100% equity interest in DynaFront Systems from DynaFront Systems' Vendors for a purchase consideration of RM4,443,708 to be satisfied via issuance of 51,253,844 new Shares at the issue price of RM0.0867 per Share, which was completed on 3 February 2021 (" Acquisition 1 "); and
	(ii) 90% equity interest in DynaFront Indonesia from DynaFront Indonesia's Vendor for a purchase consideration of RM758,292 to be satisfied via issuance of 8,746,154 new Shares at the issue price of RM0.0867 per Share which was completed on 25 February 2021 (" Acquisition 2 ")
Act	: Companies Act 2016
Board	: Board of Directors of our Company
CAGR	: Compounded annual growth rate
CCM	: Companies Commission of Malaysia
CMCO	: Conditional movement control order
CMSA	: Capital Markets and Services Act 2007
COVID-19	: An infectious disease caused by a newly discovered coronavirus in 2019
Director(s)	: Executive director(s) or non-executive director(s) of our Company within the meaning of Section 2 of the Act
DynaFront Indonesia's Vendor	: Gan Hui Ping
DynaFront Systems' Vendors	: 1. Gan Hui Ping 2. Lee Man Kok 3. Lim Kee Yek 4. Watergate Solidwood
e-mail	: Electronic mail
EPF	: Employees Provident Fund
EPS	: Earnings per share
FYE	: Financial year ended/ending
FPE	: Financial period ended/ending
GP	: Gross profit
IFRS 17	: International Financing Reporting Standard 17 - Insurance Contracts
IMR	: Independent market research report dated 28 May 2021 by PROVIDENCE

DEFINITIONS (CONT'D)

Indicative Placement Price	:	The indicative placement price of RM0.21 per Placement Share
Individual Guarantee	:	Personal guarantee
Information Memorandum	:	This information memorandum dated 16 June 2021
LEAP Market	:	LEAP Market of Bursa Securities
LEAP Listing Requirements	:	LEAP Market Listing Requirements of Bursa Securities
LPD	:	28 May 2021, being the latest practicable date prior to the date of this Information Memorandum
MCO 1.0	:	Movement control order which was effective from 18 March 2020 to 3 May 2020
MCO 2.0	:	Movement control order which was effective from 13 January 2021 until 4 March 2021
MCO 3.0	:	Movement control order which is effective from 12 May 2021 until 14 June 2021, or as extended after the LPD
MFRS 17	:	Malaysian Financing Reporting Standard 17 - Insurance Contracts
MSC	:	Multimedia Super Corridor. The MSC status is a recognition by the Government of Malaysia through MDeC for information and communication technology and information and communication technology facilitated businesses that develop or use multimedia technologies to produce and enhance their products, services as well as process development and it is awarded to both local and foreign companies
NA	:	Net assets
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Placement Shares	:	12,000,000 new Shares to be issued under the Proposed Placement
Promoters	:	<ol style="list-style-type: none"> 1. Watergate Solidwood 2. Chan Eng Lim 3. Gan Hui Ping 4. Chan Choong Wai
Proposed Listing	:	Proposed listing of and quotation for our entire issued share capital comprising 72,000,000 Shares on the LEAP Market
Proposed Placement	:	Proposed issuance of Placement Shares within the meaning of Section 230 of CMSA at the Indicative Placement Price to selected Sophisticated Investors in conjunction with the Proposed Listing
Prudential Malaysia	:	Prudential Assurance Malaysia Berhad (198301012262 (0107655-U))
R&D	:	Research and development
RMCO	:	Recovery movement control order

DEFINITIONS (CONT'D)

Share(s)	:	Ordinary share(s) in the share capital of our Company
Sophisticated Investors	:	Any person who falls within any of the categories of investors set out in Part I of Schedule 6 or 7 of the CMSA
USA	:	United States of America

Currencies, Units and Others

% or percent	:	per centum
RM	:	Ringgit Malaysia and sen, respectively
IDR	:	Indonesian Rupiah
USD	:	United States Dollar
SGD	:	Singapore Dollar
sq ft	:	Square feet

(The rest of this page is intentionally left blank)

GLOSSARY OF TECHNICAL TERMS

This glossary contains an explanation of certain terms used throughout this Information Memorandum in connection with our Group's business. The terminologies and their meanings may not correspond to the standard industry usage of these terms.

annuity	:	A savings product where the accumulated amount can be paid out to the customer in a variety of income streams.
application	:	Application software designed to run on smartphones and other mobile devices.
AI	:	Artificial intelligence. Intelligence exhibited by machines in the area of computer science that emphasises the creation of intelligent machines that work and react like humans or other natural intelligence.
bancassurance	:	The distribution of insurance products through banks or other financial institutions.
claims	:	An occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage.
cloud	:	An internet-based computing in which large group of remote servers are networked to allow centralised data storage and online access to computer applications, services or resources.
cloud-based	:	Applications, services or resources made available to users on demand via the internet hosted by cloud-computing provider's servers with access to shared pools of configurable resources.
commission	:	A fee paid to an agent or broker by an insurance company for services rendered pertaining to the sale, renewal or maintenance of an insurance product.
configuration	:	A process of managing, linking and arranging functional modules or components of a system systematically.
conventional	:	Insurance products that offer guaranteed returns to the policy holder at the time of maturity.
data analytics	:	A process of analysing raw data sets in order to derive insights from the data.
hardware	:	Physical elements that constitute a computer system such as central processing unit, monitor, mouse, keyboard and hard disk.
investment-linked insurance	:	Insurance policies that have life insurance coverage and investment components, whereby a portion of the premium paid by the policyholder is utilised to provide insurance coverage to the policyholder and the remaining portion is invested in equity and debt instruments.
ICT	:	Information and communication technologies.
IT	:	Information technology, which is the use of any computers, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data.
IT infrastructure	:	The composite IT systems, network, facilities and related equipment required to serve as the foundation for building an IT system.

GLOSSARY OF TECHNICAL TERMS (CONT'D)

IT system	:	An integrated set of hardware and software components for the computing system.
Life insurance	:	A contract between the policy holder and the life insurance company, where the life insurance company pays a specific sum to the insured individual's family upon the policy holder's death.
middleware	;	A type of software that is used to manage connectivity between an operating system or database and applications running on it, especially on a network.
Mudharabah model	:	A type of Islamic finance based on profit and loss sharing principle, refers to a contract between the capital provider and an entrepreneur under which the capital provider provides capital to be managed by the entrepreneur and any profit generated from the capital is shared between the capital provider and the entrepreneur according to a mutually agreed profit sharing ratio, whilst financial losses are borne by the capital provider provided that such losses are not due to the misconduct, negligence or breach of specified terms.
PrecentiaCMS	:	A front-end support system to facilitate the communication channels to various distribution channels and comprises marketing and sales management modules.
PrecentiaGroup	:	A suite of back-end group life insurance administration system for employee benefits.
PrecentiaLife	:	A suite of back-end life insurance administration system for individual life insurance businesses that includes conventional, investment-linked, universal, structures note, mortgage, annuity and medical insurances.
PrecentiaTakaful	:	A Shariah-compliant Takaful administration system. It caters for Wakalah, Mudharabah and hybrid concepts and can be integrated into various Takaful models.
reinsurance	:	The practice whereby a reinsurer, in consideration of a premiums paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued.
retakaful	:	Reinsurance of Takaful business compliant with Islamic principles.
SaaS	:	Software as a service, a cloud-based software licensing and delivery model in which software is licensed on a subscription basis and associated data are centrally hosted.
server	:	Server is a device that stores, manages and transmits data to and from computers within the ethernet network (local area network) or the internet.
Shariah	:	Means Islamic Law comprising the rulings pertaining to human conduct derived from the sources of Shariah.
single premium income	:	A type of insurance that is specifically designed to be funded by one single premium payment. Single premium life insurance policies provide a guaranteed death benefit for a set period of years or age, depending on the policy.
structured note	:	A type of investment product which is an over-the-counter derivative with hybrid features that combines payoffs from multiple ordinary securities, typically a stock or bond plus a derivative.

GLOSSARY OF TECHNICAL TERMS (CONT'D)

- Takaful : Insurance that is compliant with Islamic principles, which is based on the principle of ta'awun or mutual assistance, where members contribute money into a common pool system to guarantee each other against loss or damage, instead of paying premiums.
- underwriting : The process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.
- universal life : An insurance product where the customer pays flexible premiums, subject to specified limits, that are accumulated in an account and are credited with an investment return. The customer may vary the death benefit and the contract may permit the customer to withdraw the account balance, typically subject to a surrender charge.
- Wakalah model : A type of Islamic finance, refers to a contract in which a party as a principle authorises another party as his/her agent to perform a particular task in matters that may be delegated, whereby a fee is paid upfront out of the initial contributions.
- wearables : Smart electronic devices that are worn close to and/or on the surface of the skin, where they detect, analyse and transmit information concerning body signals such as vital signs which allow immediate biofeedback to the wearer.

(The rest of this page is intentionally left blank)

TABLE OF CONTENTS

PART I: INFORMATION ON OUR GROUP AND OUR PROPOSED LISTING

	Page
1. DETAILS OF OUR PROPOSED LISTING	1
1.1 Proposed Listing	1
1.2 Basis of arriving at the Indicative Placement Price	1
1.3 Share capital upon Proposed Listing	1
1.4 Objectives of our Proposed Listing	2
1.5 Utilisation of proceeds	2
2. DETAILS OF OUR GROUP	3
2.1 Incorporation and history	3
2.2 Details of the Acquisitions	4
2.3 Subsidiaries and associated companies	5
2.4 Shareholding structure	7
3. BUSINESS OVERVIEW	8
3.1 Overview and history	8
3.2 Key milestones, achievements and awards	13
4. PRINCIPAL ACTIVITIES AND KEY PRODUCTS	15
4.1 Principal activities	15
4.2 Revenue model	24
4.3 Principal markets	26
4.4 Our competitive strengths	27
4.5 Operational process and quality assurance procedure	31
4.6 R&D	33
4.7 Marketing and sales strategies	34
4.8 Major customers	35
4.9 Major suppliers	38
4.10 Seasonality	40
4.11 Interruptions to business and operations	40
4.12 Business strategies and future plans	43
4.13 Prospects of our Group	47
4.14 Employees	48
5. RISK FACTORS	49
5.1 Risks relating to the industry in which we operate	49
5.2 Risks relating to our Group	51
5.3 Risks relating to the investment in our Shares	58

TABLE OF CONTENTS

6.	DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT	60
6.1	Promoters and substantial shareholders	60
6.2	Directors	64
6.3	Relationships and/or associations	64
6.4	Key Management.	65
6.5	Further information on our Promoters, Substantial Shareholders, Directors and Key Management	69
6.6	Related party transaction	71
6.7	Interest in similar businesses and in businesses of our customers and suppliers	75
7.	HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS	76
7.1	Historical financial information	76
7.2	Management discussion and analysis	83
7.3	Recent developments	99
7.4	Significant factors affecting our financial position and results of operations	99
7.5	Dividend policy	99
7.6	Order book	100
8.	APPROVALS, CONDITIONS AND UNDERTAKING	101
8.1	Approvals and conditions	101
8.2	Exempt transaction	101
8.3	Details of moratorium and undertakings	101
PART II: ADDITIONAL INFORMATION		
9.	ADDITIONAL INFORMATION	105
9.1	Responsibility statements	105
9.2	Material litigation and contingent liabilities	105
9.3	Material contracts	105
9.4	Intellectual property	106
9.5	Licences/Permits	108
9.6	Loan, hire purchase and guarantee	111
9.7	Indonesian laws and regulations	111
9.8	Declarations of conflict of interest by our Advisers	115
9.9	Consent	116
9.10	Third party information	116
9.11	Mode of communication	116
APPENDICES		
I.	AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 30 JUNE 2020	
II.	UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF DYNAFRONT FOR THE 6-MONTH FINANCIAL PERIOD ENDED 31 DECEMBER 2020	
III.	INDEPENDENT MARKET RESEARCH REPORT	

PART I

INFORMATION ON OUR GROUP AND OUR PROPOSED LISTING

1.0 DETAILS OF OUR PROPOSED LISTING

1.1 Proposed Listing

Our Proposed Listing scheme entails the placement of up to 12,000,000 Placement Shares at an Indicative Placement Price of RM0.21 per Placement Share and the proposed listing of our entire 72,000,000 Shares on the LEAP Market.

1.2 Basis of arriving at the Indicative Placement Price

The Indicative Placement Price of RM0.21 per Placement Share was arrived at after taking into consideration the following:

- (a) The financial performance and operating history of our Group as described in Section 7 of this Information Memorandum;
- (b) Our combined EPS of approximately 1.76 sen, computed based on our combined audited PAT of RM1.27 million for the FYE 30 June 2020 and our enlarged issued shares of 72,000,000 Shares upon the Proposed Listing, representing an implied price to earnings multiple of approximately 12 times; and
- (c) The business strategies, future prospects and potential of our business, taking into consideration our competitive strengths, business model and future plans as set out in Section 4.12 of this Information Memorandum.

1.3 Share capital upon Proposed Listing

Upon completion of the Proposed Placement, our Company's entire enlarged share capital comprising 72,000,000 Shares shall be listed on the LEAP Market. The details of our enlarged issued share capital are set out below:

	<u>Number of Shares</u>	<u>RM</u>
Existing issued share capital	60,000,000	5,202,002
Shares to be issued pursuant to the Proposed Placement	12,000,000	2,520,000
Enlarged issued share capital upon Proposed Listing	72,000,000	7,722,002
Indicative Placement Price per Placement Share (RM)		0.21
Market capitalisation at the Indicative Placement Price upon our Proposed Listing (RM)		15,120,000

We have only one class of shares in our Company, namely ordinary shares. The Placement Shares will, upon allotment and issuance, rank *pari-passu* in all respects with our existing Shares, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Placement Shares.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share the profits paid out by us as dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to any surplus in accordance with our constitution.

At any general meeting of our Company, each shareholder shall be entitled to vote in person or by proxy or by attorney or by duly authorised representative. Each shareholder shall be entitled to appoint proxy(ies) to attend and vote at any general meeting of our Company in accordance with the Company's constitution. A proxy may but need not be a member of our Company.

1.0 DETAILS OF OUR PROPOSED LISTING

1.4 Objectives of our Proposed Listing

The objectives of our Proposed Listing are as follows:

- (a) To provide an opportunity for Sophisticated Investors to participate in our equity;
- (b) To enable our Group to tap into the capital market for future fund-raising to pursue future growth opportunities as and when the need arises, through other forms of capital raising avenue; and
- (c) To gain recognition and enhance the stature of our Company with a listing status as well as to increase market awareness of our products and services.

1.5 Utilisation of proceeds

The gross proceeds arising from the Proposed Placement of approximately RM2.52 million shall accrue entirely to our Company and are planned to be utilised in the following manner:

Utilisation of proceeds	Estimated timeframe for utilisation upon Proposed Listing ⁽¹⁾	RM'000	%
Indonesian expansion expenses ⁽²⁾	Within 24 months	1,000	39.7
R&D activities ⁽³⁾	Within 24 months	670	26.6
Estimated listing expenses ⁽⁴⁾	Immediate	850	33.7
Total		2,520	100.0

Notes:

- (1) Estimated timeframe from the date of the Proposed Listing of our Shares.
- (2) The Group intends to utilise approximately RM1.0 million to expand in Indonesia through the setting up of a technical support centre in Jakarta, Indonesia. The Group intends to hire 2 technical staff with IT experience who will be supported by its team in Malaysia to oversee the business operations of this technical support centre.
- (3) The Group plans to use approximately RM0.67 million to undertake R&D activities, particularly in the area of cloud computing and development of middleware modules. The Group has identified middleware as a key area of new services to complement and augment its existing suites of front-end and back-end solutions.
- (4) Approximately RM0.85 million is allocated to meet the estimated cost for our Proposed Listing.

Estimated listing expenses	RM'000
Professional fees	785
Placement fees	29
Miscellaneous expenses (including fees payable to authorities)	36
Total	850

The amount allocated is based on the estimated expenses of our Proposed Listing. If the actual expenses for the Proposed Listing are higher than the amount allocated, the shortfall will be funded by the Group's internally generated funds. If the actual expenses are lower than the amount allocated, the excess will be allocated for R&D activities. Pending the utilisation of proceeds as mentioned, we intend to place the proceeds in interest bearing accounts with licensed financial institution(s) and/or money-market deposit instruments/ funds.

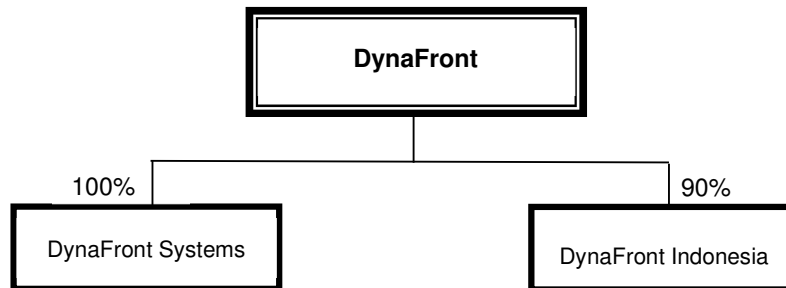
2.0 DETAILS OF OUR GROUP

2.1 Incorporation and history

We were incorporated in Malaysia on 18 December 2020 under the Act as a private limited company under the name DynaFront Holdings Sdn Bhd. We subsequently converted into a public limited company under the name of DynaFront Holdings Berhad on 10 March 2021.

Our principal activity is investment holding while our subsidiaries, namely DynaFront Systems and DynaFront Indonesia, specialise in life insurance applications, including development and deployment of complete and comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems.

Apart from the sale of mobile devices, which had ceased in August 2008, there has been no material change in the manner in which our Group conducts its businesses or activities since our incorporation up to LPD. Our Group structure is as follows:



2.1.1 The details of companies in our Group are summarised as follows:

Name	Place and date of incorporation	Date of commencement of business	Principal activities
DynaFront Systems	Malaysia 6 April 1996	6 April 1996	Life insurance applications, including development and deployment of comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems
DynaFront Indonesia	Indonesia 29 January 2019	29 January 2019	Life insurance applications, including development and deployment of comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems.

2.0 DETAILS OF OUR GROUP**2.1.2 Our share capital is RM5,202,002 comprising 60,000,000 Shares. Changes in our share capital since incorporation are as follows:**

Date of allotment	No. of Shares allotted	Cumulative No. of Shares	Consideration	Cumulative issued share capital (RM)
18 December 2020	2	2	Cash	2
3 February 2021	51,253,844	51,253,846	Issuance of new Shares ⁽ⁱ⁾	4,443,710
25 February 2021	8,746,154	60,000,000	Issuance of new Shares ⁽ⁱⁱ⁾	5,202,002

Notes:

(i) Pursuant to the issuance of 51,253,844 Shares in relation to the Acquisition 1.

(ii) Pursuant to the issuance of 8,746,154 Shares in relation to the Acquisition 2.

2.1.3 As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of our Shares.

Upon completion of the Proposed Placement, our enlarged Share base will be 72,000,000 Shares.

2.2 Details of the Acquisitions

The Company has acquired 100% of the equity interest in DynaFront Systems and 90% of the equity interest in DynaFront Indonesia including all rights, obligations, assets and liabilities attached thereto or deeming to be attached thereto and all dividends, rights and distributions, declared paid or made in respect thereof by way of the Company issuing and allotting the following Shares in the Company to each of the selling shareholders of DynaFront Systems and DynaFront Indonesia.

Details of the vendors and the number of Shares issued under the Acquisitions are as follows:

(a) DynaFront Systems

Vendors	No. of shares acquired	% of share capital in DynaFront Systems	Purchase Consideration (RM)	No. of new Shares issued
Gan Hui Ping	50	*	215	2,480
Lee Man Kok	20,671	2.0	88,810	1,024,340
Lim Kee Yek	101,682	9.8	436,861	5,038,770
Watergate Solidwood	911,896	88.2	3,917,822	45,188,254
Total	1,034,299	100.0	4,443,708	51,253,844

* negligible

The consideration of RM4,443,708 for Acquisition 1 was arrived based on a willing-buyer willing-seller basis after taking into consideration the audited NA of DynaFront Systems of RM7,493,458 as at 30 June 2020 and after adjusting for a dividend of RM3,051,182 which was declared and paid on 22 December 2020. The consideration shares were issued at an issue price of RM0.0867 per Share.

2.0 DETAILS OF OUR GROUP (CONT'D)

(b) DynaFront Indonesia

Vendor	No. of shares	% of share capital in DynaFront Indonesia	Purchase Consideration (RM)	No. of new shares issued
Gan Hui Ping	4,500	90.0	758,292	8,746,154
Total	4,500	90.0	758,292	8,746,154

The consideration of IDR 2,648,843,000 (which is equivalent to RM758,292) based on exchange rate of IDR1:RM0.000286 as at 31 December 2020 was arrived based on a willing-buyer willing-seller basis after taking into consideration the NA of DynaFront Indonesia of IDR 5,065,994,000 as at 30 June 2020 and after adjusting the amount owing from Gan Hui Ping to DynaFront Indonesia of IDR 1,910,551,000. The consideration shares were issued at an issue price of RM0.0867 per Share.

2.3 Subsidiaries and associated companies

As at the date of this Information Memorandum, we have only DynaFront Systems and DynaFront Indonesia as our direct subsidiaries. We do not have any associated companies. Details of our subsidiaries are set out below.

2.3.1 DynaFront Systems

DynaFront Systems was incorporated in Malaysia on 6 April 1996 under the Companies Act 1965 as a private limited company under the name of DynaFront Systems Sdn Bhd. On 20 January 2003, DynaFront Systems Sdn Bhd was converted into a public limited company under the name of DynaFront Systems Berhad. We own 100% of DynaFront Systems.

DynaFront Systems is principally involved in life insurance applications, including development and deployment of comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems.

The issued share capital of DynaFront Systems is RM1,034,299 comprising 1,034,299 ordinary shares. The changes in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/Types of issue	Cumulative issued share capital (RM)
6 April 1996	2	ordinary shares	2
29 July 1997	99,998	ordinary shares	100,000
22 August 2000	42,850	Class "B" ordinary shares ⁽ⁱⁱ⁾	142,850
17 January 2003	4,907	Class "A" ordinary shares ⁽ⁱ⁾	147,757
6 September 2007	629,442	Class "A" ordinary shares ⁽ⁱ⁾	1,034,299
	257,100	Class "B" ordinary shares ⁽ⁱⁱ⁾	
13 October 2020	1,034,299	Conversion of ordinary shares ⁽ⁱⁱⁱ⁾	1,034,299

Notes:

- (i) Class A - consideration in cash
- (ii) Class B - consideration other than cash, every 5 class "B" shares held shall have 2 voting rights.
- (iii) By a Notice of Alteration dated 13 October 2020 (Section 84 of the Act) the total number of shares comprising 734,349 ordinary Class "A" and 299,950 Class "B" shares were consolidated into 1,034,299 ordinary shares.

2.0 DETAILS OF OUR GROUP (CONT'D)

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in DynaFront Systems. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of 1,034,299 shares.

2.3.2 DynaFront Indonesia

DynaFront Indonesia was incorporated in Indonesia on 29 January 2019 under the name of PT DynaFront Systems Indonesia bearing the Business Identification Number (NIB) No. 9120109230489. DynaFront Indonesia is principally involved in life insurance applications, including development and deployment of comprehensive insurance software solutions ranging from front-end sales to back-end administrative systems. As at LPD, DynaFront Indonesia has no subsidiaries.

The issued share capital is IDR 5 billion comprising 5,000 ordinary shares. The changes in its share capital since incorporation are as follows:

Date of allotment / cancellation	No. of shares allotted / (cancelled)	Type of issue	Cumulative issued share capital (IDR)
29 January 2019	10,000	ordinary shares	10 billion
17 March 2021	(5,000) ⁽ⁱ⁾	ordinary shares	5 billion (approximately RM1,430,000)

Note:

(i) *DynaFront Indonesia's share capital was reduced from 10,000 ordinary shares to 5,000 ordinary shares.*

We own 90% of DynaFront Indonesia. The remaining 10% is held by Johan Bachtiar T. Permana, who is also a director of DynaFront Indonesia.

Johan Bachtiar T. Permana's principal roles as director of DynaFront Indonesia include, among others, ensuring compliance with local regulatory requirements, as well as planning and conducting board meetings.

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in DynaFront Indonesia. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of 5,000 shares.

(The rest of this page is intentionally left blank)

2.0 DETAILS OF OUR GROUP (CONT'D)

2.4 Shareholding structure

Our shareholding structure, before and after Proposed Listing is as follows:

	As at the LPD				After Proposed Listing			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽ⁱ⁾	No. of Shares	% ⁽ⁱ⁾	No. of Shares	% ⁽ⁱⁱ⁾	No. of Shares	% ⁽ⁱⁱ⁾
<u>Promoters and substantial shareholders</u>								
• Chan Eng Lim	1	*	45,188,254 ⁽ⁱⁱⁱ⁾	75.31	1	*	45,188,254 ⁽ⁱⁱⁱ⁾	62.76
• Gan Hui Ping	8,748,635	14.58	45,188,254 ⁽ⁱⁱⁱ⁾	75.31	8,748,635	12.15	45,188,254 ⁽ⁱⁱⁱ⁾	62.76
• Chan Choong Wai	-	-	45,188,254 ⁽ⁱⁱⁱ⁾	75.31	-	-	45,188,254 ⁽ⁱⁱⁱ⁾	62.76
• Watergate Solidwood	45,188,254	75.31	-	-	45,188,254	62.76	-	-
Other substantial shareholder								
• Lim Kee Yek	5,038,770	8.40	-	-	5,038,770	7.00	-	-
Existing shareholders	1,024,340	1.71	-	-	1,024,340	1.42	-	-
New public shareholders	-	-	-	-	12,000,000	16.67	-	-
Total	60,000,000	100.00			72,000,000	100.00		

Notes:

* *Negligible*

(i) *Based on the existing share base of 60,000,000 Shares before Proposed Listing.*

(ii) *Based on the enlarged share capital of 72,000,000 Shares which takes into consideration the Placement Shares upon completion of Proposed Listing.*

(iii) *Deemed interest by virtue of their respective interests in Watergate Solidwood pursuant to Section 8(4) of the Act.*

3.0 BUSINESS OVERVIEW

3.1 Overview and history

3.1.1 Overview

We are primarily a software company, specialising in developing and providing proprietary and customised enterprise IT solutions. These integrated solutions are designed for a broad range of life insurance companies, including conventional life insurers, Takaful operators, independent corporate life insurance agencies and group assurance operations. Our solutions, offered either as proprietary software products or managed services, have been successfully deployed in Malaysia, Indonesia, Singapore, Philippines, Taiwan and Hong Kong.

3.1.2 History

Our Company was incorporated in Malaysia on 18 December 2020 under the Act as a private limited company under the name of DynaFront Holdings Sdn Bhd. On 10 March 2021, our Company was subsequently converted into a public limited company and assumed our present name. Our Company was incorporated to facilitate the Proposed Listing on the LEAP Market of Bursa Securities.

Our Company is principally an investment holding company with two operating subsidiaries, namely, DynaFront Systems, our wholly-owned subsidiary, where a substantial part of our business operations, strategic decision making and software development activities are undertaken; and DynaFront Indonesia, our 90% owned subsidiary which was incorporated in 2019 as our base for existing Indonesian customers and our further expansion into the Indonesian market.

Our history can be traced back to 1996, when DynaFront Systems was first incorporated as a private limited company by our founders, Chan Eng Lim and Chan Choong Wai. They had left their positions as IT deputy managers of a large multinational insurance company based in Malaysia to set up DynaFront Systems with the vision of offering more comprehensive software solutions for the life insurance industry. Through their knowledge and experience in the industry, they recognised the potential of an under-served market where many insurance companies were still largely relying on legacy systems or mainframe-based technologies for their business operations. Thus in 1996, our founders commenced the operations of DynaFront Systems from a rented shop office in Bandar Baru Ampang, Selangor with the aim of developing more holistic software solutions to meet the business needs and regulatory compliance requirements of insurance companies.

(The rest of this page is intentionally left blank)

3.0 BUSINESS OVERVIEW (CONT'D)

The trajectory of our Group's business since inception, including solutions that we have developed, and our geographical markets are as depicted below:

	1996 – 1998 Phase I	1999 – 2009 Phase II	2010 – 2019 Phase III	2020 onwards Phase IV
R&D activities	New software solution development and customisation	New software solution development and customisation	New software solution development and customisation	New software solution development and customisation
Software solutions developed	PrecentiaAgent	<ul style="list-style-type: none"> PrecentiaCMS PrecentiaLife PrecentiaGroup 	PrecentiaTakaful	Cloud-based solutions
Target customers	All life insurance companies	<ul style="list-style-type: none"> All life insurance companies Independent corporate life insurance agencies 	<ul style="list-style-type: none"> All life insurance companies Independent corporate life insurance agencies Takaful operators 	<ul style="list-style-type: none"> All life insurance companies Independent corporate life insurance agencies Takaful operators
Geographical markets	<ul style="list-style-type: none"> Malaysia Singapore 	<ul style="list-style-type: none"> Malaysia Indonesia Taiwan Hong Kong Philippines 	<ul style="list-style-type: none"> Malaysia Indonesia Philippines 	<ul style="list-style-type: none"> Malaysia Indonesia Philippines Thailand

PHASE I: 1996 – 1998

We commenced operations by providing point-of-sale software solutions to life insurance companies

Leveraging on our founders' domain knowledge and IT expertise, together with Gan Hui Ping who joined our Group in December 1996, we developed PowerAgent, our first proprietary point-of-sale life insurance software solution.

We achieved our first key milestone in 1997 when a Malaysian bancassurance operator of life insurance products engaged us to implement and roll out PowerAgent throughout its branches nationwide. This proved to be the key turning point for our Group. PowerAgent was subsequently rebranded as PrecentiaAgent in August 2010.

In 1998, we saw potential in the life insurance market in Singapore and decided to expand our geographical footprint to this nation. We successfully secured a project from a multinational insurance group based in Singapore for the implementation of PrecentiaAgent, thereby marking our first foray into the regional life insurance market. During the same year, we also secured two additional multinational insurance groups as our customers for the implementation of PrecentiaAgent in their operations in Malaysia and Singapore, respectively.

PHASE II: 1999 – 2009

We launched back-end life administration systems for life insurance companies and corporate life insurance agencies and further enhanced our point-of-sale software solutions

In 1999, we developed a new back-end software solution, PowerLife, a comprehensive and integrated back-end life administration system, comprising pre-sales, sales and post-sales phases of the insurance life cycle, which became the key growth driver of our Group. PowerLife has since been rebranded as PrecentiaLife. During the same year, we were commissioned by a Malaysian life insurer for the implementation of PrecentiaLife.

3.0 BUSINESS OVERVIEW (CONT'D)

DIPL, our Singapore entity, was incorporated on 14 August 2000 to facilitate the marketing of our life insurance software solutions regionally. Upon stabilisation of the operations of DynaFront Indonesia, DIPL is no longer operational since May 2021 and is in the process of closing its operations with the relevant statutory bodies in Singapore. The active contracts under DIPL have been transferred to our Malaysian and Indonesian offices, as these active contracts were novated or superseded with new contracts that our Group subsequently entered into.

In 2001, we developed PrecentiaGroup, a suite of back-end group life administration systems for employee benefits that can be customised by corporate customers to cater for the differing types of employee benefits that they provide to their employees. In the same year, we secured a contract with a multinational insurance group based in Hong Kong for the implementation of PrecentiaAgent. We marked our first foray into Indonesia upon being commissioned by an American life insurer based in Indonesia to implement PrecentiaLife.

In 2002, DynaFront Systems ventured into the sale of ICT hardware products such as notebooks and personal digital assistants (PDAs) to augment its software solution business. These activities were largely scaled down after 2008 to enable DynaFront Systems to focus more on software development and marketing activities.

In 2003, DynaFront Systems was converted to a public limited company. In the same year, we expanded our geographical footprint to Taiwan through the implementation of PrecentiaAgent to support the bancassurance and agency distributions of an American life insurer based in Taiwan.

In 2004, we developed PrecentiaLife Agency, a software that enables insurance agencies to utilise web-based agency portal to support their life agency distribution business. We further expanded our geographical footprint to the Philippines through the implementation of PrecentiaAgent to support the bancassurance and agency distributions of an American life insurer based in the Philippines. During the same year, we secured our first application service provider contract from a corporate life insurance agency in Indonesia, to implement PrecentiaLife Agency via web portal to support its life agency distribution business.

Subsequently in 2005, our application service provider contract with the corporate life insurance agency in Indonesia was superseded with a new application service provider contract that we entered into with a corporate life insurance agency based in Singapore (“**Customer B**”⁽ⁱ⁾) to implement PrecentiaLife Agency via web portal to support the latter’s life agency distribution business in Indonesia. During the same year, we were engaged as an application service provider to a corporate life insurance agency in Malaysia (“**Customer D**”⁽ⁱⁱ⁾) for the implementation of PrecentiaLife Agency via web portal, to support the company’s life agency distribution business. We have been in business with Customers B and D since 2005, and both Customers B and D were our major customers in FYE 30 June 2019 to 30 June 2020 and FYE 31 December 2020 respectively.

By 2006 we had succeeded in developing a comprehensive solution for life insurance companies, extending from the front-end sales automation system to back-end individual and group life administration system. We had, in our portfolio of proprietary software, PrecentiaCMS as our front-end sales automation system, PrecentiaLife as our back-end individual life administration system as well as PrecentiaGroup, a suite of back-end group life administration systems for employee benefits.

In 2008, we were engaged by a Malaysian life insurer (“**Customer C**”⁽ⁱⁱⁱ⁾), to implement PrecentiaLife to support its conventional and investment-linked business.

3.0 BUSINESS OVERVIEW (CONT'D)

Notes:

- (i) *Customer B is a corporate life insurance agency based in Singapore and is principally involved in insurance agencies and agents including financial planning services. Our Group was engaged by Customer B to provide managed services to support its life agency distribution business in Indonesia. Please refer to Section 4.8 of this Information Memorandum for more information. Customer B is related to Customer D by virtue of a director and substantial shareholder of Customer B being spouse to the controlling shareholder and director of Customer D.*
- (ii) *Customer D is a corporate life insurance agency based in Malaysia and is principally involved in providing financial products and training services. Please refer to Section 4.8 of this Information Memorandum for more information. Customer D is related to Customer B by virtue of the controlling shareholder and director of Customer D being spouse to a substantial shareholder and director of Customer B.*
- (iii) *Customer C is a Malaysian life insurance company and is principally involved in the underwriting of life and investment-linked insurance business. Please refer to Section 4.8 of this Information Memorandum for more information.*

PHASE III: 2010 – 2019

We launched Shariah-compliant Takaful administration system

In 2010, seeing the growth of demand for Islamic life insurance products, we developed a family Takaful administration system, branded as PrecentiaTakaful. PrecentiaTakaful supports the Wakalah model, Mudharabah model and hybrid model which cater for Takaful products, including conventional, investment-linked, universal life, medical and annuity.

In 2012, we implemented our first Shariah-compliant suite of solutions for a Malaysia-based family Takaful operator.

In 2013, we were commissioned by a life insurance company in Indonesia for the implementation of PrecentisCMS and PrecentiaLife.

Subsequently in 2014, we secured a life insurance company in Indonesia as our customer for the implementation of PrecentiaLife.

In 2015, we were engaged by a Philippines-based insurer (“**Customer E**”^(iv)) to implement PrecentiaLife, to support its conventional and investment-linked businesses.

In 2016, we secured one of the largest Takaful operators in Malaysia (“**Customer A**”^(v)) as our customer for the implementation of PrecentiaTakaful to manage their family Takaful operations in Malaysia.

Our Indonesian entity, DynaFront Indonesia was incorporated on 29 January 2019 to facilitate our Group’s expansion plans in Indonesia. We recruited an experienced insurance executive as our Country Manager based in Jakarta, Indonesia. During the same year, we were commissioned by a Japanese life insurer based in Indonesia (“**Customer F**”^(vi)) for the implementation of PrecentiaLife, to support its conventional and investment-linked businesses. During the same year, DynaFront Systems was recognised by APAC CIO Outlook as one of the Top 10 Insurance Technology Solution Providers in 2019.

3.0 BUSINESS OVERVIEW (CONT'D)

Notes:

- (iv) *Customer E is a life insurance company in the Philippines and is principally involved in the underwriting of life insurance. Please refer to Section 4.8 of this Information Memorandum for more information.*
- (v) *Customer A is a family Takaful operator based in Malaysia and is principally involved in the management of family takaful businesses including investment-linked takaful business. Please refer to Section 4.8 of this Information Memorandum for more information.*
- (vi) *Customer F is a Japanese life insurer based in Indonesia and is principally involved in the underwriting of life and investment-linked insurance business. Please refer to Section 4.8 of this Information Memorandum for more information.*

PHASE IV: 2020 onwards

We expanded into cloud-based solutions

In 2020, we further developed our life insurance software solutions on a cloud-based platform to enhance the flexibility and scalability of software implementation.

In the same year, we secured our first cloud-based managed services engagement with a life insurance company in Indonesia (“**Customer G**”^(vii)) to implement and maintain PrecentiaLife via cloud, to support its conventional and investment-linked businesses for both group and individual life policies.

In 2021, we were engaged by a multinational life insurance company in Indonesia, to provide system and gap analysis on unit-linked and accounting modules of their life administration system. During the same year, we expanded our footprint to Thailand where we were engaged by a local life insurance company in Thailand to provide system and gap analysis on universal life products of their life administration system.

Note:

- (vii) *Customer G is a life insurance company in Indonesia and is principally involved in the underwriting of life and investment-linked insurance business. Please refer to Section 4.8 of this Information Memorandum for more information.*

(The rest of this page is intentionally left blank)

3.0 BUSINESS OVERVIEW (CONT'D)

3.2 Key milestones, achievements and awards

Our key milestones, achievements and awards are as follows:

Year	Key milestones
1996	<ul style="list-style-type: none"> Incorporation of DynaFront Systems. Developed and launched PowerAgent (now known as PrecentiaAgent), our first proprietary front-end system.
1997	<ul style="list-style-type: none"> First successful system roll-out of PowerAgent (now known as PrecentiaAgent) for one of the largest bancassurance operators in Malaysia.
1998	<ul style="list-style-type: none"> Expanded our geographical footprint to Singapore upon being commissioned by a multinational insurance group based in Singapore for the implementation of PrecentiaAgent. Launched PrecentiaAgent for a major multinational insurance group based in Singapore.
1999	<ul style="list-style-type: none"> Developed and launched our first proprietary back-end life administration system, PowerLife (now known as PrecentiaLife) to support the conventional life insurance business of a Malaysian life insurer.
2001	<ul style="list-style-type: none"> Developed and launched PrecentiaGroup to support the back-end group life administration systems for employee benefits. Launched PrecentiaAgent for a major multinational insurance group in Hong Kong. First foray into Indonesia upon being commissioned by an American life insurer based in Indonesia to implement PowerLink (now known as PrecentiaLife).
2003	<ul style="list-style-type: none"> DynaFront Systems Sdn Bhd was converted to a public company and assumed the name of DynaFront Systems Berhad. Expanded our geographical footprint to Taiwan through the implementation of PrecentiaAgent to support the bancassurance and agency distributions of an American life insurer based in Taiwan.
2004	<ul style="list-style-type: none"> Developed PrecentiaLife Agency, a software that enables insurance agencies to utilise web-based agency portal to support their life agency distribution business. Expanded our geographical footprint to the Philippines through the implementation of PrecentiaAgent to support the bancassurance and agency distributions of an American life insurer based in the Philippines. Secured our first application service provider contract with a corporate life insurance agency based in Indonesia to implement PrecentiaLife Agency via web portal, to support its life agency distribution business.
2005	<ul style="list-style-type: none"> The application service provider contract with the corporate life insurance agency in Indonesia was superseded with a new application service provider contract that we entered into with Customer B. Engaged as an application service provider with Customer D to implement PrecentiaLife Agency via web portal, to support its life agency distribution business.
2008	<ul style="list-style-type: none"> Engaged by Customer C to implement PrecentiaLife to support its conventional and investment-linked businesses.

3.0 BUSINESS OVERVIEW (CONT'D)

Year	Key milestones
2010	<ul style="list-style-type: none"> Developed and launched PrecentiaTakaful, a family Takaful administration system.
2012	<ul style="list-style-type: none"> Implemented PrecentiaTakaful for a Malaysian family Takaful operator.
2013	<ul style="list-style-type: none"> Implemented PrecentiaCMS and PrecentiaLife for a life insurance company in Indonesia to support its conventional and investment-linked businesses.
2014	<ul style="list-style-type: none"> Implemented PrecentiaLife for a life insurance company in Indonesia to support its conventional and investment-linked businesses.
2015	<ul style="list-style-type: none"> Implemented PrecentiaLife for Customer E to support its individual and group life insurance businesses.
2016	<ul style="list-style-type: none"> Successfully implemented PrecentiaTakaful for Customer A, one of the largest Takaful operators in Malaysia.
2019	<ul style="list-style-type: none"> Incorporation of DynaFront Indonesia. Engaged by Customer F to implement PrecentiaLife, to support its conventional and investment-linked business. DynaFront Systems was recognised by APAC CIO Outlook as one of the Top 10 Insurance Technology Solution Providers in 2019.
2020	<ul style="list-style-type: none"> Secured our first cloud-based managed services contract with Customer G, to support its conventional and investment-linked products for both individual and group life businesses.
2021	<ul style="list-style-type: none"> Engaged by a multinational life insurance company in Indonesia, to provide system and gap analysis on unit-linked and accounting modules of their life administration system. Expanded our geographical footprint to Thailand upon being engaged by a local life insurance company to provide system and gap analysis on universal life products of their life administration system.

(The rest of this page is intentionally left blank)

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS

4.1 Principal activities

As a life insurance software solutions provider, our Group is principally involved in the provision of proprietary software, managed services as well as other services and solutions for life insurance companies, Takaful operators, as well as independent corporate life insurance agencies.

Our life insurance software solutions are primarily business process management software that support a wide range of business processes of life insurance companies, Takaful operators as well as independent corporate life insurance agencies. Our life insurance software solutions are designed to automate multiple business operations, including product configuration, marketing and sales, policy management, claims processing, disbursements, compensation, general ledger, reinsurance, communication channels and customer management. The general ledger module in turn allows for integration with third party accounting software being used by our customers.

Through our in-house software engineering capabilities and proprietary technologies, our Group's solutions and services can be categorised as follows:

- (i) proprietary software comprises:
 - (a) PrecentiaCMS, a front-end sales support system;
 - (b) PrecentiaLife and PrecentiaGroup, back-end life insurance administration systems for individual and group life insurance; and
 - (c) PrecentiaTakaful, a Shariah-compliant Takaful administration system.
- (ii) managed services comprising web-based applications and cloud-based solutions; and
- (iii) other services and solutions comprising consulting services, hardware sales and third-party services and solutions.

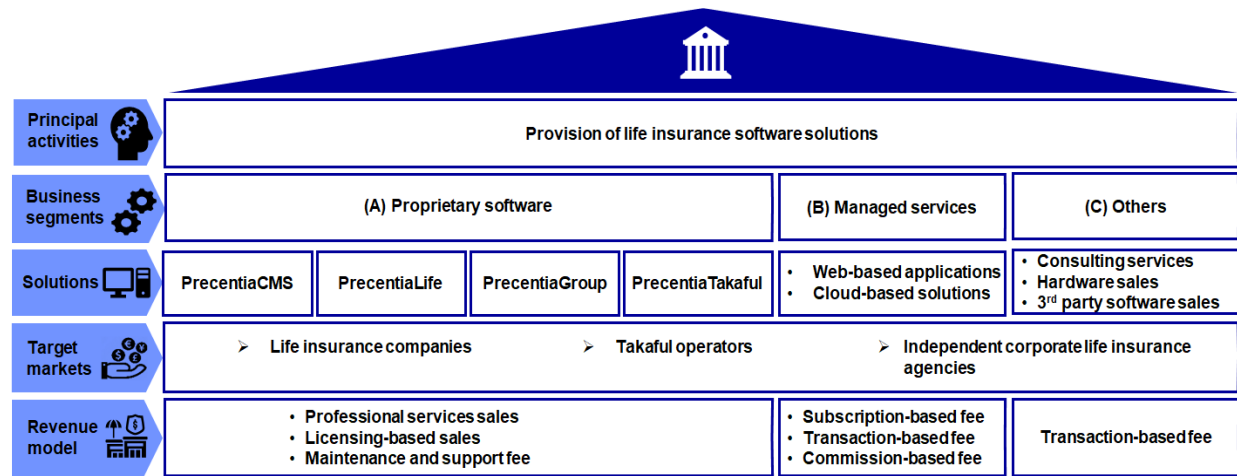
As part of the delivery of our life insurance software solutions, we are responsible for the design, customisation, installation and implementation of proprietary software and managed services prior to handover to our customers. Our customers also have the option of engaging us for the subsequent maintenance and support of these software solutions upon handover.

Customisation is carried out based on our customers' requirements and specifications. In a typical project, we will first assess our customers' existing IT infrastructure and software. Depending on their needs, we will customise our software solutions to integrate with their existing IT systems to ensure smooth technology transition. In this regard, our services generally include system and gap analysis, design, software integration and technology consultancy as well as maintenance and support services upon handover for a period of three years or more.

We enter into contractual arrangements with our customers for the provision of proprietary software and managed services. Our contracts for the delivery of proprietary software typically range between 12 months and 24 months. Our contract for the delivery of managed services based on the subscription fee model is for a period of 5 years. For managed services contracts which are based on the transaction fee model and where we also derive commission-based fees, namely those we have entered into with Customers B and D, the duration of these contracts are 10 years and 11 years respectively.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

Our business model can be summarised as follows:



4.1.1 Our solutions and services

Our life insurance software solutions are detailed below:

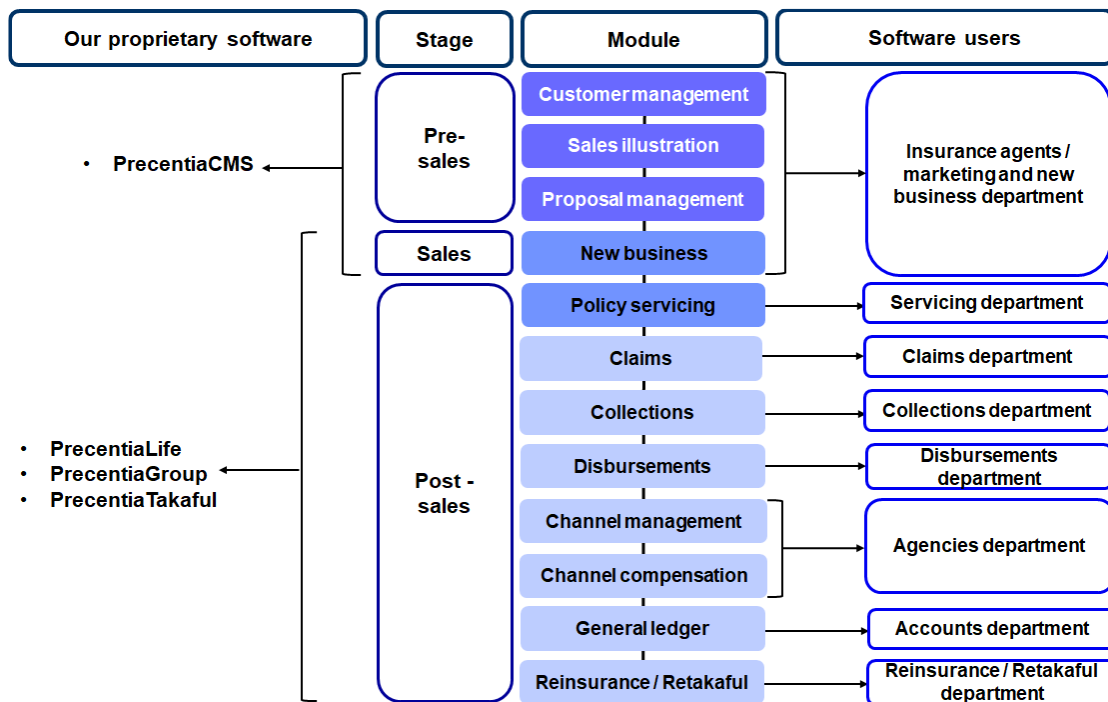
(A) Proprietary software

We design and develop our proprietary software in-house. Presently, we have developed four proprietary software, namely PrecentiaCMS, PrecentiaLife, PrecentiaGroup and PrecentiaTakaful, whereby:

<u>Proprietary software</u>	<u>Description</u>
PrecentiaCMS	A front-end support system to facilitate the communication with various distribution channels. It comprises marketing and sales management modules.
PrecentiaLife	A suite of back-end life insurance administration system for individual life insurance businesses that includes conventional, investment-linked, universal, structured note, mortgage, annuity and medical insurances.
PrecentiaGroup	A suite of back-end group life insurance administration system for employee benefits.
PrecentiaTakaful	A Shariah-compliant Takaful administration system. It caters for Wakalah, Mudharabah and hybrid concepts and can be integrated into various Takaful models.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

Our proprietary software can be segmented based on functionality across the life insurance lifecycle as illustrated below:



A detailed description of our proprietary software is as follows:

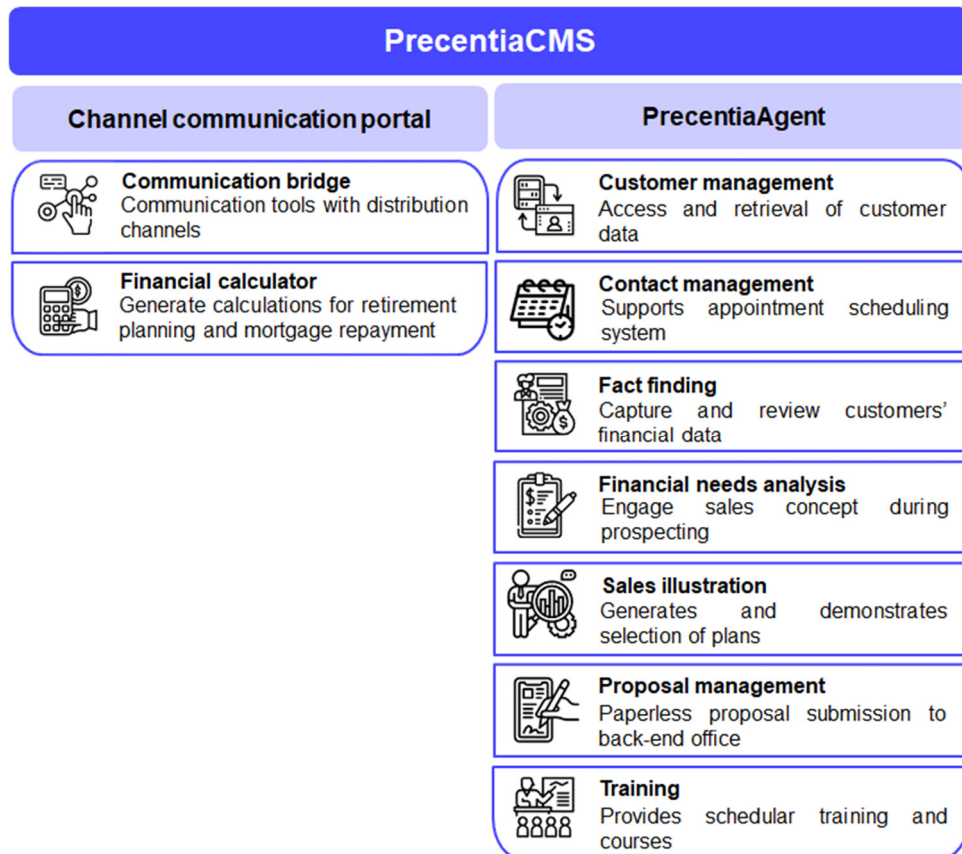
(i) PrecentiaCMS

PrecentiaCMS is a comprehensive suite of front-end sales support system that comprise two modules, namely the channel communication portal and PrecentiaAgent. It serves as the core channel management engine for our customers, automating their entire sales cycle from origination to policy approval with minimal manual intervention. PrecentiaCMS supports the front-end marketing activities, and thus has a user-friendly web-based agency portal as well as mobile point-of-sale application that allows for remote accessibility, cross platform and multi device responsiveness.

PrecentiaCMS is designed to be readily integrated into various sales channels, either through agency, bancassurance, brokers, financial planners or direct mailing channels. To meet the needs of the field sales service force, PrecentiaCMS has functionalities to capture detailed customer information with enhanced communication tracking to automate and streamline workflows.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

The modules under PrecentiaCMS and their corresponding functionalities are as illustrated below:



(ii) PrecentiaLife

PrecentiaLife is an integrated life insurance administration system that provides back-end lifecycle management of conventional and investment-linked life insurance products.

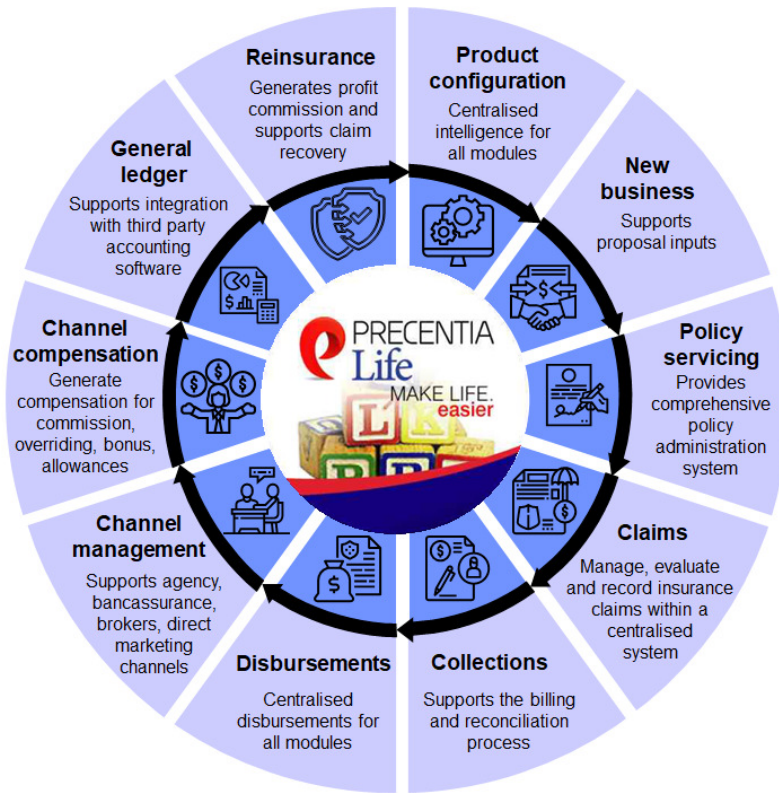
PrecentiaLife is essentially a back-end administration and management system for life insurance companies as well as independent corporate life insurance agencies. Thus, the modules under PrecentiaLife cover the initiation of proposal requests up to the final claim recovery stage, including new business, policy servicing, claims, collections, disbursements, channel management, channel compensation, general ledger (for integration with existing accounting software being used by our customers) and reinsurance.

The range of functionalities under the modules of PrecentiaLife supports life insurance companies in configuring and managing individual traditional, investment-linked, universal life, medical, credit life and annuity products, while maintaining products and solutions for different distribution channels within a centralised system. Furthermore, PrecentiaLife can be integrated with third-party software, typically being existing software used by our customers, such as accounting software, actuarial valuation software and e-mail, for a more seamless user experience.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

With the adoption of PrecentiaLife, updating and management of information, calculations, submission of policies and claim documents, payment streams, disbursements as well as general ledger and channel management can be performed and organised in one centralised system. This allows insurers to maintain a centralised database for ease of access and retrieval, which in turn could eliminate the need for manual processing or the use of legacy systems and contribute to process efficiency and effectiveness.

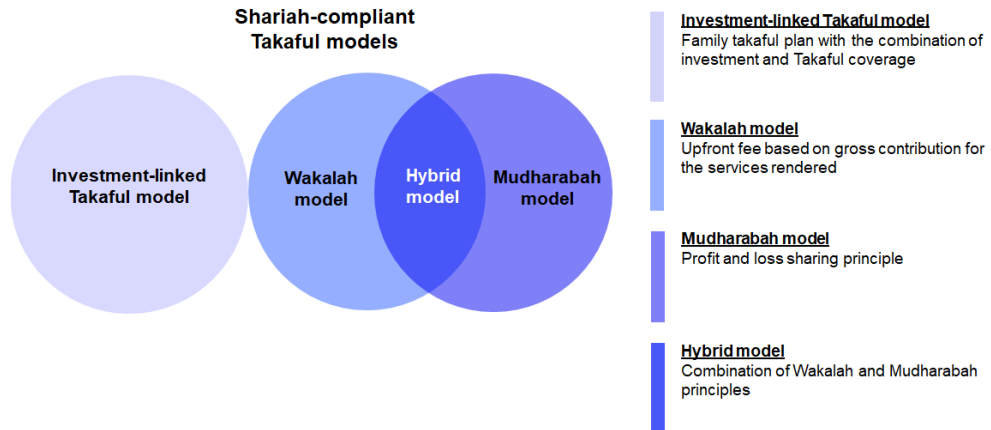
The modules under PrecentiaLife and their corresponding functionalities are as illustrated below:



(The rest of this page is intentionally left blank)

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

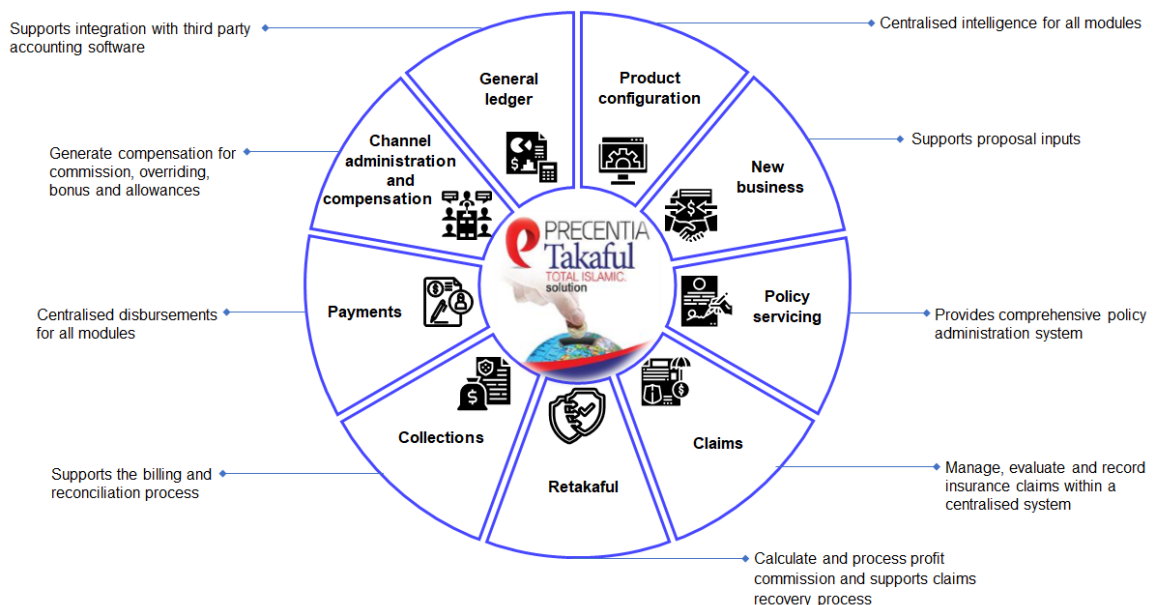
(iii) PrecentiaTakaful



We offer PrecentiaTakaful, a Shariah-compliant Takaful back-end operations system to Takaful operators. Our PrecentiaTakaful is robust and can be fully integrated into various Takaful models such as Wakalah model, Mudharabah model and hybrid model as well as investment-linked Takaful models. We work closely with our Takaful operator customers to find solutions that enable more agile and efficient IT infrastructure and deploy the Takaful solution within a stipulated timeframe and budget parameters. Our PrecentiaTakaful is specifically designed and developed by our technical team with working knowledge in Takaful insurance.

PrecentiaTakaful comprises modules that support the back-end operations of Takaful operators, namely, product configuration, new business, policy servicing, claims, retakaful, collections, payments, channel administration and compensation as well as general ledger.

The modules under PrecentiaTakaful and their corresponding functionalities are as illustrated below:



4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

(iv) PrecentiaGroup

In addition to our individual life insurance software solutions, we also offer group life insurance administration system, marketed as PrecentiaGroup. Group life insurance is an employer sponsored benefit that businesses offer to their employees as part of a benefits package.

PrecentiaGroup is a suite of back-end group life insurance administration system that enables life insurance companies to manage various aspects of group life insurance policies. Through the adoption of PrecentiaGroup, life insurance companies are able to support different group insurance products and align to best practices for their corporate customers. It also allows our customers to configure software to meet their insurance administrative needs and reduce error-prone manual processes through automation.

The modules under PrecentiaGroup and their corresponding functionalities are as illustrated below:



4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

(B) Managed services

We offer our life insurance software solutions through web portals, mobile applications as well as cloud-based infrastructure.

Our Group has historically been engaged by corporate life insurance agencies as an application service provider for implementation of PrecentiaLife Agency via web portal to support their life agency distribution businesses. As the system is web-based, it can be remotely connected and easily assessed anytime, anywhere, and from any device. Life insurance agents can easily access their sales and production reports and retrieve policy information from the web-based application, to provide immediate sales and service support to prospective and existing insurance policy holders. This allows for interactive and personalised communication between the insurance agent and policy holder. Policy details and policy holder information accessed from the web-based application is stored in a secure database. Further, in line with technological developments, our Group has also developed mobile applications of PrecentiaLife Agency which can be accessed by life insurance agents using digital devices. In order to tap into the growing trends of digital transformation and meet the increasingly complex business and IT needs of our customers, we have expanded into cloud-based solutions. Leveraging on cloud technology, we are able to provide seamless integrated managed services for our customers. In addition, we also provide our customers with the flexibility to opt for on-premise server software installation as well as cloud-based solutions.

Our managed services are delivered to our customers by leveraging on cloud technology based on SaaS model. The SaaS model is a software licensing model in which access to software is provided on a subscription basis, with the software being located on external servers rather than on servers located in-house.

Among the benefits that our customers can derive from the SaaS model are as follows:

- **Access to expertise and the technological benefits of our proprietary software** – Our customers are able to enjoy and leverage on the functionalities and technological benefits offered by our proprietary software.
- **Subscription model** – Rather than investing heavily in IT infrastructure technology such as servers or licensed software, our customers will pay a recurring fee at regular intervals for access to our proprietary software. Furthermore, the management, software updates and maintenance of our proprietary software lies with the vendor rather than the users.
- **Flexibility and scalability** – Our cloud-based life insurance software solutions are particularly well-suited for small and medium-sized insurers which are growing and have dynamic computing needs. These insurers typically require the flexibility and cost efficiency to scale their backup and storage capacities as needed, and in line with their growth.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

We develop our proprietary technologies within the cloud computing infrastructure hosted by independent cloud service providers. Our cloud-based life insurance software solutions contain various digital tools and functions that can be accessed by users through web browsers and mobile applications to optimise the business operational process. Further, our cloud-based life insurance software solutions are designed to be comprehensive, scalable and modular with the optionality to further configure different service modules to suit the different requirements of our customers. These cloud-based life insurance software solutions can be subscribed either on a piecemeal basis or as a complete package. Thus, through the adoption of our cloud-based insurance software solutions, our customers will be able to enjoy the flexibility in customising the solutions to cater to their business requirements as well as the scalability when they wish to incorporate additional modules into their existing cloud-based solutions.

In addition, our cloud-based life insurance software solutions are specifically tailored to help our customers to achieve IT agility, shorter implementation time and, thus, is more cost effective. This agility and speed to market are aimed to allow our customers to deliver their life insurance products at a faster rate.

Through the adoption of cloud-based services, the automation and streamlining of various processes of the life insurance administration system can be achieved within a shorter timeframe and are scalable when more IT resources are required. Functionalities such as data analytics and real-time applications can also support large number of transactions, thereby making the overall workflow simpler and more efficient.

Our managed services are charged based on a subscription, transaction and commission basis, depending on the scope of managed services rendered and usage by the customers. Please refer to Section 4.2 for further details on our revenue model.

(C) Other services and solutions

We also provide the following services as part of our integrated services and solutions:

(i) Consulting services

Our IT consulting services focus on assisting our customers to formulate technology strategies that align with their business and operational needs and plans. As such, our IT consulting services comprise architectural, operational, planning and implementation support services to ensure the IT infrastructure and investments incurred by our customers are optimised to achieve their intended objectives.

Our consulting capabilities range from business services gap analysis, re-engineering business processes of our customers' existing life administration core systems, developing and executing marketing, advertising and promotional strategies, implementing investment-linked systems, preparing training, education and development programmes, providing training programmes to preparing solution writeup and board papers justifying the costs and benefits of IT investments.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

(ii) Sales of hardware

Leveraging on our comprehensive understanding of customers' needs, we also identify and procure third-party hardware required for the operations and maintenance of our proprietary software. For the avoidance of doubt, we only procure third-party hardware for our customers on a project-by-project basis or as requested by our customers. We also provide basic installation, maintenance and support services to support such sales.

(iii) Third-party services and solutions

We also provide other third-party software and hardware on an ad-hoc basis, such as enterprise resource planning software, as requested by customers.

4.2 Revenue model

Our revenues are derived from the following:

Solutions / services	Revenue model
Proprietary software	<p>(i) Professional services</p> <p>Fees derived from consulting, system analysis, gap analysis, project management, customisation, implementation and user training.</p>
	<p>(ii) Licensing-based sales</p> <p>Licensing-based sales generate licensing fees when our customers acquire new software licenses. We also generate licensing fees when our customers renew their licenses for the subscription of our life insurance software solutions.</p>
	<p>(iii) Maintenance and support fee</p> <p>Fees derived from maintenance and support services. Our maintenance and support services entail recurring and ad-hoc technical services, IT system administration, integration, maintenance and remedial services. We typically offer our customers maintenance and support services for an initial three-year period with subsequent annual renewal options.</p>
Managed services	<p>(i) Subscription-based fee</p> <p>Our customers pay monthly or annual subscription fees to access our cloud-based life insurance software solutions.</p>
	<p>(ii) Transaction-based fee</p> <p>Our customers are charged based on actual usage and a fixed fee is levied on per transaction basis.</p>

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

(iii) Commission-based fee

Our customers who engage us for web-based applications are charged based on a portion of their generated revenue (restricted to first year premium income).

Among others, we have been engaged by Customers B and D (who are our major customers) respectively for managed services where we provide and maintain their online agency management system for a period of 10 years and 11 years respectively. The fees payable to DynaFront Systems are as follows:

- Between 0.525% to 1.000% of the first year total regular premium income generated by the agency channels of Customers B and D respectively.
- 0.0335% of the total gross single premium income generated by the agency channel of Customer D.

Specifically, we earn between 0.525% to 1% for every new insurance policy secured over the contract period by Customers B and D respectively. We do not derive revenue for the renewal of existing insurance policies.

Others

(i) Transaction-based fee

(a) Consulting fees

Our customers are charged a fee, taking into account their requirements, scope of works, complexity and the scale of the project as well as manpower requirements.

(b) Third-party hardware

Our customers are charged based on:

- the type (specifications and brand) of equipment and/or software required; and
- the quantity of equipment and/or software required.

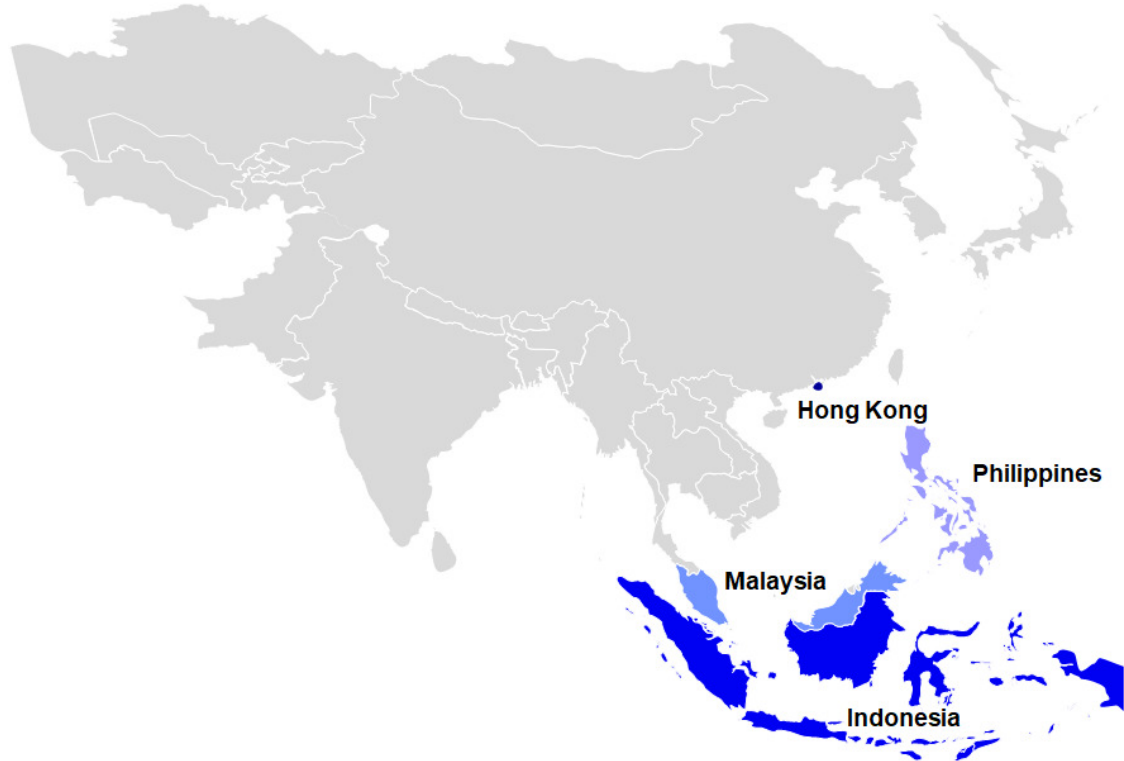
(c) Third-party software

License fee based on third-party software licence pricing with a margin.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

4.3 Principal markets

4.3.1 Revenue by geographical location



Our Group's operations are headquartered in Malaysia. Prior to 2021, our Singapore entity DIPL, served as a sales office and distribution channel for our regional markets. However, we incorporated DynaFront Indonesia on 29 January 2019 to allow us to have a more focused approach to target the Indonesian market. Upon stabilisation of the operations of DynaFront Indonesia, DIPL is no longer operational since May 2021 and is in the process of closing its operations with the relevant statutory bodies in Singapore. The active contracts under DIPL have been transferred to our Malaysian and Indonesian offices, as these active contracts were novated or superseded with new contracts that our Group subsequently entered into.

Our Group's principal market for our life insurance software solutions is in Malaysia, which contributed approximately 77.3% and 59.6% of our revenue for the FYE 30 June 2019 and FYE 30 June 2020 respectively and 68.1% and 42.4% of our revenue for FPE 31 December 2019 and FPE 31 December 2020 respectively. Our largest overseas market is Indonesia, followed by Philippines and Hong Kong.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

The revenue breakdown by country is set out in the table below:

Geographical location	Audited				Unaudited			
	FYE 30 June 2019		FYE 30 June 2020		FPE 31 December 2019		FPE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	9,398.2	77.3	5,738.4	59.6	2,255.7	68.1	1,653.5	42.4
Indonesia	2,218.0	18.2	3,758.7	39.1	1,000.6	30.2	2,209.3	56.6
Philippines	547.7	4.5	97.8	1.0	39.1	1.2	40.7	1.0
Hong Kong	-	-	25.0	0.3	15.0	0.5	-	-
Total revenue	12,163.9	100.0	9,619.9	100.0	3,310.4	100.0	3,903.5	100.0

4.3.2 Revenue by business segment

Business segment	Audited				Unaudited			
	FYE 30 June 2019		FYE 30 June 2020		FPE 31 December 2019		FPE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Proprietary software	6,594.3	54.2	5,849.4	60.8	2,151.5	65.0	2,443.5	62.6
Managed services	2,187.8	18.0	2,604.5	27.1	1,107.8	33.5	1,403.4	36.0
Others	3,381.8	27.8	1,166.0	12.1	51.1	1.5	56.6	1.4
Total revenue	12,163.9	100.0	9,619.9	100.0	3,310.4	100.0	3,903.5	100.0

4.4 Our competitive strengths

We believe that our historical successes have been and future prospects will be underpinned by the following competitive strengths:

(i) We have a long and established presence serving the life insurance industry

We have over 25 years of experience in providing life insurance software solutions to the regional insurance sector. Over this period, we have developed a reputation as a solution provider with solution development, customisation, installation and commissioning capabilities

The life insurance industry is highly regulated and with stringent compliance requirements. Our exposure in the industry enables us to understand the specific needs of our customers and customise our proprietary software which complies with regulatory requirements in the various countries where our customers operate.

Our established presence and project implementation track record has provided us with considerable market opportunities. This is evidenced by the customers that we have secured in Malaysia and regionally, most of whom are repeat customers. To date, our services and solutions are used by some of the major insurance and bancassurance operators in Southeast Asia.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

(ii) We have an experienced key senior management team with domain-specific knowledge

We believe that the vision and experience of our management team have been fundamental to our Group's success. Our founders worked in the insurance industry before setting up DynaFront Systems. In the initial years, their industry knowledge allowed us to understand and respond to the needs and requirements of our insurance customers and engineer appropriate solutions to support their operations and growth. This had been vital not only in securing new contracts, but also software design and development, project planning and solution implementation.

At present, our key senior management team is led by Chan Eng Lim, our founder, Managing Director / Group Chief Executive Officer, who has more than 30 years of working experience in the IT and life insurance industry. He is supported by our key senior management team comprising Gan Hui Ping, Michael Tsan Soon Kian, Loo Ping Nam and Gan Hui Khoon.

Chan Eng Lim served at a multinational life insurance company in both Malaysia and Indonesia for 6 years and had exposure to day-to-day insurance operations. This forms his foundation and understanding on the business requirements of life insurance companies. He is responsible for formulating the strategic direction of our Group and solution development efforts, including securing new opportunities for business expansion locally and regionally. He has played an instrumental leadership role in expanding our solution offerings and business presence, as well as building good business relationships with our customers and business partners.

Chan Eng Lim is supported by a qualified key senior management team comprising:

Executive	Designation	Years of relevant working experience
Gan Hui Ping	Executive Director / Group Chief Operating Officer	33 years
Michael Tsan Soon Kian	Chief Technology Officer	22 years
Loo Ping Nam	Chief Marketing Officer	34 years
Gan Hui Khoon	Chief Architect	29 years

Our key senior management team has track record in the development and enhancement of our proprietary software and are able to leverage on their domain-specific knowledge to develop and launch software modules with different functionalities to support our Group's future growth. Please refer to Section 6.4.3 of this Information Memorandum for further details on the profiles of our key senior management team.

(iii) We offer proprietary life insurance software solutions that are comprehensive and customisable

All of our software solutions for life insurance companies have been developed in-house by our own technical team and are regularly updated based on the latest technologies. We own the intellectual property to our proprietary software. Thus, we have full control of our proprietary software and we are able to maintain, manage, update and improve our solutions on a continuous basis.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

Our proprietary software solutions are integrated and comprehensive, covering both front-end sales support as well as back-end administration systems. They are modular in structure and readily customisable, allowing for faster configuration, quicker project execution and higher cost efficiency. This flexibility is vital in allowing us to cater to both small and large-sized insurers with differing business needs.

Our software solutions have passed the required testing standards before live implementation and are able to meet the business requirements of our customers and comply with regulatory reporting requirements.

(iv) We have growing presence in Indonesia, a populous and growing market

Since 2001 when we implemented our first life insurance proprietary software in Indonesia, our business has progressively grown in the country in terms of revenue and customer base. As at the LPD, we have secured contracts from 6 life insurance companies in Indonesia for the provision of our life insurance software solutions.

Indonesia is one of our major markets. We have strategically expanded into the country as it is one of the largest and fastest growing markets for the life insurance industry. Our revenue from Indonesia has grown over the last two financial years, and our expansion into Indonesia will continue to be a major focus for our Group's future growth.

Indonesia is the most populous country in the Southeast Asia region, with a large population of approximately 273 million people. Despite being less mature and having lower insurance penetration rate than Malaysia, the Indonesian market is approximately eight times larger than the Malaysian market with over 60 insurance companies of varying sizes. In view of the potential market opportunity, we have set up DynaFront Indonesia to market and further expand our software solutions there, and to show that we are committed to provide timely technical support as well as to facilitate effective project implementation process.

We believe our regional presence in Indonesia will not only enable our Group to acquire new management, technical talents and market intelligence, but will also serve as a launching pad for our business to foray into other countries in Southeast Asia.

(v) We have long-term business relationships with our customers

With our long presence in the life insurance software solutions industry, we have developed a growing customer base, comprising local and foreign life insurance companies, Takaful operators and independent corporate life insurance agencies. The ongoing provision of technical customisation, software upgrading as well as maintenance and support services enable us to build close business relationships with our existing customers, most of whom have relied on our life insurance software solutions to support and scale their business operations. This is pivotal in supporting our mutual business growth.

The insurance industry is heavily regulated and requires a significant amount of regulatory disclosure, accuracy and transparency. Our capabilities to customise our software modules in accordance with the standards of insurance regulations have enabled us to retain many of our existing customers.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

As at FYE 30 June 2020, the duration of business relationships with our customers are classified as follows:

Length of business relationship	Number of customers in FYE 30 June 2020	Revenue contribution for FYE 30 June 2020	
		RM'000	%
Less than 2 years	3	1,479.3	15.4
2 - 5	2	3,978.0	41.3
6 - 9	4	640.1	6.7
10 – 15	1	0.7	*
> 15 years	4	3,521.8	36.6
	14	9,619.9	100.0

* negligible

(vi) We offer Shariah-compliant Takaful administration system

Our R&D efforts have led to the development and launch of PrecentiaTakaful, a Shariah-compliant Takaful administration system for Takaful operators.

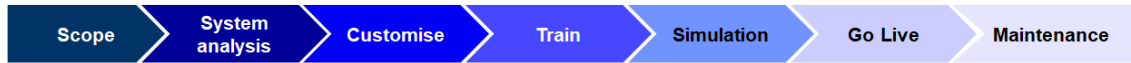
We believe that our Group is one of a few providers of Shariah-compliant Takaful software solutions in the industry. Our PrecentiaTakaful is being widely used by one of the largest Takaful family operators in Malaysia. We continuously enhance and upgrade the software modules of PrecentiaTakaful to meet our customers' business needs.

PrecentiaTakaful is designed and developed by our technical team that has knowledge in Takaful insurance. Our Group believes that the untapped opportunities in the Takaful market will allow us to further secure new business and expand our market footprint.

(The rest of this page is intentionally left blank)

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

4.5 Operational process and quality assurance procedure



We place emphasis on ensuring the quality of our solutions and services. Our team is responsible for quality assurance and control procedures. For every project that we procure, we adhere to an internal set of guidelines under our project implementation methodology. This is to ensure that we have better control of the performance and quality of our solutions and services that is subject to the acceptance and confirmation by our customers. Further, it serves as a performance indicator to verify the results at each stage prior to proceeding to the next stage.

(i) Scope

Under this phase, we will establish a project team. During project initialisation stage, our project team will define the test approach, scope and objectives, assumptions, constraints, risks, critical path, activities, strategies and business needs of the project. Thereafter, our team will develop a project management plan detailing the type of insurance software solutions that can best meet customers’ requirements. We also provide system demonstration to our customers. This would allow our customers to better understand our proposed solution and assist them in making decisions. Upon acceptance and confirmation by the customer, our team will initiate the service gap analysis process.

(ii) Service gap analysis

During this stage, our team will conduct a service gap analysis on the customer’s existing business requirements. Our project team will focus on identifying the gaps in the customers’ business processes with respect to their requirements and system modules to be installed. Thereafter, the findings from the gap analysis in terms of strength and opportunities for improvement with our recommended project plan will be presented to the customer for confirmation before system configuration.

(iii) Customise

Our team will configure, customise and localise the system modules based on the customers’ requirements. Under this phase, several tests will be carried out by our team:

Unit test : Testing done to each individual component of software during the development stage. Our team will use test programs and applications to make sure any coding changes does not disrupt the existing code to protect against bugs in the future.

Integration test : Our team will perform integration test after various modules have been deployed to the system. The features of the modules are combined and tested as a group with automation test tools such as Katalon, or are manually tested by our team. This test aims to detect errors relating to the interface between modules and ensure that the integrated modules function as intended.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

System test : A complete system test will be performed for all features within the system via automation testing tool. The system test compares the actual outcome with the expected outcome of the software, thus allowing our project team to verify the system against the functional and technical requirements. However, a small portion of the system test might be done manually by our team if the automation testing tool is not applicable.

Acceptance test : Our team and users will jointly run an acceptance test on the software to ensure that the system is ready to be implemented and satisfies all specifications and requirements. A testing report will be generated and issued to the customer for acceptance.

(iv) User training

It is crucial for users to comprehend the features of the system. Therefore, our team will conduct user training for users in the customers' organisation on how to utilise the software solution. These trained users will take on the roles of trainers to train other users in their respective organisations.

(v) Simulation

During this stage, the users in the customer's organisation will test the life insurance software solutions using operational data in a user acceptance test. We also use the customer's historical data in the user acceptance test, to ensure that our software is able to process this information, based on their requirements. The primary objective of this phase is to determine the ability of the software solution to function with large volumes of data and multiple users using the system simultaneously. Further, users will provide practical feedback to facilitate the rectification process and fine tuning before the system is actually constructed. The customer's acceptance and confirmation of the user acceptance test will be obtained prior to launching the solution organisation-wide.

(vi) Go Live

The software solution will be launched organisation-wide and becomes available for use in the customers' daily business operations. During this phase, a project evaluation will be carried out to better understand the trends, benefits, and barriers in implementing the software solution. The project delivery documentation will be prepared for the customer's acceptance and confirmation.

(vii) Maintenance

We provide maintenance and technical support to our customers as part of our after-sales services or upon request. Our technical support services comprise recurrent maintenance, troubleshooting and rectification of errors and issues faced by the users of the life insurance software solutions. Our maintenance services comprise monitoring of software performance and carrying out regular software updates.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

4.6 R&D

Our R&D core values revolve around continuous improvement in our solutions to ensure competitiveness in the life insurance software solutions industry, in order to sustain growth of our business as well new solution development.

Our R&D activities are led by Michael Tsan Soon Kian, and are carried out by our technical team. Our R&D team focuses on the enhancement and development of our life insurance software solutions. They are responsible for the system architecture design, programming and coding as well as the testing of software to constantly meet our customers' expectations.

The R&D activities undertaken by our Group mainly involve:

(i) Software enhancement

Our R&D efforts are focused on continuously updating and improving our software based on the latest technology trends and in response to feedback from our customers. We recognise the importance of coding quality in software development and strive to implement a coding standard that reduces complexity and enhances overall performance. We are acutely aware that seamless functioning of our software program is essential not only on our own reputation, but in the sustained growth of our customers. We seek to improve our internal R&D procedures and guidelines to facilitate the maintenance of a coding standard that promotes simplicity and consistency. Both of these are essential attributes in software development to determine the quality of our final software. With continuous R&D in software enhancements, we have the capability to enhance our software efficiency, minimise coding complexity, facilitate bug rectification and maintenance as well as eliminate the risk of project and/or implementation failure.

(ii) Development of new add-on modules

A major aim of our R&D efforts is to develop new add-on modules which would enhance our software functionalities and broaden our product offerings. We typically receive requests and feedbacks from our existing customers to develop new add-on modules that can complement our proprietary software based on the latest technological trends.

(iii) Improve efficiency in our core business and technologies

With web applications being the dominant way that businesses interact, we believe that over time insurance companies will progressively migrate their systems to software that offer newer and better technologies. Our technical team involved in R&D activities continuously explore and keep abreast of the latest technologies used by life insurance companies and seek for opportunities to incorporate these technologies in our solutions, whereby:

- (a) Our R&D efforts are further focused on cloud-based solutions. With the adoption of microservices architecture, we are moving towards the deployment of cloud-based platform to offer agility in software implementation and cost efficiency in meeting budgets while ensuring uncompromised security and quality. Further, the microservices based architecture will enable us to integrate technologies such as AI technology and data analytics in our middleware modules; and

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

- (b) We seek to enhance our life insurance software solutions capabilities with the adoption of AI technology. We plan to adopt AI algorithm database to optimise the features of our software modules, combining multiple scenarios such as consumer behaviour, marketing automation, user experience optimisation, smarter claim support and processing system, pricing and underwriting as well as big data risk management, request classification and customer service.

(iv) Virtual insurance and wearable technology

Our R&D efforts will also focus on the virtual insurance space by developing and implementing new mobile applications in wearable technology. Real-time syncing and processing of data between wearables and our platform microservices as well as real-time health monitoring will enable life insurance companies to structure insurance products which are more customised and suited for the policy holders.

4.7 Marketing and sales strategies

All of our sales are carried out by our marketing and sales teams in Malaysia and Indonesia. Our Group's marketing and sales team is primarily responsible for planning and executing activities and serving our existing customers, while acquiring new customers.

Our sales leads are derived from the following marketing strategies:

(i) Direct approach

We secure sales through direct contact with prospective customers and/or participating in the tendering process. Our marketing and sales teams typically identify and shortlist a list of potential customers. If there is a business opportunity, our marketing and sales team will follow up with these customers to understand their IT needs and propose new solutions to address their business requirements.

(ii) Strategic alliances and referrals

We also secure new projects through referrals from our existing customers, business associates and industry networks. Having been in the life insurance software solutions industry for over 25 years, we have established long-term strategic relationships with our customers. Our customers routinely refer new business to us by "word of mouth". Through their recommendations, we have been able to secure new customers.

(iii) Industry conferences and events

Our marketing and sales team regularly participates in industry conferences, seminars and events from which we gather market intelligence. This allows us to expand our networks and broaden market exposure while interacting with industry participants as well as keeping up with relevant development trends in the life insurance industry and IT sectors.

These industry conferences and events are effective in allowing us to create market awareness of our Group as well as enabling us to demonstrate our capabilities to attract prospective customers and business opportunities. Further, it also allows us to increase brand visibility and introduce our range of life insurance software solutions to a wider target audience.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

(iv) Corporate website

We have established a corporate website at <https://www.dynafront.com> which provides easy access to information to our range of life insurance software solutions and is also an avenue for us to promote our brand, vision and values. Our website also provides a platform for point of contact with potential customers who have enquiries about our solutions.

4.8 Major customers

Our major customers comprise life insurance companies, Takaful operators, as well as independent corporate life insurance agencies. Our Group had a total of 14, 14 and 13 customers for the FYEs 30 June 2019 to 30 June 2020 and FPE 31 December 2020 respectively, with whom we have entered into contracts for the provision of proprietary software, managed services as well as other services and solutions.

Our top 5 major customers for FYEs 30 June 2019 to 30 June 2020 and FPE 31 December 2020 are as follows:

FYE 30 JUNE 2019

No	Customer	Country of incorporation	Solutions / services rendered	Revenue contribution in FYE 30 June 2019 (%)	Length of relationship as at LPD (years)
1	Customer A ⁽¹⁾	Malaysia	Proprietary software and others	61.7	5
2	Customer B ⁽²⁾	Singapore	Managed services	12.4	17
3	Customer C ⁽³⁾	Malaysia	Proprietary software	7.6	16
4	Customer D ⁽⁴⁾	Malaysia	Managed services	5.5	16
5	Customer E ⁽⁵⁾	Philippines	Proprietary software	4.5	6
				91.7	

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

FYE 30 JUNE 2020

No	Customer	Country of incorporation	Solutions / services rendered	Revenue contribution in FYE 30 June 2020 (%)	Length of relationship as at LPD (years)
1	Customer A	Malaysia	Proprietary software and others	41.3	5
2	Customer B	Singapore	Managed services	20.3	17
3	Customer F ⁽⁶⁾	Indonesia	Proprietary software	15.1	3
4	Customer C	Malaysia	Proprietary software	8.8	16
5	Customer D	Malaysia	Managed services	6.7	16
				92.2	

FPE 31 DECEMBER 2020

No	Customer	Country of incorporation	Solutions / services rendered	Revenue contribution in FPE 31 December 2020 (%)	Length of relationship as at LPD (years)
1	Customer B	Singapore	Managed services	28.4	17
2	Customer A	Malaysia	Proprietary software and others	19.6	5
3	Customer G ⁽⁷⁾	Indonesia	Managed services	18.6	1
4	Customer C	Malaysia	Proprietary software	11.9	16
5	Customer D	Malaysia	Managed services	7.5	16
				86.0	

Notes:

(1) Customer A is a family Takaful operator based in Malaysia and is principally involved in the management of family takaful businesses including investment-linked takaful business.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

- (2) *Customer B is a corporate life insurance agency based in Singapore and is principally involved in insurance agencies and agents including financial planning services. Our Group was engaged by Customer B to provide managed services to support its life agency distribution business in Indonesia. Customer B is related to Customer D by virtue of a director and substantial shareholder of Customer B being spouse to the controlling shareholder and director of Customer D.*
- (3) *Customer C is a Malaysian life insurance company and is principally involved in the underwriting of life and investment-linked insurance business.*
- (4) *Customer D is a corporate life insurance agency based in Malaysia and is principally involved in providing financial products and training services. Customer D is related to Customer B by virtue of the controlling shareholder and director of Customer D being spouse to a substantial shareholder and director of Customer B.*
- (5) *Customer E is a life insurance company in Philippines and is principally involved in the underwriting of life insurance.*
- (6) *Customer F is a Japanese life insurer based on Indonesia and is principally involved in the underwriting of life and investment-linked insurance business.*
- (7) *Customer G is a life insurance company in Indonesia and is principally involved in the underwriting of life and investment-linked insurance business.*

Customer A contributed to 61.7%, 41.3% and 19.6% of our revenues for the FYEs 30 June 2019 to 30 June 2020 and FPE 31 December 2020 respectively. This illustrates that our level of dependency on Customer A has decreased in line with our professional services fee billing milestone for the provision of proprietary software from FYEs 30 June 2019 to 30 June 2020 and FPE 31 December 2020.

While Customer B contributed to 12.4%, 20.3% and 28.4% of our revenues for the FYEs 30 June 2019 to 30 June 2020 and FPE 31 December 2020 respectively, we are not fully dependent on Customer B. Our managed services revenue from Customer B relates to commission-based fee for managed services which is charged based on a portion of the revenue ultimately generated from new insurance policies of Customer B. Further, we have a long term contract with Customer B for a period of 10 years, commencing from 1 December 2020.

While some customers may individually contribute more than 15% of our annual revenue from year to year, we do not rely on any particular customers for our business over the longer term. Their significant periodic revenue contributions are largely due to the nature of our contracts where a new project is typically very resource-intensive during the development / customisation and implementation phase (usually the first 12 to 18 months) where the bulk of our project revenue is generated and recognised. Thereafter, during the completion phase, resource utilisation tends to taper off, producing lower levels of revenue (as illustrated with Customer A). As we typically only implement a handful of major new projects each year, these customers naturally account for a significant portion of our revenue for that year.

In the case of Customer B and D, we have a revenue sharing arrangement. Therefore, when they secure new insurance policies yearly, we enjoy a corresponding revenue contribution. Going forward, as we anticipate to derive more revenue from managed services which relates to subscription based-fee, our Group's revenue shall be more spread out over the medium and longer term.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

4.9 Major suppliers

Our major suppliers comprise distributor and resellers of IT hardware and third-party software, data centre services, as well as external IT consultants that provide outsourced IT services to supplement our internal resources.

We only had 4 major suppliers for FYEs 30 June 2019 to 30 June 2020 and FPE 31 December 2020, details of which are as follows:

FYE 30 JUNE 2019

No	Suppliers	Country of incorporation	Products /services acquired	Purchases in FYE 30 June 2019 (%)	Length of relationship as at LPD (years)
1	Tec D (Malaysia) Sdn Bhd	Malaysia	IT hardware and software	56.9	10
2	Big Band Sdn Bhd	Malaysia	Data centre services	9.8	3
3	InfoConnect Sdn Bhd	Malaysia	IT services	6.1	4
4	iEnterprise Online Sdn Bhd	Malaysia	IT services	1.0	13
				73.8	

(The rest of this page is intentionally left blank)

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

FYE 30 JUNE 2020

No	Suppliers	Country of incorporation	Products /services acquired	Purchases in FYE 30 June 2020 (%)	Length of relationship as at LPD (years)
1	Tec D (Malaysia) Sdn Bhd	Malaysia	IT hardware and software	36.3	10
2	Big Band Sdn Bhd	Malaysia	Data centre services	11.1	3
3	InfoConnect Sdn Bhd	Malaysia	IT services	5.9	4
4	iEnterprise Online Sdn Bhd	Malaysia	IT services	2.0	13
				55.3	

FPE 31 DECEMBER 2020

No	Suppliers	Country of incorporation	Products /services acquired	Purchases in FPE 31 December 2020 (%)	Length of relationship as at LPD (years)
1	Big Band Sdn Bhd	Malaysia	Data centre services	18.7	3
2	Alibaba Cloud (Malaysia) Sdn Bhd	Malaysia	Cloud servers	10.3	1
3	iEnterprise Online Sdn Bhd	Malaysia	IT services	3.3	13
4	Ingram Micro (Malaysia) Sdn Bhd	Malaysia	IT hardware and software	2.1	1
				34.4	

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

We are not materially dependent on any one of our major suppliers as there are other comparable suppliers of IT hardware and third-party software, data centre services, as well as external IT consultants that can supply us with the services that we require.

In the instance of the supplies of IT hardware and its corresponding software, we only engage these suppliers when we secure contracts that relate to the provision of IT hardware and its corresponding software. We engage third-party IT consultants' services mainly to assist us to meet project deadlines when the volume of projects exceeds our in-house capability. We are not dependent on these third-party IT consultants as our projects are handled predominantly in-house by our IT consultants.

4.10 Seasonality

We do not experience seasonality in our business as the demand for life insurance software solutions are not subject to major seasonal fluctuations.

4.11 Interruptions to business and operations

Save for the interruption in our operations arising from the declaration of a nationwide lockdown in Malaysia following the outbreak of COVID-19, our Group has not experienced any interruption which has significantly affected our business during the past 12 months preceding the LPD.

Our business and operations faced some interruptions, especially in terms of our marketing and sales efforts, when the COVID-19 pandemic caused state of emergencies to be declared in Malaysia and the countries in which our customers operate, travel restrictions being imposed, quarantines being established and various institutions and companies being requested to halt operations during this period.

In response to the COVID-19 pandemic, the Government of Malaysia announced a nationwide MCO 1.0. During this period, only businesses providing essential services were permitted to operate. This was followed by the CMCO, and subsequently RMCO. Certain local economic sectors were allowed to resume operations progressively during the CMCO and RMCO periods subject to the adherence to a set of strict standard operating procedures.

We temporarily suspended our office operations from 18 March 2020 to 12 May 2020 in compliance with the Restriction of Movement Order introduced by the Government of Malaysia as a result of the COVID-19 outbreak. Our employees were only allowed to return to work in our office and to visit the premises of our local customers from 13 May 2020 onwards. Nevertheless, we were able to continue operations by working remotely during the period when we suspended office operations.

On 11 January 2021, the Government of Malaysia once again announced the implementation of MCO 2.0 with certain restrictions in selected states beginning 13 January 2021 until 26 January 2021 to curb the rising COVID-19 cases. This MCO 2.0 has since been extended until 4 March 2021 in Selangor, Johor, Penang and Kuala Lumpur. The Government of Malaysia decided to lift MCO 2.0 and place Selangor, Kuala Lumpur, Johor, Penang and Kelantan under CMCO starting 5 March 2021, while the rest of the states in Malaysia were placed under RMCO until 31 March 2021. The CMCO in Selangor, Kuala Lumpur, Johor and Penang and the RMCO in others states have since been extended until 17 May 2021, while Kelantan was placed under MCO during this period. During this period, all economic sectors were allowed to operate. Our employees were able to continue business operations during this period by adopting and transitioning to work remotely, to minimise and avoid contact in the workplace.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

On 10 May 2021, the Government of Malaysia announced MCO 3.0, a nationwide lockdown from 12 May 2021 to 7 June 2021 as the nation faces rising COVID-19 infections. Based on the increasing trend of daily COVID-19 cases, the Government of Malaysia has decided to take more drastic and stringent measures to curb the spread of COVID-19 infections in the community and prevent a sharp increase in cases. On 28 May 2021, the Government of Malaysia announced the first phase of a full closure of social and economic sectors for 14 days beginning 1 June 2021 till 14 June 2021, which has since been extended to 28 June 2021. During this period, all sectors are not allowed to operate except the essential services and economic sectors. In compliance with the directive from the Government of Malaysia, our employees continue to work from home while our technical team continues to provide remote technical support and maintenance services, in our efforts to minimise disruptions in our business operations and service levels to our customers.

The impact of COVID-19 on our business and operations is as follows:

(i) Impact on our financials and operations

The COVID-19 outbreak had affected certain of our customers' business operations resulting in ongoing projects being rescheduled. As an illustration, the project delivery schedule from one of our projects was delayed by four months. However, the delivery of our ongoing projects and the provision of our maintenance and support services was not materially affected as these services can be performed remotely.

Our existing and prospective customers whose operations were adversely affected by the COVID-19 pandemic may have a tighter budget in place and opt to temporarily delay or abort their expenditure on life insurance software solutions which then resulted in weaker demand for our proprietary software. This impacted the revenue that we secured in FYE 30 June 2020.

In addition, we are restricted from carrying out marketing and sales activities involving physical interaction such as participating in conferences and events due to regulatory enforcement of the MCO 1.0, MCO 2.0 and MCO 3.0 respectively. In order to mitigate the impact arising from physical distancing measures, we have been actively performing marketing and sales activities through online channels such as online video conferencing and virtual products demonstration.

Save for the deferment of certain proprietary software development, customisation, and implementation projects during MCO 1.0, our Group has not received any notice from existing customers to terminate the projects that we have secured or claim for any liquidated damages as at LPD.

(ii) Impact on our business operations and expansion plans in the Indonesian market

In Indonesia, the Government of Indonesia had on 2 April 2020 declared a Pembatasan Sosial Berskala Besar ("PSBB"), whereby governors of the respective provinces are required to apply with the Ministry of Health Republic of Indonesia to implement the PSBB in their provinces. Provinces that received approval to implement the PSBB had ordered for the closure of all private premises except for those involved in essential services. Provincial governors, gauging the improvement on COVID-19 containment, may subsequently announce for the relaxation of control measures for their respective provinces.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

Since 26 September 2020, foreigners or non-Indonesian citizens are banned from entering Indonesia, except for those who are already working or possess a valid working permit in the country or are otherwise eligible under a number of categories stipulated in Minister of Law and Human Rights Regulation No. 26/2020 (or Permenkumham No. 26/2020) on visas and residency permits during the new normal adaptation period, as well as Directorate General of Immigration of the Indonesian Government Circular No. IMI-0661.GR.01.01 of 2021 on provisions on visas and stay permits during the new normal period. Indonesia still implements a partial lockdown wherein public and commercial activities are restricted to certain hours of the day. Domestic travel is not restricted but is subject to a negative COVID-19 test result.

The Government of Indonesia declared Pemberlakuan Pembatasan Kegiatan Masyarakat (“**PPKM**”) which took effect commencing 11 January 2021, and required governors of the respective provinces to apply the enforcement of PPKM in their respective provinces. Under the PPKM policy, workplaces are required to have 75% of their employees to work from home. Subsequently, the Government of Indonesia took more drastic measures to curb the spread of COVID-19 cases on account of the sharp increase in COVID-19 cases. The Micro PPKM was then implemented on 9 February 2021 and it has since been extended to 17 May 2021. The Minister of Economy and Chairman of the COVID-19 Management and National Economic Recovery Committee of Indonesia announced the re-implementation of Micro PPKM from 1 June 2021 to 14 June 2021 in order to suppress the spread of COVID-19 cases in the country. Under the Micro PPKM, workplaces are required to implement work from home for at least 50% of their capacity.

In view of the lockdown, travel restrictions and social distancing measures imposed, our business operations in Indonesia were not affected as our technical consultants who serves our customers across the Southeast Asian region are based in Malaysia. Our technical consultants are able to continue implementation works of life insurance software solutions for our Indonesian customers remotely. In addition, the provision of maintenance and support services to our Indonesian customers were not affected as maintenance services can be provided off-site.

Our marketing and sales activities in relation to our expansion in Indonesia were affected during this period. As a result of lockdown, travel restrictions and social distancing measures, we are unable to carry out marketing and sales activities in Indonesia such as attending conferences and events as well as meeting prospective customers. As such, our Group relied on virtual meetings to initiate contact with prospective customers in Indonesia during the lockdown period.

Notwithstanding this, our Group managed to secure two new projects in 2020 and 2021 despite the pandemic situation in Indonesia. We secured our first-cloud based managed service contract with Customer G, as well as a system and gap analysis project for a multinational life insurance company in Indonesia. However, certain works were restricted during the lockdown period, such as physical sighting of confidential documents and delays in extracting information required, which caused slight delays to our project delivery schedule.

Upon reopening of borders and lifting of travel restrictions, we intend to set up a technical support centre in Jakarta, Indonesia. Please refer to Section 4.7 of this Information Memorandum for further details on our marketing and sales activities and Section 4.12 of this Information Memorandum for further details on our expansion plans in the Indonesian market.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

- (iii) Impact on our business cash flows, liquidity, financial position and financial performance

As our customers in the local and foreign markets are affected by the COVID-19 pandemic, the project delivery schedules of our on-going proprietary software development, customisation, and implementation experienced some impact. As an illustration, our billing schedule for one of these projects was delayed by two months. Consequently, our revenue in FYE 30 June 2020 was affected.

- (iv) Impact to our business and earnings prospects

Demand for our solutions will be temporarily affected due to the following:

- (a) slowdown in demand for life insurance software solutions as life insurance companies, Takaful operators as well as independent corporate life insurance agencies affected by the COVID-19 pandemic are cautious in their IT expenditure or delay their IT project implementations; and
- (b) we are restricted from undertaking physical marketing and sales activities especially for our overseas markets.

- (v) Disease control measures implemented in our workplace

We have put in place the following disease control measures to curb the spread of COVID-19:

- (a) compulsory wearing of face masks;
- (b) recording of daily body temperature measurements and symptoms screening for employees and visitors at our workplace;
- (c) frequent sanitisation of common areas of workplace;
- (d) physical distancing of at least one metre at workplace;
- (e) avoidance of unnecessary work activities which require travelling and face-to-face meetings; and
- (f) all employees are encouraged to work from home.

As at LPD, our Group has incurred approximately RM3,000 for the implementation of COVID-19 disease control measures. The costs incurred were mainly for the procurement of thermometers, provision of face masks for employees and visitors, purchase of disinfectant liquids, sprays and hand sanitisers.

4.12 Business strategies and future plans

Our objectives are to maintain our position as a well-established life insurance software solutions provider and maintain sustainable growth in our business. To achieve our business objectives, we have formulated the following business strategies:

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)**(i) We aim to intensify our expansion in the Indonesian market**

We aim to broaden our customer base by expanding in Indonesia through setting up a technical support centre in Jakarta, Indonesia. This technical support centre will support our customers in Indonesia in terms of IT infrastructure and development of software solutions. Presently, our technical support centre in Malaysia is the only support centre that serves our customers across the Southeast Asian region.

The presence of a local technical support centre will provide timely, efficient and cost-effective support for our customers in Indonesia. This is expected to enhance our service quality by reducing the time required to resolve and rectify issues as well as to improve customer satisfaction.

We have also hired an experienced insurance executive as our Country Manager in Jakarta, Indonesia to oversee our overall business development activities in Indonesia. Further, we plan to recruit 2 technical staff with IT experience who will also be supported by our team in Malaysia to oversee the business operations of this technical support centre.

<u>Description</u>	<u>Country</u>	<u>Progress status</u>	<u>Timeframe*</u>	<u>Utilisation of proceeds (RM'000)</u>
Setting up of technical support centre	Indonesia	On-going	24 months	1,000

Note:

* Estimated timeframe from the date of the Proposed Listing of our Shares

(ii) We intend to strengthen and expand our solution offerings through R&D activities

As the IT industry is a fast-paced industry, we believe that it is crucial for our Group to recognise the importance of continuous R&D efforts. This will allow us to keep up with technological advancements and equip ourselves with new techniques and skill sets to strengthen and expand our solution offerings. In particular, we intend to continue our R&D focus on:

(a) Expanding our cloud-based solutions

We plan to expand and shift our existing proprietary software solutions to cloud-based infrastructure due to the advantages of stability, speed and scalability.

With the development of internet technology, cloud servers are growing in popularity among users. We believe that the shifting of our life insurance software solutions to cloud-based infrastructure will facilitate the process of data exchange, improve correlation, accuracy and timeliness of traffic information services and increase flexibility and convenience in handling business operations.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

Further, the expansion of cloud-based solutions may also encourage our existing customers to engage us to upgrade and migrate their existing life insurance software solutions to cloud-based solutions. This could potentially generate more business opportunities for our Group.

We plan to expand our existing cloud-based solutions by leveraging on existing microservices architectural framework to make our software solutions more “lightweight”.

(b) Developing and adopting AI technology in our life insurance software solutions

We intend to enhance our life insurance solution capabilities with AI technology. The adoption of AI technology in our middleware will significantly give our life insurance software solutions the ability to gather information, analyse data by running the appropriate model(s) and learn from data to perform tasks and make decisions with limited and/or without manual interference.

Presently, we are still at the early stage of R&D. However, through our R&D initiatives, we plan to adopt AI technology in our pre-sales and sales modules, which focus on front-end marketing activities.

We intend to leverage AI technology to assist our customers to improve agency performance by accelerating the implementation of their strategic direction and achieve business objectives. Through the adoption of AI, our life insurance software solutions will be equipped with capabilities to analyse data, identify consumer characteristics, predict customer behaviour, profile match with agents and optimise price of life insurance products. The value-added features of AI technology could facilitate the measuring and monitoring of key performance indicators and assist in the identification of strengths and weaknesses.

Upon successful adoption of AI technology in our life insurance software solutions, we will roll out this feature to our customers’ system gradually in phases over the applicable modules. We will further complement these AI functionalities with data analytics in our middleware. We will also provide training sessions to our customers in respect of the AI technology, if required.

Accordingly, we plan to hire 3 additional employees who have technical expertise in coding and programming such as programmers, data scientist and data analysts, to carry out R&D developments of the AI modules and integrate these into our existing life insurance software solutions as well as expand and enhance our cloud-based.

(The rest of this page is intentionally left blank)

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

Description	Progress status	Timeframe*	Utilisation of proceeds (RM'000)
R&D activities			
(a) Expansion of cloud-based solutions	On-going	24 months	320
(b) Developing and adopting AI technology	On-going	24 months	350
Total			670

Note:

* Estimated timeframe from the date of the Proposed Listing of our Shares

(iii) We intend to strengthen business relationships with our existing customers by delivering customised solutions that meet their requirements

Based on our experience and track record in the industry, we have acquired the capabilities to customise software through the process of designing, developing, deploying and maintaining software. Given that every requirement is unique, our ability to assess and tailor solutions to accommodate these requirements is our Group's key strength.

We strive to strengthen business relationships with our existing customers by supporting their business and operational requirements. We also intend to constantly assist them in software updates, software customisation and enhancement of module features according to their business and reporting requirements. For instance, the recent standardisation of insurance accounting standards globally, IFRS 17 will significantly change the financial reporting standards for insurance organisations when it comes into effect on 1 January 2023. The implementation of IFRS 17 will result in significant changes to the way financial information is presented as it will fundamentally change the accounting and reporting practices of insurance companies.

MFRS 17, being the Malaysian equivalent of IFRS 17, will be effective for reporting periods beginning on or after 1 January 2023. MFRS 17 is word-for-word of IFRS 17 Insurance Contracts issued by the International Accounting Standards Board, replacing the existing Standard on Insurance Contracts. MFRS 17 is designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. The new MFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. The implementation of MFRS 17 in Malaysia has been deferred to 1 January 2023 in line with the implementation of IFRS 17.

In anticipation of this, we intend to enhance our systems to address the more extensive reporting requirements under IFRS 17. We foresee that it is a market opportunity for our Group to engage with our existing customers in developing new functions to address this issue. Upon successful implementation, our Group believes the provision of such new functionalities in our life insurance software solutions would allow our customers to better analyse complex insurance contracts while providing detailed information on performance and risk exposure.

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

4.13 Prospects of our Group

Our Board is optimistic of our Group's long-term prospects, taking into consideration our competitive strengths as elaborated in Section 4.4, our future plans as elaborated in Section 4.12 of the Information Memorandum and the following industry trends as well as life insurance market potential based on the IMR Report.

The life insurance software solutions industry in Malaysia increased from RM89.7 million in 2014 to RM163.4 million in 2019 at a CAGR of 12.8%. During this period, the capital expenditure of conventional life insurers rose from RM74.2 million to RM94.6 million at a CAGR of 5.0%, while the capital expenditure of Takaful operators rose from RM15.5 million to RM68.8 million at a CAGR of 34.7%. PROVIDENCE projects the life insurance software solutions industry to grow from RM163.4 million in 2019 to RM204.3 million in 2023 at a CAGR of 5.7%.

With the support of life insurance software solutions, insurance firms' capabilities have been upgraded in the following areas:

- greater operational capabilities in terms of more flexible resource allocation, faster response, enhanced business capacity, more comprehensive product range and smoother workflow; and
- more efficient operational support in terms of increased operational efficiency, optimised operational quality, and reduced operating costs.

The potential growth prospects of the life insurance market in Malaysia are also anticipated to spur demand for life insurance software solutions. Malaysia's insurance and Takaful sector continued to show positive growth in 2019. Total premiums and contributions increased by 15.1% to RM12.6 billion (2015: +2.3% to RM11.0 billion), while combined insurance and Takaful assets expanded by 9.2% to RM287.4 billion (2015: +3.2% to RM263.1 billion). However, insurance penetration rate, measured by the ratio of total number of life insurance and family Takaful policies in force to the total population, has remained fairly static within the range of 54% to 56% over the last five years. This is still believed to be inadequate even for the insured population, with industry studies estimating an average protection gap in Malaysia of between RM553,000 for families whose primary wage earner has some form of life insurance, to RM723,000 for families without any form of life insurance taken by the primary wage earner. With measures being taken to improve the penetration rate of life insurance policies in Malaysia, insurers will require more robust life insurance software solutions that can support new product development, provide stability for daily operations, support regulatory reporting requirements, and are equipped with new technologies that enable data analytics. Thus, growth in life insurance penetration rates will also support the adoption of life insurance software solutions.

Indonesia exhibits resilient economic growth and is becoming one of the world's most attractive markets for life insurance propositions due to a low insurance penetration rate, a large population, and expanding consumer class. The underdeveloped market in Indonesia and growth of its young demographic makes it one of the fastest growing life insurance markets in the world and it presents multinational insurance companies with opportunities to tap the expanding middle class of Indonesia. As life expectancy, income and financial literacy improves in the country, the need for life insurance is increasing. The potential for life insurance in Indonesia is significant, with penetration rates for conventional life insurance policies hovering between 15% to 20% between 2015 and 2019.

(Source: IMR Report)

4.0 PRINCIPAL ACTIVITIES AND KEY PRODUCTS (CONT'D)

4.14 Employees

As at the LPD, our Group has a total workforce of 50 employees. The following depicts the breakdown of our full-time employees in Malaysia and Indonesia, respectively:

Category	Malaysia	Indonesia
Directors	2	1*
Key senior management	6	1
Technical team comprising:		
▪ Project managers	10	-
▪ Quality assurance	3	-
▪ Software developers	15	-
▪ Technical support	2	-
Marketing and sales	1	-
Human resource and administration	7	2
	46	4

Note:

* Although Chan Eng Lim and Gan Hui Ping are respectively Director and Commissioner of DynaFront Indonesia, they are not full-time employees of DynaFront Indonesia.

None of our employees belong to any labour union. The relationship between our management and our employees have always been good and is expected to continue in the future. As at the LPD, there has been no industrial dispute pertaining to our employees.

(The rest of this page is intentionally left blank)

5.0 RISK FACTORS

THE RISK FACTORS WHICH MAY MATERIALLY AFFECT OUR BUSINESS, INDUSTRY IN WHICH WE OPERATE AND YOUR INVESTMENT IN OUR COMPANY AS SET OUT IN THIS SECTION ARE NOT MEANT TO BE AN EXHAUSTIVE LIST OF ALL CURRENT AND POTENTIAL RISKS THAT WE FACE. NOTWITHSTANDING OUR PROSPECTS OUTLINED IN THIS INFORMATION MEMORANDUM, YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS, IN ADDITION TO OTHER MATTERS SET FORTH IN THIS INFORMATION MEMORANDUM BEFORE YOU ARRIVE AT AN INVESTMENT DECISION.

5.1 Risks relating to the industry in which we operate

5.1.1 Our business and operations are exposed to unanticipated disruptions caused by outbreak of pandemics

In late 2019 and early 2020, the emergence and widespread of COVID-19 took place globally and led to public health crises worldwide. The pandemic has caused state of emergencies being declared in various countries, travel restrictions being imposed, quarantines being established and various institutions and companies being requested to halt operations.

In response to the COVID-19 pandemic, the Government of Malaysia has since invoked the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 to implement a nationwide MCO 1.0 which was effective from 18 March 2020 until 3 May 2020. This was followed by a CMCO on 4 May 2020 which allowed selected business sectors to resume operations and a recovery MCO from 10 June 2020 to 31 August 2020, which was subsequently extended to 31 December 2020. On 11 January 2021, the Government of Malaysia once again announced the implementation of MCO 2.0 with certain restrictions in selected states beginning 13 January 2021 until 26 January 2021 to curb the rising COVID-19 cases. This MCO has since been extended until 4 March 2021 for Kuala Lumpur, Selangor, Johor and Penang. The Government of Malaysia decided to lift MCO 2.0 and place Selangor, Kuala Lumpur, Johor, Penang and Kelantan under CMCO starting 5 March 2021, while the rest of the states in Malaysia were placed under RMCO until 31 March 2021. The CMCO in Selangor, Kuala Lumpur, Johor and Penang and the RMCO in other states have since been extended until 17 May 2021, while Kelantan was placed under MCO during this period. On 10 May 2021, the Government of Malaysia announced MCO 3.0, a nationwide lockdown from 12 May 2021 to 7 June 2021 as the nation faces rising COVID-19 infections. Based on the increasing trend of daily COVID-19 cases, the Government of Malaysia has decided to take more drastic and stringent measures to curb the spread of COVID-19 infections in the community and prevent a sharp increase in cases. On 28 May 2021, the Government of Malaysia announced the first phase of a full closure of social and economic sectors for 14 days beginning 1 June 2021 till 14 June 2021, which has since been extended to 28 June 2021. During this period, all sectors are not allowed to operate except the essential services and economic sectors.

In the event the outbreak of COVID-19 in Malaysia is intensified, prolonged or reoccurs, a further extension and/or stricter phase of MCO may be imposed and as a result, our Group may be unable to carry on its normal business activities and physical marketing and sales activities in order to comply with such order.

5.0 RISK FACTORS (CONT'D)

While we have taken precautionary measures in light of the COVID-19 virus outbreak, our business operations could be disrupted if any of our employees contract or is suspected of having contracted this virus, since government regulations require the affected employee(s) to be quarantined and our offices to be shut down for disinfection and sanitisation. Likewise, any of our customers' business operations could also be disrupted in order to comply with government regulations. Consequently, this may result in disruptions to our operations and delays in meeting our project delivery timelines, which in turn could have an impact on our billing schedules. We have leveraged on digital communication tools such as teleconferencing technology, remote access capabilities and messaging applications to improve our ability to adapt and reduce such impact on our operations and performance. Further details on the impact of COVID-19 on our Group's operations is set out in Section 4.11 of this Information Memorandum.

5.1.2 We face competition within our industry

Our competitors compete in terms of technology, range and quality of services, price and timeliness of project delivery. Some of our competitors may have more established relationships with insurance companies, longer operating histories, be larger firms or be equipped with better resources, possess comparable software and technical expertise as compared to our Group, thereby allowing them to offer more comprehensive or compelling value propositions to our potential customers.

Our Group may face price-cutting pressures from existing or new competitors who adopt aggressive pricing strategies and offer more attractive sales terms. As a result, we may lose potential sales or be forced to offer our solutions and services at a lower price to maintain or expand our market share. If our existing or potential competitors successfully develop or offer solutions and services at a better price and quality, or if we are unable to respond successfully to changes in the competitive landscape, our business and financial performance may be negatively affected.

In an effort to mitigate this risk, we have positioned ourselves as a specialist life insurance software company with R&D capabilities. We develop our own proprietary life insurance software, which is customised for each customer based on its business and operating requirements. This differentiates us from other competitors that serve life insurance companies. Through our R&D activities, we develop new add-on modules as well as new software solutions to retain our existing customers as well as attract new customers. Further, our 25 years of operating history coupled with our implementation track record serves to strengthen our reputation in the industry.

In Indonesia, we have recruited an experienced insurance executive as our Country Manager based in Jakarta. He is responsible for developing growth strategies as well fostering customer relationships so that we remain competitive. Nonetheless, there is no assurance that we will be able to compete effectively with current and potential new entrants in the future, and that the degree of competition will not intensify in the future.

5.1.3 We may not be able to respond in a timely manner to changes in technology, customer requirements, industry standards and regulatory compliance requirements

The market for life insurance software solutions requires responsiveness to technological advancements, customer requirements, evolving industry standards and regulatory compliance requirements imposed by governing authorities as well as the changing IT operating environment due to the proliferation of digital and cloud technologies.

5.0 RISK FACTORS (CONT'D)

Our Group's success depends on our continued ability in:

- (i) timely adapting to technological advancements;
- (ii) continuously improving our technical knowledge in response to changing technologies;
- (iii) continuously meeting the industry requirements including conformity with new operational standards; and
- (iv) continuously enhancing the features and developing new functionalities of our software solutions.

We undertake continuous R&D to improve and enhance our software solutions and we have broadened the portfolio of our software solutions and services to meet the changing requirements of our customers as well as industry standards. However, there is no assurance that we would be able to continue to do this as we may not have sufficient resources and, technical expertise and/or be responsive enough to react to new technologies and software developments. Further, the timely development of new or enhanced software solution is a complex and uncertain process, which requires substantial resources in terms of technical expertise as well as accurate anticipation of market trends.

If we are unable to anticipate trends in technological developments or are unable to adequately upgrade our capabilities to develop new and innovative solutions in a timely manner, our business and financial performance may be adversely impacted.

5.2 Risks relating to our Group

5.2.1 Our Group's revenue is derived from a small group of customers

Due to the nature of our business where we execute a limited number of large projects in a year, as well as the inherent nature of the life insurance industry where the number of players is limited, we have historically relied on a small base of customer for our revenue generation at any particular period of time, although many of whom are repeat customers. We also have customers from which we generate consistently large recurring revenue streams under the managed services model, which is a revenue sharing and/or subscription-based model. These customers contribute to smaller initial project implementation fees for our Group, but in return, they contribute to future recurring revenue.

Our top 5 customers contributed to 91.7% and 92.2% of our revenues in the FYE 30 June 2019 and FYE 30 June 2020 respectively, thereby exposing us to customer concentration risk. We deliver proprietary software and managed services to these customers, where this contributes to project-based revenue as well as recurrent revenue for our Group.

(The rest of this page is intentionally left blank)

5.0 RISK FACTORS (CONT'D)

Major customers	Country of operations	Revenue contribution		Length of business relationship as at LPD
		FYE 30 June 2019	FYE 30 June 2020	
		(%)	(%)	(years)
Customer A ⁽¹⁾	Malaysia	61.7	41.3	5
Customer B ⁽²⁾	Singapore	12.4	20.3	17
Customer F ⁽¹⁾	Indonesia	-	15.1	3
Customer C ⁽¹⁾	Malaysia	7.6	8.8	16
Customer D ⁽²⁾	Malaysia	5.5	6.7	16
Customer E ⁽¹⁾	Philippines	4.5	-	6
		91.7	92.2	

Notes:

- (1) *Project-based revenue.*
- (2) *Managed services which are recurrent in nature and based on long term contract periods of 10 years and 11 years respectively.*

There is no assurance that our customers who engage us for proprietary software installation projects will continue to engage us for the provision of other modules of life insurance software solutions or maintenance and support services upon completion of their initial contract with our Group. In the event we lose any of our customers and/or are unable to secure new contracts of similar or greater value within a timely manner, our revenues will be affected. In respect of managed services revenue, while the revenue for FYE 30 June 2019 and FYE 30 June 2020 have been increasing, there is no assurance that the increasing trend of our revenue will continue in the future as our revenue is commission-based and dependent on the volumes and values of transactions generated from the provision of managed services.

Taking into cognisance of the above, our top 5 customers may not be the same from year to year. When we execute a large project for a particular customer, that customer will almost inevitably become one of our top 5 customers for that year (and perhaps the following year) as the implementation phase of a large project lasts 12-18 months. Thereafter, revenue contribution from this customer typically declines as we generate a smaller but recurring stream of maintenance and support fee revenue. The customer will likely be replaced in the top 5 ranking by other customers executing new projects with us.

The revenue from 2 of our top 5 customers listed above are derived from managed services which are recurrent in nature. Some salient terms of the contracts with these 2 customers are:

Customers	Salient terms	Tenure
Customer B / D	Agreement between DynaFront Systems and Customer B and D respectively, where DynaFront Systems is engaged for managed services, where it provides and maintains the online agency management system.	10 years & 11 years respectively

5.0 RISK FACTORS (CONT'D)

Fees payable to DynaFront Systems (restricted to first year premium income) are as follows:

- Between 0.525% to 1% of the first year total regular premium income generated by the agency channels of Customer B and D respectively.
- 0.0335% of the total gross single premium income generated by the agency channel of Customer D.

Specifically, DynaFront Systems earns between 0.525% to 1.000% for every new insurance policy secured over the contract period by Customers B and D respectively. DynaFront Systems does not derive revenue for the renewal of existing insurance policies.

While our past customers may no longer engage us for projects, our established relationships with them enable us to have better understanding of their business needs, and hence allow us to develop and market our potential new products to them more effectively.

Our Group considers that our revenue model is sustainable despite such dependency risk, among other factors, we have been able to secure new projects with new customers and continue to diversify our customer base. In particular, we try to differentiate ourselves by providing not only life insurance software solutions, but also assisting our customers in achieving IT agility by customising software solutions that meet their business requirements.

Notwithstanding the above, our business performance could be affected by our customers' revenue fluctuation and there is no assurance that our customers will continue their business relationships with us in the future.

5.2.2 We may be subject to the risk of loss of customers due to mergers and acquisitions within the industry or migrations to online channels

The insurance industry in Malaysia is undergoing consolidation arising from mergers and acquisitions among industry players and the entry of foreign insurance companies through acquisition. This exposes us to the risk of declining insurers and agency distribution channels as well as disruption of existing distribution relationships.

Our customers are largely small and medium sized local and foreign insurance companies. In the event our customers are acquired by other insurance companies, and we are unable to continue to deliver our solutions, including maintenance and support services to these customers or their acquirors, our financial performance will be impacted.

Further, our customers may also experience the loss of agency workforce arising from migration to online channels, which may affect the revenue that we derive from managed services.

Realising the growth potential of online distribution channels, our Group's new lightweight microservices technology framework is designed to cater to this evolving trend specifically for life insurance companies with digital life insurance products.

5.0 RISK FACTORS (CONT'D)

However, this initiative is still at early stages and there is no assurance that it would provide meaningful contribution to our revenue.

5.2.3 We are dependent on our executive directors and key senior management

The success of our Group is dependent, to a significant extent, on the abilities, skills, experience, competency and continuous effort of our executive directors and key senior management team. We attribute our continuing success to the leadership and continued contributions of our key senior management team, led by our founder and Managing Director / Group Chief Executive Officer, Chan Eng Lim. They are collectively responsible for the overall corporate and business development and business strategies as well as implementing business plans and driving the growth of our Group.

The loss of any of our executive directors and key management personnel within a short time may potentially create an unfavourable impact on our Group's business operations, if there is a lack of succession planning, timely replacement or inability to retain qualified personnel. Our Group has introduced measures to mitigate this risk, among others, by developing standard operating procedures for software development and implementation to reduce disruption to our business operations in the event of loss of our key senior management. We also strive to provide a conducive working environment, cross training opportunities, international exposure, equal opportunity for career progression as well as competitive salary.

5.2.4 We are exposed to foreign exchange risks

We are a company with international operations and hence some of our revenue is denominated in foreign currencies, namely IDR, USD and SGD. This inherently subjects us to foreign currency exchange rate fluctuations affected by a myriad of factors that are beyond our control. Therefore, any significant change in foreign exchange rates may affect our Group's financial results.

For FYE 30 June 2019 to 2020 and FPE 31 December 2020, the currency breakdown of our revenue is as follows:

	Audited				Unaudited	
	FYE 30 June 2019		FYE 30 June 2020		FPE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%
IDR	-	-	⁽ⁱ⁾ 1,454.0	15.1	⁽ⁱ⁾ 681.1	17.4
USD	⁽ⁱⁱ⁾ 708.1	5.8	⁽ⁱⁱ⁾ 19.7	0.2	⁽ⁱⁱ⁾ 745.9	19.1
SGD	⁽ⁱⁱⁱ⁾ 2,041.8	16.8	⁽ⁱⁱⁱ⁾ 2,382.9	24.8	⁽ⁱⁱⁱ⁾ 822.9	21.1
RM	9,414.0	77.4	5,763.3	59.9	1,653.6	42.4
Total revenue	12,163.9	100.0	9,619.9	100.0	3,903.5	100.0

Notes:

- (i) Based on average exchange rate of MYR1.00: IDR0.000293 for FYE 30 June 2020 and MYR1.00: IDR0.000286 for FPE 31 December 2020
- (ii) Based on average exchange rate of MYR1.00: USD3.9385 for FYE 30 June 2019, MYR1.00: USD4.2592 for FYE 30 June 2020 and MYR1.00: USD4.1420 for FPE 31 December 2020
- (iii) Based on average exchange rate of MYR1.00: SGD3.0243 for FYE 30 June 2019, MYR1.00: SGD3.0446 for FYE 30 June 2020 and MYR1.00: SGD3.0736 for FPE 31 December 2020

5.0 RISK FACTORS (CONT'D)

Although we do not adopt any formal hedging policy to minimise our foreign exchange exposure, our management team continuously monitors our foreign exchange exposure and reviews our Group's need to hedge. As at LPD, we do not have any outstanding currency forward contracts. However, we may opt to bill our foreign customers in USD to minimise this risk or enter into currency forward contracts in the future, if deemed necessary.

Notwithstanding the above, our business performance could be affected by any adverse movement in foreign exchange rates.

5.2.5 We may not be able to maintain a sufficient number of skilled and experienced technical personnel

Our success also depends, to a significant extent, on our ability to attract, train and retain technical personnel with skills and knowledge in our industry. As the number of such eligible staff is fairly limited in the market, especially those with experience in software programming, therefore, there can be no assurance that we will be able to continue to attract and retain competent and experience technical personnel. Further, we may also experience loss of technical personnel due to turnover that may cause a shortfall in our workforce, thereby limiting our ability to grow our revenues.

In addition, new hires may also require significant training and time before they can achieve full productivity. We cannot guarantee that the newly hired personnel will become productive as quickly as we expect. Therefore, if our Group is unable to attract, train and retain skilled and experienced technical personnel to keep pace with our expected growth, our competitiveness, business and financial condition may be affected.

However, our Group has introduced measures to mitigate this risk, among others, by developing standard operating procedures for software development and implementation to ensure minimal disruption to our R&D and project implementation activities in the event of loss of technical personnel. We also strive to provide a conducive working environment, international exposure, equal opportunity for career progression as well as competitive salary.

5.2.6 We may be subject to risk of competition for technical personnel from in-house IT departments of life insurance companies

Arising from technological developments and regulatory compliance requirements in the insurance industry in recent years, insurance companies are paying more attention to digital technologies and seeking to deploy software solutions that will enhance their business operational efficiency. Hence, this development has prompted life insurance companies to take steps to improve their IT infrastructure and digital capabilities to enhance their business and keep up with the changing technological advancements by improving resources for their in-house IT departments. This may result in increasing demand for our technical personnel.

While the focus of these IT departments is largely to ensure that the installed life insurance software is operational on a daily basis, with maintenance and support services carried out periodically, or as needed, there is no guarantee that life insurance companies will continue to deploy external software solutions, in which case, we may face competition from these in-house IT departments of life insurance companies.

5.0 RISK FACTORS (CONT'D)

5.2.7 We are exposed to changes in customers' specifications arising from change requests from our customers

We provide life insurance software solutions and services according to our customers' specifications and other contractual obligations imposed on us, of which such specifications and contractual obligations will be stipulated in the contracts that we enter into with our customers.

However, during the course of implementation, we may receive change requests from our customers that may lead to significant changes in scope of works, cost and project delivery timeline. However, there are avenues for us to propose workarounds to overcome such obstacles, subject to the acceptance of our customers. Any additional fees or costs to be incurred arising from such change requests will be agreed upon by our customers before we initiate the change requests.

While we have not encountered such a situation which resulted in significant changes in scope of works, cost and project delivery timeline, there is no guarantee that we will always be able to satisfy such change requests with minimal disruption to our workflow and allocated budget.

5.2.8 Our life insurance software solutions may contain errors or defects

Our life insurance software solutions involve a variety of hardware and/or software and may have coding errors or defects that may impair our customers' ability to use our solutions. This may occur during the first launching of the software, subsequent enhancements or software updates. The models and algorithms that we use for our solutions may also contain design or performance defects that are not detectable despite our detailed internal testing and quality control measures. Further, the hardware and software that we source and our customers' existing IT infrastructure may also be exposed to compatibility issues. In the event our life insurance software solutions contain errors and/or defects, we will resolve and rectify such issues immediately to avoid any further disruption and interruption to our customers' business operations.

As part of our services, our Group usually grants six months of warranty period to our customers upon successful implementation of our proprietary solutions. During this period, any problems not owing to our customers' faults, defects or errors in third party hardware and/or software will be rectified by us.

As at LPD, we have not experienced any major errors and defects to our proprietary software solutions which we have been unable to rectify. However, in the event our solutions fail to perform as agreed and we are unable to resolve the issue in a timely manner, our relationships with our customers may be affected. Any defects, errors or under performance of our solutions could result in the loss of customers, delay in revenue recognition, rectification costs and damage to our market reputation, which could have an adverse effect on our business and financial performance.

5.2.9 We are exposed to credit risks

We generally grant a credit period of 14 days upon issuance of invoices to our customers. For FYE 30 June 2019, FYE 30 June 2020, FPE 31 December 2019 and FPE 31 December 2020, our average trade receivables turnover days were approximately 63, 92, 89 and 59 days respectively.

5.0 RISK FACTORS (CONT'D)

While we require our customers to make progress payments based on stages of work completed, we may not be able to collect our trade receivables in a timely manner, and some of our customers may delay payments due to reasons beyond our control. In the event we encounter any difficulty in collecting a substantial portion of our trade receivables from our customers, our cash flow and working capital may be put under pressure.

As at LPD, trade receivables as at 30 June 2020 which are past due but not impaired amounted to RM10,000 or 0.4% of our trade receivables as at 30 June 2020. As at the date of this Information Memorandum, the outstanding balance has been fully received by the Group. While we have not impaired any credit loss in the financial years under review and up to the LPD, there can be no assurance that our customers will be able to fulfil their payment obligations in a timely manner and that we will not encounter any collection problems in the future. In the event there is any default or delay in collection payment, it will lead to impairment losses on trade receivables or bad debts which may have material impact on our financial performance.

5.2.10 We may encounter cost overruns or delays in implementing life insurance software solutions

In providing life insurance software solution to our customers, we are normally required by the terms of such services to complete at a fixed price and within a stipulated timeframe. Thus, in order to determine the quotations to our customers, we estimate the time and cost required for the implementation of life insurance software solutions.

There may be various factors affecting the actual time taken and cost incurred by us in completing these projects, including, among others integration with third-party software, technical difficulties, documentation readiness and other unforeseeable problems and circumstances. Delays in project completion or cost overruns could be caused by any one of these factors. It cannot be assured that the actual time taken and costs incurred would not exceed our estimation.

Some of our projects are subject to specific completion schedules, and if we do not meet the schedules, some of our customers are entitled to claim liquidated damages from us. There is typically a limit on liquidated damages to the total fees we charge for the projects. Any cost overruns or delays in our current and future projects may potentially affect our business operations and financial position.

In order to mitigate cost overruns or delays in project implementation, our Group has implemented a set of operating procedures such as preparing work breakdown structure and project schedule reports to ensure that the on-going projects adhere to the agreed project schedule and to constantly monitor the cost incurred during project implementation.

5.2.11 We may not be able to prevent unauthorised use or disclosure of proprietary information of our customers

As part of our project implementation process, our life insurance software solutions handle, store and manage private and confidential information relating to customers or life insurance policy holders during the software customisation phase, as well as in the course of performing maintenance and support services. Any breaches of our security measures or accidental loss, inadvertent disclosure or unapproved dissemination of confidential information could expose our Group, our customers or the affected individuals to a risk of loss or misuse of this information, or cause interruptions in our operations.

5.0 RISK FACTORS (CONT'D)

We may be required to expend significant capital and other resources to protect against such security breaches, to alleviate problems caused by or to investigate such breaches, all of which could subject us to liability, damage our reputation and diminish the value of our brand name.

Further, unauthorised disclosure of sensitive or confidential customer data, whether through breach of our computer systems, systems failure, loss or theft of assets containing confidential information or otherwise, could render us liable to our customers for damages, damage our reputation and cause us to lose customers.

To date, our Group has not encountered such a situation. In order to ensure that there is no misuse or unauthorised use of personal data, our Group relies on sample data provided to us by our customers, typically with personal information of life insurance policy holders redacted, and according to the terms of the respective contracts.

5.2.12 We may be subject to intellectual property infringement claims

We regard our trademarks, service marks, domain names, trade secrets, proprietary technologies, know-how and similar intellectual property as critical to our business operation success, and we rely on trademark, copyright protection and confidentiality agreements with our employees to protect our intellectual property rights. Although we believe our proprietary software that has been developed in-house does not infringe the intellectual property rights of other software developers, we may still be subject to intellectual property infringement claims.

5.3 Risks relating to the investment in our Shares

5.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the LEAP Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our Indicative Placement Price will correspond to the price at which our Shares will be traded on the LEAP Market.

5.3.2 Our listing is exposed to the risk that it may be aborted or delayed

The Proposed Listing is subject to Bursa Securities granting an approval-in-principle. If granted, we may not be able to proceed with or may experience a delay in our Proposed Listing due to the occurrence of any one or more of the following events, which is not exhaustive:

- (i) we are unable to meet the public shareholding spread requirements as determined by Bursa Securities, whereby at least 10% of our total number of issued shares must be held by public shareholders at the point of our Proposed Listing;
- (ii) the revocation of approvals from the relevant authorities for our Proposed Listing and/or admission to the Official List of the LEAP Market for whatever reason; or
- (iii) the occurrence of any force majeure events, which are beyond our control, before our Proposed Listing.

5.0 RISK FACTORS (CONT'D)

Although we will endeavour to comply with the regulatory requirements for our successful Proposed Listing, there can be no assurance that the abovementioned factors or events will not cause a delay in or non-implementation of our Proposed Listing.

5.3.3 The trading price and trading volume of our Shares following our listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

5.3.4 We may not be able to pay dividends

Our Company, being an investment holding company, derives income mainly from dividends received from our subsidiaries. Therefore, our ability to pay future dividends will largely depend on the performance of our subsidiaries. In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, future expansion plans, loan covenants and compliance with regulatory requirements.

5.3.5 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold 53,936,890 Shares, approximately 74.9% of our enlarged share capital upon listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

(The rest of this page is intentionally left blank)

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

6.1 Promoters and substantial shareholders

6.1.1 Shareholdings

The shareholdings of our Promoters, substantial shareholders and Directors in our Company are as follows:

Name	Position / Directorship	Before Proposed Listing				After Proposed Listing			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	% ⁽ⁱⁱ⁾	No. of Shares	% ⁽ⁱⁱ⁾	No. of Shares	% ⁽ⁱⁱⁱ⁾	No. of Shares	% ⁽ⁱⁱⁱ⁾
Chan Eng Lim	Promoter / Managing Director / Group Chief Executive Officer	1	*	45,188,254 ⁽ⁱ⁾	75.31	1	*	45,188,254 ⁽ⁱ⁾	62.76
Gan Hui Ping	Promoter / Executive Director / Group Chief Operating Officer	8,748,635	14.58	45,188,254 ⁽ⁱ⁾	75.31	8,748,635	12.15	45,188,254 ⁽ⁱ⁾	62.76
Chan Choong Wai	Promoter / Non Independent Non Executive Director	-	-	45,188,254 ⁽ⁱ⁾	75.31	-	-	45,188,254 ⁽ⁱ⁾	62.76
Watergate Solidwood	Promoter	45,188,254	75.31	-	-	45,188,254	62.76	-	-
Lim Kee Yek	Substantial shareholder	5,038,770	8.40	-	-	5,038,770	7.00	-	-

Notes:

* Negligible

(i) Deemed interest by virtue of shareholding in Watergate Solidwood pursuant to Section 8(4) of the Act.

(ii) Based on the existing share base of 60,000,000 Shares before Proposed Listing

(iii) Based on the enlarged share capital of 72,000,000 Shares upon completion of Proposed Listing.

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

6.1.2 Profiles of Promoters and/or Directors and/or Substantial Shareholders

The profiles of DynaFront's Promoters and/or Directors and/or substantial shareholders are as follows:

(i) Chan Eng Lim

Chan Eng Lim, a Malaysian, aged 56, is our Promoter, Managing Director and our Group Chief Executive Officer. He is responsible for leading our Group, formulating business strategies that contribute to business growth as well as overseeing our Group's overall business and operations. He was appointed to our Board on 18 December 2020. He is also the Director of DynaFront Indonesia.

Chan Eng Lim graduated with a Bachelor of Science from Campbell University, USA in 1988. He has more than 30 years of working experience in the IT industry focusing on software development and IT consultancy for life insurance software solutions and enterprise software solutions for life insurance companies, independent corporate life insurance agencies and Takaful operators.

Upon graduation, Chan Eng Lim started his career in Sime Darby Systems Sdn Bhd in 1988 as a Graduate Trainee and was subsequently promoted to the role of Systems Engineer in 1988. As a Systems Engineer, he was tasked to undertake works relating to programming and maintenance of computer systems. In 1990, he joined Prudential Malaysia as an Executive in the IT department before being promoted to the positions of Assistant Manager in 1992 and Deputy Manager in 1996, respectively. During his tenure at Prudential Malaysia, his responsibilities include software development of a personal computer-based sales quotation system and server-based back-end administration system for the management of the company's life insurance policies, and its subsequent system testing. While attached to Prudential Malaysia, he also had international exposure in leading a project team for the implementation of back-end administration system in PT Prudential Life Assurance's operations in Indonesia as well as ensuring the installed systems meet the local regulatory requirements. In 1996, he left Prudential Malaysia.

Leveraging on his domain specific knowledge and experience in the IT and life insurance industry, Chan Eng Lim co-founded DynaFront Systems with Chan Choong Wai in April 1996 and was appointed as director as well as Chief Executive Officer.

In 2001, Chan Eng Lim was awarded the Chivas Regal Achievement Unlimited Awards 2001, an award from Chivas Regal that recognises individuals who have contributed to the development of the IT industry.

Chan Eng Lim is the spouse of Gan Hui Ping, and brother-in-law of Gan Hui Khoon. Save for our Group, Chan Eng Lim does not hold any directorships in any other public listed companies.

(ii) Gan Hui Ping

Gan Hui Ping, a Malaysian, aged 57, is our Promoter, Executive Director and our Group Chief Operating Officer. She is responsible for overseeing the day-to-day administrative and operational functions of our Group. She was appointed to our Board on 18 December 2020.

Gan Hui Ping graduated from Campbell University, USA with a Bachelor of Science in 1988. She possesses more than 30 years of IT knowledge, experience and system implementation experience for organisations in various industries.

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Upon graduation, Gan Hui Ping began her career as a Programmer in the Administration/Finance Division of Yamaha Music Sdn Bhd in 1988, where she was responsible for systems support and development works for in-house software applications. In 1989, she joined The East Asiatic Company (Malaysia) Berhad as an Engineering Design Process Supervisor in the Product Support Department under the Graphics Division, where she supervised systems development and support activities for The East Asiatic Company (Malaysia) Berhad group of companies throughout the Asia region. She subsequently joined Malayan United Bank Berhad in 1990 as an Officer in the Engineering Design Process Department where she was mainly responsible for developing application software, software programming, unit-testing on deployed software as well system support for the company's banking system. In 1992, she became a part time lecturer on the subject of computer science at Tunku Abdul Rahman University College upon leaving The East Asiatic Company (Malaysia) Berhad. She then joined Jen Software Professional Sdn Bhd as an Analyst Programmer in 1994, where she was responsible for providing IT consultancy services to organisations for the implementation and deployment of Lotus Notes Systems (now known as HCL Notes), an enterprise desktop workflow application providing instant messaging, email, calendars, blogs, personnel directory and forum features. In 1995, she joined SolsisNet Sdn Bhd as a Workflow Consultant for Lotus Notes systems where she was responsible for project management and supervising quality compliance testing. She subsequently left SolsisNet Sdn Bhd in 1996.

In December 1996, Gan Hui Ping joined DynaFront Systems. As a key senior management personnel, she oversees the business operations of our Group including human resource and finance, where she implements strategies to grow, maintain financial strength and operating efficiency of our Group's business. In addition, she is also responsible for providing guidance to the project teams during the project development phases.

Gan Hui Ping is the spouse of Chan Eng Lim and sister of Gan Hui Khoon. Save for our Group, she does not hold any directorships in any other public listed companies.

(iii) Chan Choong Wai

Chan Choong Wai, a Malaysian, aged 57, is our Promoter and Non-Independent Non-Executive Director. He was appointed to our Board on 16 February 2021. He is a founding Director of our Group and has been jointly spearheading the business growth of our Group since incorporation.

Chan Choong Wai graduated from Campbell University, USA with a Bachelor of Science in 1988. He is the co-founder of DynaFront Systems and held the position of Project Director prior to his retirement in 2010.

Upon graduation in 1988, Chan Choong Wai began his career in Sime Darby Systems Sdn Bhd as a Programmer where he was tasked to develop software applications for the general insurance business. In 1991, he joined Sistemaju Software Sdn Bhd (a wholly owned subsidiary of PanGlobal Sistemaju Sdn Bhd) as an Analyst Programmer and was tasked to develop, test, analyse and maintain new software applications in support of the company's business requirements. In 1992, he joined Prudential Malaysia as an Executive in the IT department and was subsequently promoted to the role of Assistant Manager in 1993 and Deputy Manager in 1996, respectively. During his tenure at Prudential Malaysia, he was responsible for life administration system software development, testing and implementation as well as post-implementation system maintenance and support. In 1996, Chan Choong Wai left Prudential Malaysia.

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Chan Choong Wai co-founded DynaFront Systems with Chan Eng Lim in April 1996, and assumed the position of Project Director. During his tenure at DynaFront Systems, he played an instrumental role in contributing to our subsidiary's business growth, where he was responsible for leading project teams to develop and implement life insurance software solutions for various life insurance companies and independent corporate life insurance agencies in Malaysia and Indonesia respectively. Subsequently in 2010, he retired from DynaFront Systems.

Save for our Group, Chan Choong Wai does not hold any directorships in any other public listed companies.

(iv) Watergate Solidwood

Watergate Solidwood was incorporated as a private limited company under the Act on 19 May 2006 as an investment holding company. As at LPD, the issued share capital of Watergate Solidwood is RM100 comprising 100 ordinary shares. The directors and shareholders of Watergate Solidwood are as follows:

Name	Nationality	Direct		Indirect		
		No. of Shares	%	No. of Shares	%	
<u>Directors & Substantial Shareholders</u>						
Chan Eng Lim	Malaysian	50	50.0	25.0	25 ⁽ⁱ⁾	
Gan Hui Ping	Malaysian	25	25.0	50.0	50 ⁽ⁱⁱ⁾	
Chan Choong Wai	Malaysian	25	25.0	-	-	

Notes:

- (i) Deemed interest by virtue of the shareholdings of his wife, Gan Hui Ping pursuant to Section 59(1)(c) of the Act
- (ii) Deemed interest by virtue of the shareholdings of her husband, Chan Eng Lim pursuant to Section 59(1)(c) of the Act

(v) Lim Kee Yek

Lim Kee Yek, a Malaysian, aged 69, is one of our substantial shareholders.

Lim Kee Yek graduated with a Bachelor of Science from the University of Malaya, Malaysia in 1976. He then completed a postgraduate Diploma in Computer Science from the University of Malaya, Malaysia in 1979.

Upon graduation, he began his career in 1976 as a teacher in Methodist Boys' School, Kuala Lumpur. In 1979, he joined Port Klang Authority as a Systems Analyst, where he was responsible for performing application maintenance and support activities for internal users. Subsequently in 1981, he joined FELDA Mills Corporation as a Systems Analyst responsible for implementing, maintaining and supporting the IT systems of the corporations of Felda. In 1983, he joined National Semiconductor Sdn Bhd as a Technical Support Manager, where he was tasked to oversee and support the company's computer operating system and subsequently in 1984, he joined Sime Darby Systems Sdn Bhd as a senior systems engineer and subsequently promoted to Commercial Systems Manager where his responsibilities included developing and

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

implementing software applications for insurance companies and government bodies. In 1989, he joined Prudential Malaysia as an IT Director, where he was responsible for overseeing the company's management, strategy and execution of IT infrastructure and development and implementation of insurance administration applications for the company and other associates in the region. In 1999, he resigned from Prudential Malaysia and, he took on a contractual position as a freelance consultant with Prudential Malaysia assisting them to develop and implement the investment link insurance system.

Lim Kee Yek joined DynaFront Systems in 2001 as Chief Technical Officer. As Chief Technical Officer, he was responsible for developing and implementing insurance applications and setting the technological roadmap for DynaFront Systems and implementing strategies to ensure that our technology adoption remained current based on market trends. He subsequently left DynaFront Systems in 2003 and continued working as a freelance IT consultant up to 2006.

6.2 Directors

The shareholdings of the Directors in the Company before and after Proposed Listing can be referred to in Section 6.1.1 of this Information Memorandum.

6.2.1 Profiles of Directors

The profiles of Chan Eng Lim, Gan Hui Ping and Chan Choong Wai are disclosed in Section 6.1.2 (i), Section 6.1.2 (ii) and Section 6.1.2 (iii) of this Information Memorandum.

6.2.2 Directors' Remuneration

The aggregate remuneration paid for services rendered to DynaFront Systems for the FYE 30 June 2019 and FYE 30 June 2020 are as follows:

	Remuneration band	
	FYE 30 June 2019	FYE 30 June 2020
Directors	RM	RM
Chan Eng Lim	311,424	293,445*
Gan Hui Ping	250,473	286,398
Chan Choong Wai	-	-

* During FYE 30 June 2020, marketing staff including Chan Eng Lim voluntarily waived 2 months' salary.

The above remuneration of the Directors includes salaries, EPF contributions, SOCSO, bonuses, fees and allowances as well as other benefits.

6.3 Relationships and/or associations

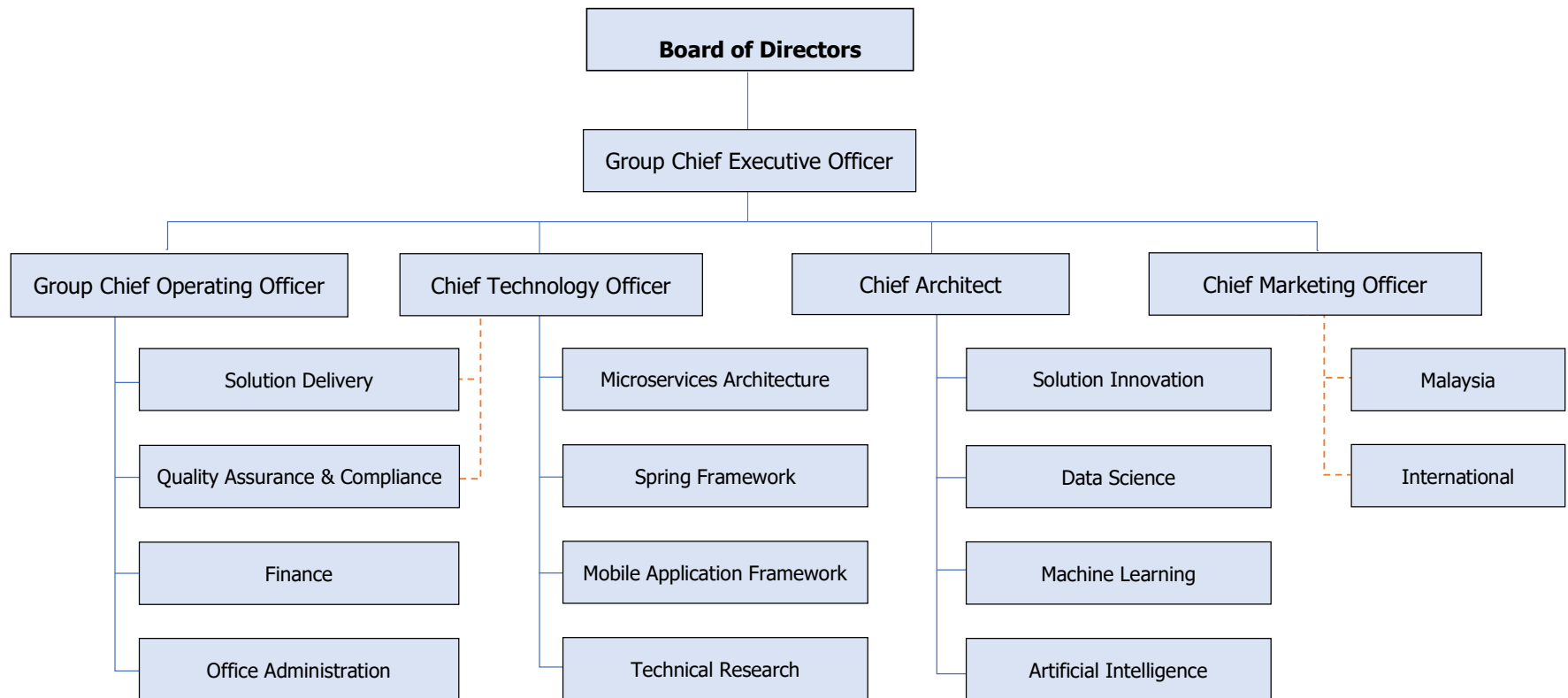
Save as disclosed, as at LPD, Chan Eng Lim and Gan Hui Ping who are the Company's Promoters, executive directors and substantial shareholders are husband and wife while our Company's Chief Architect, Gan Hui Khoon and Gan Hui Ping are siblings.

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

6.4 Key Management

6.4.1 Organisation chart

The following depicts the organisational chart of our Group:



6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

6.4.2 Shareholdings

The shareholdings of the key management personnel in the Company before and after the Proposed Listing can be referred to in Section 6.1.1 of this Information Memorandum.

6.4.3 Profiles of key management personnel

The profiles of our other key management are as follows:

The profiles of Chan Eng Lim and Gan Hui Ping are disclosed in Section 6.1.2 (i) and Section 6.1.2 (ii) of this Information Memorandum respectively.

(i) Michael Tsan Soon Kian (“Michael”)

Michael, a Malaysian, aged 44, is our Chief Technology Officer. He is responsible for our Group’s software development activities.

Michael graduated from Campbell University, USA with Bachelor of Science in 2000. He has been a Certified Scrum Master with Scrum Alliance since 2013, Certified Project Management Professional with the Project Management Institute since 2014, and Certified SAFe (Scale Agile Framework) Practitioner with Scaled Agile Inc since 2015. He has more than 20 years of IT system implementation experience.

Upon graduation, Michael joined Opus IT Services Pte Ltd in 2000 briefly as a Systems Operator, where he was tasked to monitor and maintain the company’s IT operating system and provide maintenance support services. In the same year, he joined CESMA International Pte Ltd as an IT Engineer where his responsibilities included the design and development of the company’s web portal, quality and assurance testing as well as evaluating new technologies for deployment. In 2001, he joined SmartIdea Pte Ltd, a company based in Singapore, as a Senior Software Engineer, where he was responsible for the development and support of domain name services portal as well as e-commerce portals, including portal module enhancements. In 2004, he joined Green Dot Internet Services Pte Ltd, also based in Singapore, as a Software Engineer and was tasked to develop and provide technical support services for IT portals as well as design and develop new modules for IT portals. In 2005, he joined Invent-Technology Pte Ltd, a company based in Singapore, as a Development Team Lead, where he led a team to develop and assist in the operations of web portals. During the same year, he was promoted to the role of Assistant Project Manager and his enlarged responsibilities saw him assisting in overseeing development activities and managing project deliveries. In 2006, he resigned from Invent-Technology Pte Ltd and returned to Malaysia.

In 2006, Michael joined DynaFront Systems as Project Manager. As Project Manager, he led a team of technical personnel in the design and delivery of web-based life insurance system. In 2007, he resigned from DynaFront Systems and joined APAR Technologies (Malaysia) Sdn Bhd as a Systems Analyst for the company’s digital transformation and IT consulting businesses.

Thereafter, he joined IBM Malaysia Sdn Bhd in 2009 as an Advisory IT Specialist. During his tenure in the company, he assisted companies in business transformation activities in the area of customer relationship management and he was also involved in developing architectural framework for internet banking systems.

In 2010, he joined Hewlett-Packard Multimedia Sdn Bhd as an IT Developer where he led a team of technical personnel in designing and developing a manufacturing system software, project management, quality testing as well as enhancing and improving user experience. He was subsequently promoted to the role of IT Development Manager in 2013, where his expanded responsibilities saw him managing multiple IT projects relating to among others, the development and implementation of process improvement systems. He then joined DXC Technology Malaysia Sdn Bhd in 2017 as a Delivery Manager where he was responsible for overseeing development and project delivery activities.

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

In 2018, Michael re-joined DynaFront Systems as Chief Officer – Solution Delivery Division. He was subsequently redesignated as Chief Technology Officer in 2020. As Chief Technology Officer, he is responsible for setting up our Group's technology roadmap and overseeing the software development activities of our Group.

(ii) Loo Ping Nam

Loo Ping Nam, a Malaysian, aged 59, is our Chief Marketing Officer. He is responsible for overseeing the planning and execution of our Group's business development and marketing activities.

Loo Ping Nam graduated from University of Toronto, Canada in 1987 with a Bachelor of Science. He then obtained a Master of Business Administration from Universiti Putra Malaysia in 2002. He has been an Associate of the Society of Actuaries of United States of America since 1992 and was recognised as a Certified Financial Planner under the Financial Planning Association of Malaysia in 2002. Since 2017, he became a Fellow of Life Management Institute under the Life Office Management Association of United States of America.

Upon graduation in 1987, Loo Ping Nam began his career with East West-UMI Insurance Berhad as a Special Project and Actuarial Executive, where he was tasked to conduct market intelligence and monitoring the company's investment performance. During his tenure with the company, he was also involved in the implementation of an agency management system and end-to-end life insurance administration system. In 1989, he joined Aetna Universal Insurance Berhad as a Product Development and Agency Compensation Manager where he was responsible for developing and rolling out compensation and benefits plan products as well as new life insurance products for the tied agency channel. In 1992, he joined Berjaya Prudential Malaysia as a Regional Business Development Manager tasked to conduct market intelligence and business development. Subsequently in 1994, he joined AmAssurance Berhad as Head of Marketing. As Head of Marketing, he oversaw the company's agency marketing activities as well as implemented an agency management system and product illustration system to increase productivity. In 1999, he joined Hong Leong Assurance Berhad as Regional Manager (East Malaysia), where he implemented product and marketing strategies to increase agent activity and productivity, designed a growth agency compensation model to drive productivity as well as product cross-selling strategies. Subsequently in 2004, he joined ING Funds Berhad as a Recruitment and Business Development Manager where he was tasked to plan, organise and execute fund roadshows, seminars and trainings as well as recruit agency groups to support the company's funds business. In 2006, he joined Great Eastern Life Assurance (Malaysia) Berhad as Assistant Vice President and Head of Events and Promotions, where he introduced performance-based indicators to show the results of events and promotions carried out by the company. He was subsequently promoted to the role of Vice President in 2010 to drive the activity and productivity of the company's investment-linked business and rider attachment rate. In 2013, he was appointed as Vice President of Group Insurance and was tasked to oversee audit operational issues and develop new business for both employee benefits and worksite marketing schemes. In 2016, he was transferred back to the Events and Promotions Department within Great Eastern Life Assurance (Malaysia) Berhad and assumed the position of Head of Events and Promotions.

In 2018, Loo Ping Nam joined DynaFront Systems as Chief Marketing Officer. As Chief Marketing Officer, he is responsible to maintain, develop and build new business relationship with existing and prospective clients. Leveraging on his industry knowledge, he also provides IT consulting services to our customers, focusing on product development, marketing, compensation modelling and agency management systems.

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

(iii) Gan Hui Khoon

Gan Hui Khoon, a Malaysian, aged 50, is our Chief Architect. He is responsible for the development of life insurance software solutions.

Gan Hui Khoon obtained a Certificate in Computing with Accounting from Tunku Abdul Rahman University College, Malaysia in 1992. Subsequently he completed an Advanced Diploma in Computer Studies from Informatics College, Malaysia in 1994. He has over 25 years of IT knowledge and system implementation experience in the insurance industry.

In 1992, Gan Hui Khoon began his career in Prudential Malaysia as a Programmer, where he was tasked to perform programming works to design and develop life insurance administration systems as well as providing post implementation technical support. In 1996, he joined L&L Computer Systems Sdn Bhd as Technical Support, where he was tasked to identify solutions to resolve system errors and provide technical support services.

In 1997, Gan Hui Khoon joined DynaFront Systems as a Systems Analyst before gradually being promoted over the years to his current position as Chief Architect. As Chief Architect, he is responsible for centralising and managing our Group's IT functions so that our Group functions optimally, resolving integration problems and synchronising technology frameworks for effective solution delivery to our customers. In addition, he is also tasked to provide technical support to project teams and assist in the tendering and bidding for new contracts.

Gan Hui Khoon is the brother of Gan Hui Ping and brother-in-law of Chan Eng Lim.

(The rest of this page is intentionally left blank)

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

6.5 Further Information on Our Promoters, Substantial Shareholders, Directors and Key Management

6.5.1 Interest outside our Group

Save as disclosed below, none of our Promoters, substantial shareholders, Directors and key management have any other interests outside our Group for the past 3 years up to LPD:

(i) Chan Eng Lim

Company	Principal activities	Involvement in business activities
Watergate Solidwood	Investment holding in DynaFront and DIPL	Director (appointed on 19 May 2006) and substantial shareholder (direct and indirect)
Glossy Valley	Property investment holding	Director (appointed on 25 April 2011) and substantial shareholder (direct and indirect)
Easicircle	Specialist in providing digital marketing solution to financial and insurance institutions to promote their products and general trading	Substantial shareholder (indirect)
DIPL	Consultancy of software development, maintenance, system design, programming, system integration, research & data processing	Director (appointed on 14 August 2000) and substantial shareholder (indirect)

(ii) Gan Hui Ping

Company	Principal activities	Involvement in business activities
Watergate Solidwood	Investment holding in DynaFront and DIPL	Director (appointed on 19 May 2006) and substantial shareholder (direct and indirect)
Glossy Valley	Property investment holding	Director (appointed on 25 April 2011) and substantial shareholder (direct and indirect)
Easicircle	Specialist in providing digital marketing solution to financial and insurance institutions to promote their products and general trading	Substantial shareholder (indirect) and director (appointed on 1 October 2013 and resigned on 30 December 2020)
DIPL	Consultancy of software development, maintenance, system design, programming, system integration, research & data processing	Director (appointed on 17 March 2003) and substantial shareholder (direct and indirect)

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

(iii) Lim Kee Yek

Company	Principal activities	Involvement in business activities
Desa Artistik Sdn Bhd 199701006141 (421637-H)	Investment holding in properties and quoted shares	Director (appointed on 4 March 1997) and substantial shareholder (direct and indirect)
DIPL	Consultancy of software development, maintenance, system design, programming, system integration, research & data processing	Substantial shareholder (direct)

(iv) Gan Hui Khoo

Company	Principal activities	Involvement in business activities
Easicircle	Specialist in providing digital marketing solution to financial and insurance institutions to promote their products and general trading	Director (appointed on 3 July 2012 and resigned on 30 December 2020) and past substantial shareholder (direct and indirect)

(v) Chan Choong Wai

Company	Principal activities	Involvement in business activities
Watergate Solidwood	Investment holding in DynaFront and DIPL	Director (appointed on 19 May 2006) and substantial shareholder (direct)
DIPL	Consultancy of software development, maintenance, system design, programming, system integration, research & data processing	Director (appointed on 17 March 2003) and substantial shareholder (direct and indirect)

The involvement of our Promoters, Directors, substantial shareholder and key senior management in those business activities outside our Group does not give rise to any conflict-of-interest situation with our business.

The involvement of our executive directors in those business activities outside our Group also does not require significant amount of time in those companies and our executive directors are not involved in the daily operations of those companies. As such, their involvement in other companies does not affect their ability to perform their executive roles and responsibilities in our Group.

Watergate Solidwood is only an investment holding company to hold shares in DynaFront and DIPL. Our Directors' involvement in Watergate Solidwood does not require their significant amount of their time, and would not affect their ability to perform their roles as Group Chief Executive Officer, Group Chief Operating Officer and Non-Independent and Non-Executive Director respectively.

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

6.5.2 Declaration by our Promoters, Directors and key senior management personnel

None of our Promoters, Directors, substantial shareholder and key senior management personnel:

- (a) are undischarged bankrupts nor are they subject to any proceedings under bankruptcy law;
- (b) have ever been charged with, convicted for or compounded for any offence under securities law, corporations' laws or any other laws involving bribery, fraud or dishonesty in a court of law;
- (c) have ever had any action taken against them for any breach of listing requirements or rules issued by Bursa Securities, for past 5 years;
- (d) are existing members of any professional bodies; and
- (e) have been subjected to any inquiry or investigation by any government or regulatory authority or body for the past 5 years.

6.6 Related party transaction

Under the LEAP Listing Requirements, subject to certain exemption, a 'related party transaction' is a transaction entered between the listed corporation or its subsidiaries, which involves the interest, direct or indirect of a related party.

A 'related party' of a listed corporation is:

- (i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation or a chief executive of the listed corporation; or
- (ii) a major shareholder, a person who has an interest of 10% or more of the total number of all the voting shares in a corporation within the preceding 6 months of the date on which the terms of the transaction were agreed upon; or
- (iii) a person connected with such director or major shareholder.

(The rest of this page is intentionally left blank)

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

6.6.1 Existing and proposed related party transactions

Save as disclosed below, our Board confirms that there are no other existing and/or potential related party transactions entered or to be entered into between our Group and our Directors, major shareholders and/or persons connected with them for the FYE 30 June 2020 and subsequent period up to the LPD:

Transacting parties	Nature of relationship	Nature of transaction	Actual amount transacted	
			FYE 30 June 2020 (RM)	Subsequent period up to the LPD (RM)
Glossy Valley and DynaFront Systems	Glossy Valley and DynaFront Systems share common directors and shareholders: i) Chan Eng Lim; and ii) Gan Hui Ping	Tenancy Agreement together with addendum dated 19 February 2021 with the effective date from 01 January 2021 where Glossy Valley is the landlord and DynaFront Systems is the Tenant of the Company's current business premise addressed at C-8-1, 8 th Floor, Corporate Office Tower Block C, KL Trillion, 338 Jalan Tun Razak, 50400 Kuala Lumpur. The agreement is fixed for 12 months and it will expire on 31 December 2021.	430,358	345,447

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Actual amount transacted	
			FYE 30 June 2020 (RM)	Subsequent period up to the LPD (RM)
Easicircle and DynaFront Systems	The director and shareholder of Easicircle, Chan Yen Xin, is the daughter of Chan Eng Lim and Gan Hui Ping.	<p>Partnership Agreement dated 18 January 2021 where DynaFront Systems granted Easicircle a limited license to use DynaFront Systems' proprietary software solution for its online life insurance offering and services.</p> <p>Easicircle is to pay fees to Dynafront Systems based on the revenue generated from the sale of insurance policies as below:</p> <p>(a) 0.05% of total gross single premium income from life insurance policies; and</p> <p>(b) 3% of first year total regular premium income from life insurance policies.</p>	-	-

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Actual amount transacted	
			FYE 30 June 2020 (RM)	Subsequent period up to the LPD (RM)
Easicircle and DynaFront Systems	The director and shareholder of Easicircle, Chan Yen Xin is the daughter of Chan Eng Lim and Gan Hui Ping.	Advances by DynaFront Systems to Easicircle in the form of staff cost paid on behalf of Easicircle.	243,429	28,058 ⁽¹⁾
		Advances by Easicircle to DynaFront Systems in the form of expenses paid on behalf of DynaFront Systems.	5,001	-
DIPL and DynaFront Systems	DIPL and DynaFront Systems are owned by our Promoter, Watergate Solidwood. The following Promoters are also directors of both companies: i) Chan Eng Lim; ii) Gan Hui Ping; and iii) Chan Choong Wai.	Sales office and distribution channel for the Company's regional markets ⁽²⁾	2,382,905	1,076,553 ⁽³⁾
DynaFront Indonesia and Gan Hui Ping	Gan Hui Ping is the commissioner and substantial shareholder of DynaFront Indonesia via Watergate Solidwood.	Advances from Gan Hui Ping to DynaFront Indonesia for its daily operational expenses.	-	IDR 676,000,000 (equivalent to RM194,484) based on the average exchange rate of IDR1: RM0.000288

6.0 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Notes:

- (1) *In respect to the staff cost up to October 2020. Subsequent to 31 December 2020 until LPD, no further payments have been made and all outstanding amounts have been fully settled.*
- (2) *DIPL had previously undertaken the marketing of our life insurance software solutions regionally. It has discontinued its operations in May 2021 and all active contracts have been either novated to DynaFront Systems or re-signed with DynaFront Systems or DynaFront Indonesia.*
- (3) *In respect to the project-related billings issued by DynaFront Systems to DIPL up to November 2020. All outstanding amounts have been fully settled during FPE 31 December 2020.*

Save for the existing tenancy agreement with Glossy Valley and advances from Gan Hui Ping to DynaFront Indonesia which are interest-free and has no fixed term of repayment, all other transactions above are no longer subsisting as at the LPD. Further, for the other transactions that are no longer subsisting as at the LPD, all outstanding amounts owing to and/or from them have been fully settled. In respect of the terms of tenancy agreement between DynaFront Systems and Glossy Valley, the terms are on normal commercial terms and on arm's length basis, and are not detrimental to our Group and our minority shareholders and is in our best interests.

Upon the Proposed Listing, our Board will ensure that any related party transactions are transacted on normal commercial terms which are not more favourable to the related parties than those generally available to third-parties dealing at arm's length and are not detrimental to our minority shareholders.

6.7 Interest in similar businesses and in businesses of our customers and suppliers

Save as disclosed in Section 6.6.1 of this Information Memorandum in respect of the interests of our Promoters in DIPL which undertook marketing of our life insurance solutions regionally, none of our Promoters, substantial shareholders, Directors and/or key senior management personnel (including our country manager and director of DynaFront Indonesia) have any interest, direct or indirect, in other businesses or corporations carrying on a trade similar to that of our Group or businesses or corporations which are also our customers or suppliers as at the LPD.

As DIPL has ceased operations in May 2021, and is in the process of closing its operations, at present, our Promoters no longer have any interests in similar businesses to that of our Group.

(The rest of this page is intentionally left blank)

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

7.1 Historical financial information

7.1.1 Combined Statements of Profit or Loss and other Comprehensive Income

The combined financial statements are in relation solely with the financial statements of DynaFront Systems and DynaFront Indonesia. The financial statements of DynaFront have not been presented in these combined financial statements as the Company only exists to facilitate the Proposed Listing and was dormant as at the date of the auditor's reports.

The following table sets out a summary of the audited combined statements of comprehensive income for the FYE 30 June 2019, FYE 30 June 2020, and the unaudited 6-month FPE 31 December 2019 and FPE 31 December 2020. This section should be read in conjunction with Section 7.2 "Management discussion and analysis" of this Information Memorandum.

	Audited		Unaudited	
	FYE 30 June 2019 RM'000	FYE 30 June 2020 RM'000	FPE 31 December 2019 RM'000	FPE 31 December 2020 RM'000
Revenue	12,163.9	9,619.9	3,310.4	3,903.5
Cost of sales	(7,580.3)	(4,311.4)	(1,481.5)	(1,684.5)
Gross profit	4,583.6	5,308.5	1,828.9	2,219.0
Other income	131.4	181.3	64.5	164.6
Administrative expenses	(387.2)	(511.2)	(272.6)	(294.7)
Other operating expenses	(3,232.5)	(3,095.5)	(1,596.2)	(1,377.8)
Finance costs	(70.9)	(87.5)	(54.2)	(20.8)
Profit/(loss) before tax ("PBT" and "LBT")	1,024.4	1,795.6	(29.7)	690.3
Tax expense	(299.5)	(523.0)	(170.0)	(217.0)
Profit/(loss) after tax ("PAT" and "LAT")	724.9	1,272.6	(199.7)	473.3
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit and loss				
Foreign currency translation differences for foreign operations	9.6	70.3	19.9	(140.9)
Total comprehensive income for the financial year/period	734.5	1,342.9	(179.9)	332.5
Profit/(loss) attributed to:				
Owners of the Group	729.2	1,266.3	(189.6)	482.4
Non-controlling interest	(4.3)	6.3	(10.1)	(9.1)
	<u>724.9</u>	<u>1,272.6</u>	<u>(199.7)</u>	<u>473.3</u>

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

	Audited		Unaudited	
	FYE 30 June 2019 RM'000	FYE 30 June 2020 RM'000	FPE 31 December 2019 RM'000	FPE 31 December 2020 RM'000
Total comprehensive income attributed to:				
Owners of the Group	737.8	1,329.6	(171.8)	355.6
Non-controlling interest	(3.3)	13.3	(8.1)	(23.1)
	<u>734.5</u>	<u>1,342.9</u>	<u>(179.9)</u>	<u>332.5</u>
GP Margin (%)	37.7	55.2	55.2	56.8
PBT / (LBT) Margin (%)	8.4	18.7	(0.9)	17.7
PAT / (LAT) Margin ⁽ⁱ⁾ (%)	6.0	13.2	(5.7)	12.4
EPS / (LPS) (sen) ⁽ⁱⁱ⁾	1.0	1.8	(0.3)	0.7

Notes:

- (i) Calculated based on our profit attributed to owners of the Group.
- (ii) Calculated based on our profit attributed to owners of the Group divided by enlarged number of Shares of 72,000,000 Shares after the Proposed Placement.

(The rest of this page is intentionally left blank)

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

7.1.2 Combined Statements of Financial Position

The following table sets out a summary of the audited combined statements of financial position as at 30 June 2019, 30 June 2020, and the unaudited combined statements of financial position as at 31 December 2019 and 31 December 2020. This section should be read in conjunction with Section 7.2 "Management Discussion and Analysis" of this Information Memorandum.

	Audited		Unaudited	
	As at 30 June 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 31 December 2020 RM'000
Assets				
Non-Current Assets				
Plant and equipment	2,737.0	483.1	515.7	434.0
Right-of-use assets	-	2,060.9	2,576.5	1,502.8
Intangible assets	0.4	0.2	0.4	0.2
Tax recoverable	-	51.4	-	53.3
Total Non-Current Assets	2,737.4	2,595.6	3,092.6	1,990.3
Current Assets				
Trade receivables ⁽ⁱ⁾	2,087.4	2,410.8	1,605.8	1,259.9
Other receivables ⁽ⁱⁱ⁾	1,083.6	1,312.5	1,148.4	315.0
Contract assets	-	206.5	-	398.1
Amounts due from shareholders ⁽ⁱⁱⁱ⁾	2,542.3	2,223.2	2,218.2	2,119.4
Fixed deposit with licensed banks	4,056.8	4,135.4	3,076.6	2,075.1
Cash and bank balances	888.8	1,028.1	1,508.0	2,214.6
Total Current Assets	10,658.9	11,316.5	9,557.0	8,382.1
Total Assets	13,396.3	13,912.1	12,649.6	10,372.4
Equity				
Invested Equity	3,662.3	3,662.3	3,662.3	3,662.3
Retained earnings	5,219.5	6,485.8	5,029.9	3,917.0
Foreign currency translation reserves	8.6	71.9	26.5	(54.8)
Equity attributed to Owners of the Group	8,890.4	10,220.0	8,718.7	7,524.5
Non-controlling interest	288.7	302.0	280.5	278.8
Total Equity	9,179.1	10,522.0	8,999.2	7,803.3

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

	Audited		Unaudited	
	As at 30 June 2019	As at 30 June 2020	As at 31 December 2019	As at 31 December 2020
	RM'000	RM'000	RM'000	RM'000
Liabilities				
Non-Current Liabilities				
Lease liabilities	-	832.4	1,307.7	457.7
Hire purchase payables	882.7	-	-	-
Deferred tax liabilities	24.6	21.1	24.6	21.1
Amount due to related party	-	-	-	-
Other payables	735.2	-	-	-
Total Non-Current Liabilities	1,642.5	853.5	1,332.3	478.8
Current Liabilities				
Trade payables	28.6	27.0	9.6	22.5
Other payables ^(iv)	1,579.4	654.3	410.7	413.0
Contract liabilities	489.0	474.9	550.1	566.0
Lease liabilities	-	1,127.2	1,266.1	835.3
Hire purchase payables	396.1	-	-	-
Tax payable	81.6	253.2	81.6	253.5
Total Current Liabilities	2,574.7	2,536.6	2,318.1	2,090.3
Total Liabilities	4,217.2	3,390.1	3,650.4	2,569.1
Total Equity and Liabilities	13,396.3	13,912.1	12,649.6	10,372.4
NA per Share (RM) ^(v)	0.12	0.14	0.12	0.10
Gearing Ratio (times)	0.14	0.19	0.29	0.17

(The rest of this page is intentionally left blank)

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Notes:

(i) Trade receivables comprises:

	Audited		Unaudited	
	As at 30 June 2019	As at 30 June 2020	As at 31 December 2019	As at 31 December 2020
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	1,574.2	689.3	963.4	1,259.9
Amount due from a related party ^(a)	513.2	1721.5	642.4	-
	<u>2,087.4</u>	<u>2,410.8</u>	<u>1,605.8</u>	<u>1,259.9</u>

Note:

(a) Amount owing by DIPL to DynaFront Systems in relation to the provision of services. DIPL has discontinued its operations in May 2021 and all active contracts have been either novated to DynaFront Systems or re-signed with DynaFront Systems or DynaFront Indonesia. All outstanding amounts have been fully settled during FPE 31 December 2020.

(ii) Other receivables comprise:

	Audited		Unaudited	
	As at 30 June 2019	As at 30 June 2020	As at 31 December 2019	As at 31 December 2020
	RM'000	RM'000	RM'000	RM'000
Other receivables ^(a)	775.0	1,102.0	916.0	-
Deposits	147.9	148.8	148.1	150.2
Prepayments	160.8	60.4	84.3	164.8
Value added tax recoverable	-	1.2	-	-
	<u>1,083.6</u>	<u>1,312.5</u>	<u>1,148.4</u>	<u>315.0</u>

Note:

(a) Included in other receivables is amount due from Easicircle in which certain directors have substantial financial interest amounted to RM1.02 million for FYE 30 June 2020 and RM0.77 million for FYE 30 June 2019. For FPE 31 December 2019, the amount is RM0.92 million. This amount represents unsecured advance, interest-free and is collectible in demand. All outstanding amounts have been fully settled during FPE 31 December 2020.

(iii) The amounts represent the unpaid share capital due from Gan Hui Ping and Johan Bachtiar T. Permana. Subsequent to FPE 31 December 2020, the issued share capital of DynaFront Indonesia has been reduced from 10 million ordinary shares to 5 million ordinary shares. Pursuant to Acquisition 2 which was effected on 25 February 2021, the amount owing from Gan Hui Ping of RM0.7 million has been assumed by our Company. The unpaid share capital due from the Company and Johan Bachtiar T. Permana becomes due only when called upon by the Company.

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(iv) *The other payables comprise:*

	<i>Audited</i>		<i>Unaudited</i>	
	<i>As at 30 June 2019</i>	<i>As at 30 June 2020</i>	<i>As at 31 December 2019</i>	<i>As at 31 December 2020</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<i>Other payables ^(a)</i>	<i>1,430.6</i>	<i>192.1</i>	<i>410.7</i>	<i>160.5</i>
<i>Accruals</i>	<i>883.9</i>	<i>462.2</i>	<i>-</i>	<i>252.5</i>
	<i>2,314.5</i>	<i>654.3</i>	<i>410.7</i>	<i>413.0</i>

Note:

(a) *Included in other payables are amounts due to Easicircle and Glossy Valley in which certain directors have substantial financial interest amounted to RM0.02 million for FYE 30 June 2019 and RM0.07 million for FYE 30 June 2020. All outstanding amounts have been fully settled during FPE 31 December 2020.*

(v) *Calculated based on our equity attributed to owners of the Group divided by enlarged number of Shares of 72,000,000 after the Proposed Placement.*

(The rest of this page is intentionally left blank)

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

7.1.3 Combined Statements of Cash Flows

The following table sets out a summary of the audited combined statements of cash flow for the FYE 2019, FYE 2020, and the unaudited 6-month FPE 31 December 2019 and FPE 31 December 2020. This section should be read in conjunction with Section 7.2 "Management Discussion and Analysis" of this Information Memorandum.

	Audited		Unaudited	
	FYE 30 June 2019 RM'000	FYE 30 June 2020 RM'000	FPE 31 December 2019 RM'000	FPE 31 December 2020 RM'000
<u>Cash Flow from Operating Activities</u>				
PBT/(LBT)	1,024.4	1,795.6	(29.7)	690.3
Adjustments for:				
Amortisation of intangible assets	0.1	0.1	-	0.1
Bad debts written off	-	20.1	20.1	-
Depreciation of plant and equipment	620.0	90.2	45.0	45.0
Depreciation of right-of-use assets	-	1,078.5	541.0	495.6
Interest income	(92.5)	(120.3)	(60.9)	(49.5)
Interest expenses	70.9	87.5	54.2	20.8
Operating profit before working capital changes	1,622.9	2,951.7	569.8	1,202.3
Changes in working capital:				
Trade and other receivables	(876.3)	(572.3)	397.2	2,148.3
Trade and other payables	283.5	(461.1)	(712.2)	(210.8)
Contract assets	-	(206.5)	-	(191.6)
Contract liabilities	206.7	(14.1)	61.1	91.0
Amounts due from shareholders	-	367.9	342.0	8.4
Cash generated from operations	1,236.8	2,065.7	657.9	3,047.7
Interest paid	(70.9)	(87.5)	(54.2)	(20.8)
Interest received	92.5	120.3	60.9	49.5
Tax paid	(405.6)	(405.2)	(170.0)	(221.0)
Net cash from operating activities	852.8	1,693.3	494.5	2,855.4
<u>Cash Flows from Investing Activities</u>				
Purchase of plant and equipment	(242.5)	(196.7)	(188.0)	(3.7)
Net cash used in from investing activities	(242.5)	(196.7)	(188.0)	(3.7)

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

	Audited		Unaudited	
	FYE 30	FYE 30	FPE 31	FPE 31
	June 2019	June 2020	December 2019	December 2020
	RM'000	RM'000	RM'000	RM'000
<u>Cash Flows from Financing Activities</u>				
Proceeds from issuance of ordinary shares, net	386.4	-	-	-
Payment for the principal portion of lease liabilities	-	(1,282.5)	(668.2)	(666.6)
Repayment of hire purchase payables	(352.0)	-	-	-
Dividends paid	-	-	-	(3,051.2)
Net cash generated from/(used in) financing activities	34.4	(1,282.5)	(668.2)	(3,717.8)
Net increase/(decrease) in cash and cash equivalent	644.7	214.1	(361.7)	(866.0)
Effect of exchange rate changes on cash and cash equivalents	0.9	3.8	0.7	(7.8)
Cash and cash equivalent at beginning of the financial year/period	4,300.0	4,945.6	4,945.6	5,163.5
Cash and cash equivalent at the end of the financial year/period	4,945.6	5,163.5	4,584.7	4,290.0

7.2 Management discussion and analysis

The following management discussion and analysis of our business, past financial conditions and results of operations should be read in conjunction with our audited combined financial statements for the FYE 30 June 2019 and FYE 30 June 2020, and the unaudited 6-month FPE 31 December 2019 and FPE 31 December 2020 set out in Section 7.1.1, 7.1.2 and 7.1.3 of this Information Memorandum.

The audited combined financial statements for FYE 30 June 2019 and 30 June 2020 are set out in Appendix I.

The unaudited combined financial statements for the 6-month FPE 31 December 2020 are set out in Appendix II.

The management discussion and analysis may also contain forward-looking statements that involve risk and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ considerably from those projected in the forward-looking statement include, but are not limited to, those discussed below or elsewhere in this Information Memorandum, particularly the risk factors as set out in Section 5 of this Information Memorandum.

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

7.2.1 Overview of Operations

DynaFront is an investment holding company. Our Group is principally involved in developing and providing proprietary and customised enterprise IT solutions. These integrated solutions are designed for a broad range of companies in or related to life insurance, including conventional life insurers, Takaful operators, independent corporate life insurance agencies and group assurance operations.

Further details of the business overview are set out in Section 3 of this Information Memorandum.

7.2.2 Revenue

(i) Revenue by segment

Our Group's revenue is mainly derived from sale of proprietary software customised for our customers, providing managed services and other related services.

The following table sets out the breakdown and analysis of our Group's revenue by segments for the FYE 30 June 2019 and FYE 30 June 2020, and the 6-month FPE 31 December 2019 and FPE 31 December 2020:

	Audited				Unaudited			
	FYE 30		FYE 30		FPE 31		FPE 31	
	June 2019		June 2020		December 2019		December 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Proprietary software ⁽ⁱ⁾	6,594.3	54.2	5,849.4	60.8	2,151.5	65.0	2,443.5	62.6
Managed services ⁽ⁱⁱ⁾	2,187.8	18.0	2,604.5	27.1	1,107.8	33.5	1,403.4	36.0
Others ⁽ⁱⁱⁱ⁾	3,381.8	27.8	1,166.0	12.1	51.1	1.5	56.6	1.4
Total	12,163.9	100.0	9,619.9	100.0	3,310.4	100.0	3,903.5	100.0

Notes:

- (i) Revenue from our proprietary software namely, PrecentiaLife, PrecentiaTakaful, PrecentiaCMS, and PrecentiaGroup is derived from sale, implementation and/or maintenance of these products. Sale and implementation of our proprietary software is undertaken on projects basis whereas maintenance contracts are mainly renewable annually.
- (ii) The revenue from managed services is commissions received from the revenue sharing contracts with our customers for the use of PrecentiaLife Agency.
- (iii) The other revenue comprises revenue from maintenance of customers' third-party software other than the Group's proprietary software, as well as one-off sale and installation of server hardware and third-party software for customers.

Comparison between the FYE 30 June 2019 and the FYE 30 June 2020

Our Group's revenue decreased by approximately RM2.6 million or 21.3% from RM12.2 million recorded for the FYE 30 June 2019 to RM9.6 million recorded for the FYE 30 June 2020. The decrease in revenue was mainly due to the following:

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

- (i) the revenue from the proprietary software segment decreased by approximately RM0.8 million or 12.1%, mainly due to:
 - a. a decrease in billings to a customer for PrecentiaTakaful which recorded a revenue of approximately RM4.2 million in FYE 30 June 2019 compared to approximately RM2.6 million in FYE 30 June 2020 as the second phase of the implementation contract, which kick-started in July 2018, has been completed in May 2019. The Group kick-started the third phase of the implementation contract on April 2019 which was completed by December 2019;
 - b. an implementation contract for PrecentiaGroup contributed approximately RM0.5 million in FYE 30 June 2019 due to the kick-off revenue upon commencement of contract in 2019, with no further billings in FYE 30 June 2020 as it was still in its planning stage.

This decrease in revenue in FYE 30 June 2020 was partially offset by a new implementation contract for PrecentiaLife during FYE 30 June 2020 contributing an increase in revenue by approximately RM1.2 million;
- (ii) the revenue from the managed services segment increased by approximately RM0.4 million or 18.2%, mainly contributed by the higher revenue recorded by a customer in Indonesia which resulted in higher commission from the Group's revenue sharing contract with the customer for the use of PrecentiaLife Agency; and
- (iii) the other revenue decreased by approximately RM2.2 million or 65.5%, mainly due to the one-off sale of server hardware and third-party software to customer for approximately RM2.2 million in FYE 30 June 2019. In FYE 30 June 2020, revenue from this segment was mainly contributed by annual renewal of third-party software licenses for the customers.

Comparison between the FPE 31 December 2019 and the FPE 31 December 2020

Our Group's revenue increased by approximately RM0.6 million or 17.9% from RM3.3 million recorded for the FPE 31 December 2019 to RM3.9 million recorded for the FPE 31 December 2020. This increase in revenue was mainly due to:

- (i) the revenue of the proprietary software segment increased by approximately RM0.3 million or 13.6%, mainly due to two new implementation contracts in Indonesia for PrecentiaLife which contributed approximately RM0.9 million for FPE 31 December 2020.

The increase in revenue was partially offset by the decrease in billings to a customer for PrecentiaTakaful which recorded a revenue of RM1.3 million in FPE 31 December 2019, compared to RM0.8 million in FPE 31 December 2020. The higher revenue from this customer recorded FPE 31 December 2019 was due to an implementation project which kick-started in April 2019 and completed in December 2019. Furthermore, the Group has undertaken data migration project and change of request in implementation contract for this customer during FPE 31 December 2019; and

- (ii) the revenue from the managed services segment increased by approximately RM0.3 million or 26.7%, mainly contributed by the higher commission revenue recorded by from the Group's revenue sharing contract with an Indonesian customer for the use of PrecentiaLife Agency.

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(ii) Revenue by geographical areas

The following table sets out the breakdown and analysis of our Group's revenue by geographical areas for the FYE 30 June 2019 and FYE 30 June 2020, and the 6-month FPE 31 December 2019 and FPE 31 December 2020:

	Audited				Unaudited			
	FYE 30 June 2019		FYE 30 June 2020		FPE 31 December 2019		FPE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	9,398.2	77.3	5,738.4	59.6	2,255.7	68.1	1,653.5	42.4
Indonesia	2,218.0	18.2	3,758.7	39.1	1,000.6	30.2	2,209.3	56.6
Philippines	547.7	4.5	97.8	1.0	39.1	1.2	40.7	1.0
Hong Kong	-	-	25.0	0.3	15.0	0.5	-	-
Total	12,163.9	100.0	9,619.9	100.0	3,310.4	100.0	3,903.5	100.0

Comparison between the FYE 30 June 2019 and the FYE 30 June 2020

(a) Malaysia

Revenue from the Malaysian market decreased by approximately RM3.7 million or 38.9% from RM9.4 million recorded for the FYE 30 June 2019 to RM5.7 million recorded for the FYE 30 June 2020. The decrease was mainly due to:

- i a decrease in billings to a customer for PrecentiaTakaful which recorded a revenue of approximately RM4.2 million in FYE 30 June 2019 compared to approximately RM2.6 million in FYE 30 June 2020 as the second phase of the implementation contract, which kick-started in July 2018, has been completed in May 2019. The Group kick-started the third phase of the implementation contract on April 2019 which was completed by December 2019.
- ii The one-off sale of server hardware to customer for approximately RM2.2 million in FYE 30 June 2019 which is not recurring in nature.

(b) Indonesia

Revenue from the Indonesian market increased by approximately RM1.6 million or 69.5% from RM2.2 million recorded for the FYE 30 June 2019 to RM3.8 million recorded for the FYE 30 June 2020. The increase was mainly due to:

- i a new implementation contract for PrecentiaLife during FYE 30 June 2020 contributing an increase in revenue by approximately RM0.9 million;
- ii The remaining increase of RM0.4 million was due to higher commission from the Group's revenue sharing contract with an Indonesian customer for the use of PrecentiaLife Agency;

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(c) Philippines

Revenue from the Philippine market decreased by approximately RM0.4 million or 82.1% from RM0.5 million recorded for the FYE 30 June 2019 to RM0.1 million recorded for the FYE 30 June 2020. The decrease was mainly due to billings for commencement of implementation contract for PrecentiaGroup which contributed approximately RM0.5 million in FYE 30 June 2019 for which no further revenue was recorded in FYE 30 June 2020 as the project was still in its planning stage.

(d) Hong Kong

The Hong Kong market did not generate revenue for the FYE 30 June 2019. For FYE 30 June 2020, the Group recorded revenue of RM25,000 in relation to a one-off software development project, which is in its preliminary stage.

Comparison between the FPE 31 December 2019 and the FPE 31 December 2020

(a) Malaysia

Revenue from the Malaysian market decreased by approximately RM0.6 million or 26.7% from RM2.3 million recorded for the FPE 31 December 2019 to RM1.7 million recorded for the FPE 31 December 2020. The decrease was mainly due to decrease in billings to a customer for PrecentiaTakaful which recorded a revenue of RM1.3 million in FPE 31 December 2019, compared to RM0.8 million in FPE 31 December 2020. The higher revenue from this customer recorded in FPE 31 December 2019 was due to an implementation project which kick-started in April 2019 and completed in December 2019. Furthermore, the Group has undertaken data migration project and change of request in implementation contract for this customer during FPE 31 December 2019.

(b) Indonesia

Revenue from the Indonesian market increased by approximately RM1.2 million or 120.8% from RM1.0 million recorded for the FPE 31 December 2019 to RM2.2 million recorded for the FPE 31 December 2020. The increase in revenue was mainly due to two new implementation contracts for PrecentiaLife which contributed approximately RM0.9 million in FPE 31 December 2020.

(c) Philippines

The Philippine market did not contribute significantly to the revenue in FPE 31 December 2019 and FPE 31 December 2020.

(d) Hong Kong

The Hong Kong market contributed to the revenue in FPE 31 December 2019 which was related to a one-off implementation project secured during that year.

(The rest of this page is intentionally left blank)

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

7.2.3 Cost of Sales

Our Group's primary nature of business is customisation, sale and implementation of proprietary software, providing managed services and other related services. The staff cost is the most significant component of the cost of sales, representing 45.1% and 69.2% of the Group's cost of sales for the FYE 30 June 2019 and FYE 30 June 2020 respectively, 87.8% and 89.4% of the Group's cost of sales for the FPE 31 December 2019 and FPE 31 December 2020 respectively.

The other components of the cost of sales include purchase of server hardware and third-party software, and outsourcing of IT personnel services to external consultants when the volume of projects cannot be handled by existing staff.

The following table sets out the breakdown of the Group's cost of sales by segments for the FYE 30 June 2019 and FYE 30 June 2020, and the 6-month FPE 31 December 2019 and FPE 31 December 2020:

	Audited				Unaudited			
	FYE 30		FYE 30		FPE 31		FPE 31	
	June 2019		June 2020		December 2019		December 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Proprietary software	4,204.1	55.5	2,940.5	68.2	1,281.4	86.5	1,450.4	86.1
Managed services	389.2	5.1	368.9	8.6	173.1	11.7	190.3	11.3
Others	2,987.0	39.4	1,002.0	23.2	27.0	1.8	43.8	2.6
Total	7,580.3	100.0	4,311.4	100.0	1,481.5	100.0	1,684.5	100.0

Comparison between the FYE 30 June 2019 and the FYE 30 June 2020

Our Group's cost of sale decreased by approximately RM3.3 million or 43.1% from RM7.6 million recorded for the FYE 30 June 2019 to RM4.3 million recorded for the FYE 30 June 2020. The decrease in the cost of sale was mainly due to the following:

- (i) the cost of sales of the proprietary software segment decreased by approximately RM1.3 million or 30.1%, mainly due to the decrease in outsourcing of IT personnel services to external consultants. The decrease in the cost of sales of the proprietary software segment is in line with the decrease in revenue from the proprietary software segment; and
- (ii) the cost of sales of the other segment decreased by approximately RM2.0 million or 66.5%, mainly due to the non-recurrence of one-off sale of server hardware and third-party software to a customer during FYE 30 June 2019.

Comparison between the FPE 31 December 2019 and the FPE 31 December 2020

Our Group's cost of sale increased by approximately RM0.2 million or 13.7% from RM1.5 million recorded for the FPE 31 December 2019 to RM1.7 million recorded for the FPE 31 December 2020. The increase in cost of sale was in line with the increase in revenue in FPE 31 December 2020.

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

7.2.4 GP and GP Margin

The following table sets out the breakdown of the Group's GP and GP margin by segments for the FYE 30 June 2019 and FYE 30 June 2020, and the 6-month FPE 31 December 2019 and FPE 31 December 2020:

GP

	Audited				Unaudited			
	FYE 30 June 2019		FYE 30 June 2020		FPE 31 December 2019		FPE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Proprietary software	2,390.2	52.2	2,908.9	54.8	870.1	47.6	993.1	44.8
Managed services	1,798.6	39.2	2,235.7	42.1	934.7	51.1	1,213.1	54.7
Others	394.8	8.6	163.9	3.1	24.1	1.3	12.8	0.6
Total	4,583.6	100.0	5,308.5	100.0	1,828.9	100.0	2,219.0	100.0

GP Margin

	Audited		Unaudited	
	FYE 30 June 2019	FYE 30 June 2020	FPE 31 December 2019	FPE 31 December 2020
	%	%	%	%
Proprietary software	36.2	49.7	40.4	40.6
Managed services	82.2	85.8	84.4	86.4
Others	11.7	14.1	47.2	22.6
Overall	37.7	55.2	55.2	56.8

Comparison between the FYE 30 June 2019 and the FYE 30 June 2020

The Group's GP margin increased from 37.7% for FYE 30 June 2019 to 55.2% for FYE 30 June 2020. The improvement in overall GP margin was mainly due to the decrease in sale of hardware and third party software, which attracted low profit margin compared to other segments. Revenue from the sale of hardware and third party software is not considered as the Group's principal activity and is non-recurring in nature.

The GP margin for the proprietary software segment increased from 36.2% for FYE 30 June 2019 to 49.7% for FYE 30 June 2020. The increase in GP margin was mainly due to the decrease in staff cost and reduction of outsourcing of IT personnel services to external consultants in proprietary software segment in line with the decrease in revenue from the proprietary software segment.

The GP margin for the managed services segment increased from 82.2% for FYE 30 June 2019 to 85.8% for FYE 30 June 2020. The GP margin of managed services segment is largely in line with the increase in revenue, which is within expectation as the cost of sales for such segment is relatively stable regardless of the amount of revenue generated from the revenue sharing contract for the use of PrecentiaLife Agency by the customers.

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The GP Margin for the others segment increased from 11.7% for FYE 30 June 2019 to 14.1% for FYE 30 June 2020. The improvement in GP margin was mainly due to the one-off sales of server hardware and third-party software for customer in FYE 30 June 2019 which are not recurring in nature. Such sales are due to one-off request by the Group's customers to facilitate the implementation of the Group's proprietary software and thus attract low profit margin.

Comparison between the FPE 31 December 2019 and the FPE 31 December 2020

The overall GP margin of the Group remained relatively stable from 55.2% for FPE 31 December 2019 to 56.8% for FPE 31 December 2020.

The GP margin for proprietary software segment increased from 40.4% for FPE 31 December 2019 to 40.6% for FPE 31 December 2020, mainly due to the Indonesian contract secured and implemented in October 2020. Concentrated and expedited project implementation as well as technological upgrades enabled us to reduce resource allocation and hence costs required to carry out the project also reduced.

The GP margin for managed services segment increased from 84.4% for FPE 31 December 2019 to 86.4% for FPE 31 December 2020. The increase in GP margin of managed services segment is in line with the increase in revenue, which is within expectation as the cost of sales for such segment is relatively stable regardless of the amount of revenue generated from the revenue sharing contract for the use of PrecentiaLife Agency by the customers.

The GP margin for others segment decreased from 47.2% for FPE 31 December 2019 to 22.6% in FPE 31 December 2020. The decrease in GP margin was mainly due to a one-off, software development project recognised during FPE 31 December 2019 which attracted higher profit margin.

7.2.5 Other Income and Gains

The following table sets out the breakdown of the Group's other income and gains for the FYE 30 June 2019 and FYE 30 June 2020, and the 6-month FPE 31 December 2019 and FPE 31 December 2020:

	Audited				Unaudited			
	FYE 30 June 2019		FYE 30 June 2020		FPE 31 December 2019		FPE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Other income	2.1	1.6	58.0	32.0	0.6	0.9	115.1	66.1
Sales incentive	-	-	3.0	1.6	3.0	4.7	-	-
Gain on foreign exchanges - Realised	36.8	28.0	-	-	-	-	-	-
Finance income ⁽ⁱ⁾	92.5	70.4	120.3	66.4	60.9	94.4	49.5	33.9
Total	131.4	100.0	181.3	100.0	64.5	100.0	164.6	100.0

Note:

(i) Finance income consists of fixed deposit interest income.

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Comparison between the FYE 30 June 2019 and the FYE 30 June 2020

Other income and gains have increased by approximately RM0.05 million or 38.0% from RM0.13 million recorded for the FYE 30 June 2019 compared to RM0.18 million recorded for the FYE 30 June 2020. The increase in other income and gains was mainly due to the higher finance income from the higher fixed deposits recorded in FYE 30 June 2020, as well as a subsidy received from the SOCSO during FYE 30 June 2020 under the Wage Subsidy Programme introduced by the Government of Malaysia.

Comparison between the FPE 31 December 2019 and the FPE 31 December 2020

Other income and gains increased by approximately RM0.1 million or 155.2% from RM0.06 million recorded for the FPE 31 December 2019 as compared to RM0.16 million recorded for the FPE 31 December 2020. The increase in other income and gains was mainly due to a subsidy received from the SOCSO during FPE 31 December 2020 under the Wage Subsidy Programme introduced by the Government of Malaysia.

7.2.6 Administrative Expenses

The following table sets out the breakdown of the Group's administrative expenses for the FYE 30 June 2019 and FYE 30 June 2020, and the 6-month FPE 31 December 2019 and 31 December 2020:

	Audited				Unaudited			
	FYE 30 June 2019		FYE 30 June 2020		FPE 31 December 2019		FPE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Auditing	8.1	2.1	55.0	10.8	-	-	-	-
Insurance	98.2	25.3	71.8	14.0	64.1	23.5	24.7	8.4
Subscription and licensing fees	29.0	7.5	64.3	12.6	18.2	6.7	19.7	6.7
Upkeep of office	14.6	3.8	84.6	16.5	55.4	20.3	4.8	1.6
Upkeep of motor vehicles	37.9	9.8	41.4	8.1	26.0	9.5	16.8	5.7
Utilities	37.1	9.6	41.6	8.1	21.6	7.9	16.9	5.7
Other non-income taxes	63.4	16.4	45.2	8.9	22.0	8.1	23.3	7.9
Others ⁽ⁱ⁾	98.9	25.5	107.3	21.0	65.3	24.0	188.5	64.0
Total	387.2	100.0	511.2	100.0	272.6	100.0	294.7	100.0

Note:

- (i) Other administrative expenses mainly consist of donations, gifts and condolences, cleaning charges, medical expenses, management fees and telephone charges. Included in the other administrative expenses for FPE 31 December 2020, are the expenses incurred for the Proposed Listing of approximately RM0.14 million.

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Comparison between the FYE 30 June 2019 and the FYE 30 June 2020

Our Group's administrative expenses increased by approximately RM0.1 million or 32.0% from RM0.4 million recorded for the FYE 30 June 2019 to RM0.5 million recorded for the FYE 30 June 2020. The increase in administrative expenses was mainly due to repair works on the server room's wall and wiring of the office arising from water leakage and an increase in subscription and licensing fee due to the delayed annual firewall subscription fees for 2018.

Comparison between the FPE 31 December 2019 and the FPE 31 December 2020

Our Group's administrative expenses have remained consistent at RM0.3 million during FPE 31 December 2019 and 31 December 2020.

7.2.7 Other Operating Expenses

The following table sets out the breakdown of the Group's other operating expenses for the FYE 30 June 2019 and FYE 30 June 2020, and the 6-month FPE 31 December 2019 and FPE 31 December 2020:

	Audited				Unaudited			
	FYE 30 June 2019		FYE 30 June 2020		FPE 31 December 2019		FPE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation of plant and right of use asset	620.1	19.2	1,168.8	37.8	585.9	36.7	528.5	38.4
Bad debts	-	-	20.1	0.7	20.1	1.3	-	-
Staff costs	692.6	21.4	761.8	24.6	384.8	24.1	308.4	22.4
Directors' remunerations	561.9	17.4	579.8	18.7	290.6	18.2	290.6	21.0
Loss in foreign exchange translation	-	-	7.6	0.2	1.8	0.1	30.8	2.2
Others ⁽ⁱ⁾	1,357.9	42.0	557.3	18.0	313.0	19.6	219.5	16.0
Total	3,232.5	100.0	3,095.4	100.0	1,596.2	100.0	1,377.8	100.0

Note:

- (i) Other operating expenses mainly consist of accommodation, entertainment, office rental, computer data centre rental, goodwill payment, staff welfare, travelling and upkeep of computer equipment.

Comparison between the FYE 30 June 2019 and the FYE 30 June 2020

Our Group's other operating expenses decreased marginally by approximately RM0.1 million or 4.2% from RM3.2 million recorded for FYE 30 June 2019 to RM3.1 million recorded for FYE 30 June 2020. The decrease in other operating expenses was mainly due to lower travelling and marketing-related expenses during MCO 1.0.

The significant increase in depreciation of plant and right of use asset in FYE 30 June 2020 is mainly due to the adoption of MFRS 16 by the Group from FYE 2020, where leased assets previously classified as operating lease or finance lease are being recognised as right of use asset and subjected to depreciation. Depreciation of right of use asset arising from the said leased assets under MFRS 16 amounts to approximately RM0.55 million in FYE 30 June 2020.

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Comparison between the FPE 31 December 2019 and the FPE 31 December 2020

Our Group's other operating expenses decreased by approximately RM0.2 million or 14.2% from RM1.6 million recorded for FPE 31 December 2019 to RM1.4 million recorded for FPE 31 December 2020, mainly due to the lower traveling and marketing-related expenses as a result of the COVID-19 pandemic.

7.2.8 PAT and PAT Margin

The following table sets out our Group's PAT and PAT margin for the FYE 30 June 2019 and FYE 30 June 2020, and the 6-month FPE 31 December 2019 and FPE 31 December 2020:

	Audited		Unaudited	
	FYE 30 June 2019	FYE 30 June 2020	FPE 31 December 2019	FPE 31 December 2020
	RM'000	RM'000	RM'000	RM'000
PAT / (LAT) ⁽ⁱ⁾	729.2	1,266.3	(189.6)	482.4
PAT / (LAT) margin (%)	6.0	13.2	(5.7)	12.4

Note:

(i) PAT / (LAT) are referring to profit/(loss) attributed to owners of the Group.

Comparison between the FYE 30 June 2019 and the FYE 30 June 2020

As a result of the factors discussed above, our Group's PAT increased by approximately RM0.5 million or 73.7% from RM0.7 million recorded for the FYE 30 June 2019 to RM1.3 million recorded for the FYE 30 June 2020.

Our Group's PAT margin increased from 6.0% recorded for the FYE 30 June 2019 to 13.2% recorded for the FYE 30 June 2020. The increase in PAT margin was mainly due to the decrease in sale of hardware and third-party software in FYE 30 June 2020, which attracted low profit margin compared to other segments.

Comparison between the FPE 31 December 2019 and the FPE 31 December 2020

As a result of the factors discussed above, our Group's PAT increased by approximately RM0.7 million from a loss of RM0.2 million recorded for the FPE 31 December 2019 to RM0.5 million recorded for the FPE 31 December 2020.

Our Group's PAT margin recorded 12.4% for the FPE 31 December 2020. The improvement in PAT margin was mainly due to the higher revenue recognised in FPE 31 December 2020 and lower other operating expenses incurred mainly due to the lower traveling and marketing-related expenses as a result of the COVID-19 pandemic during the same period as well as lower staff costs.

(The rest of this page is intentionally left blank)

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

7.2.9 Key Financial Ratios

	FYE 30 June 2019	FYE 30 June 2020	FPE 31 December 2019	FPE 31 December 2020
Gearing Ratio (times) ⁽ⁱ⁾	0.14	0.19	0.29	0.17
Current Ratio (times) ⁽ⁱⁱ⁾	4.1	4.5	4.1	4.0
Trade Receivables Turnover Period (days) ⁽ⁱⁱⁱ⁾	63	92	89	59
Trade Payables Turnover Period (days) ^(iv)	1	2	1	11

Notes:

- (i) Computed based on total interest-bearing borrowings (lease liabilities) divided by the equity attributed to the owners of the Group.
- (ii) Computed as total current assets over total current liabilities.
- (iii) Computed as trade receivables over revenue multiplied by the number of days in the respective FYE/FPE.
- (iv) Computed as trade payables over cost of sales multiplied by the number of days in the respective FYE/FPE.

Gearing ratio

Our Group's gearing ratio increased from 0.14 times recorded for FYE 30 June 2019 to 0.19 times recorded for the FYE 30 June 2020. The increase in gearing ratio was mainly due to the reclassification of other payables and hire purchase payables to lease liabilities due to the implementation of MRFS 16 in FYE 30 June 2020.

Our Group's gearing ratio decreased from 0.29 times recorded for FPE 31 December 2019 to 0.17 times recorded for FPE 31 December 2020. The decrease in gearing ratio was mainly due to repayment of lease liabilities of the leased assets of approximately RM0.7 million in FPE 31 December 2020.

Current ratio

Our Group's current ratio increased from 4.1 times recorded for FYE 30 June 2019 to 4.5 times recorded for the FYE 30 June 2020. The increase in current ratio was mainly due to profit from operation for the FYE 30 June 2020, which led to an increase in trade and other receivables by approximately RM0.6 million, as well as an increase in cash balances by approximately RM0.1 million.

There was no significant change in our Group's current ratio for FPE 31 December 2020 as compared to FPE 31 December 2019.

Trade receivables turnover period

Our customers are granted credit period on a case by case basis for FYE 30 June 2019 and FYE 30 June 2020. We assess our established customers based on past payment records with our Group.

We adopt ageing analysis to monitor the credit quality of our trade receivables. The ageing analysis for our trade receivables as at 30 June 2020 is as follows:

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

	Trade receivables as at 30 June 2020	
	RM'000	%
Outstanding for:		
1 to 30 days	695.9	28.9
31 to 90 days	676.2	28.0
91 to 180 days	1,038.7	43.1
Total		
Total trade receivables	2,410.8	100.0
Subsequent receipts up to the LPD	2,232.5	92.6
Outstanding balance as at the LPD	10.0	0.4

Based on the ageing analysis above, our Group has RM2.4 million of total trade receivables as at FYE 30 June 2020, of which RM2.2 million or 92.6% of the outstanding trade receivables have been collected as at the LPD. As at the date of this Information Memorandum, the outstanding balance has been fully received by the Group.

Our Group's trade receivables turnover period increased from 63 days recorded for FYE 30 June 2019 to 92 days recorded for FYE 30 June 2020. The increase in trade receivables period was mainly due to late payment from a client which owed DIPL, and correspondingly resulted in late payment to our Group. Subsequent to 30 June 2020, this amount has been paid in full.

Our Group's trade receivables turnover period decreased from 89 days recorded for FPE 31 December 2019 to 59 days recorded for FPE 31 December 2020. The decrease in trade receivables was mainly due to more sales revenue generated in FPE 31 December 2020 and corresponding reduction in trade receivables in the same period due to prompt payments from mainly DIPL.

Trade payables turnover period

Our Group recorded trade payables turnover period of 1 day for FYE 30 June 2019 and 2 days for the FYE 30 June 2020.

Our Group's trade payables turnover period increased from 1 day recorded for FPE 31 December 2019 to 2 days recorded for FPE 31 December 2020.

The low trade payables turnover is due to the nature of our Group's business where our cost of sales mainly comprises staff costs which are paid on time and on a monthly basis. Only a small portion of cost of sales, which is approximately 25% consists of purchase of hardware and software tools, which caused the trade payables amount to be relatively small compared to overall cost of sales of the Group and explains the low trade payable turnover period.

(The rest of this page is intentionally left blank)

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

7.2.10 Finance Cost

The following table sets out the breakdown of the Group's finance cost for the FYE 30 June 2019 and FYE 30 June 2020, and the 6-month FPE 31 December 2019 and FPE 31 December 2020:

	Audited				Unaudited			
	FYE 30 June 2019		FYE 30 June 2020		FPE 31 December 2019		FPE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Hire purchase interest/	70.9	100.0	87.5	100.0	54.2	100.0	20.8	100.0
Lease liability interest								

Comparison between the FYE 30 June 2019 and the FYE 30 June 2020

Our Group's finance cost increased by approximately RM0.02 million or 23.4% from RM0.07 million recorded for FYE 30 June 2019 to RM0.09 million recorded for the FYE 30 June 2020. The increase in finance cost was mainly due to reclassification of other payables and hire purchase payables into lease liabilities due to the implementation of MFRS 16, whereby the interest component from leased assets are reflected as finance cost in FYE 30 June 2020.

Comparison between the FPE 31 December 2019 and the FPE 31 December 2020

Our Group's finance cost decreased by approximately RM0.03 million or 61.6% from RM0.05 million recorded for FPE 31 December 2019 to RM0.02 million recorded for FPE 31 December 2020. The decrease in finance cost was mainly due to adoption of the reducing balance method for lease liabilities whereby higher principal portion is recorded at the initial period and as the tenure increases, the interest portion decreases.

(The rest of this page is intentionally left blank)

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

7.2.11 Cash Flows

The following table sets out the Group's cash flow position for the FYE 30 June 2019 and FYE 30 June 2020, and the 6-month FPE 31 December 2019 and FPE 31 December 2020:

	FYE 30 June 2019	FYE 30 June 2020	FPE 31 December 2019	FPE 31 December 2020
	RM'000	RM'000	RM'000	RM'000
Net cash generated from operating activities	852.8	1,693.3	494.5	2,855.4
Net cash used in) from investing activities	(242.5)	(196.7)	(188.0)	(3.7)
Net cash generated from/(used in) financing activities	34.4	(1,282.5)	(668.2)	(3,717.8)
Net increase/(decrease) in cash and cash equivalents	644.7	214.1	(361.7)	(866.0)
Cash and cash equivalents at the beginning of the financial year/period	4,300.0	4,945.6	4,945.6	5,163.5
Effect of exchange rate changes on cash and cash equivalents	0.9	3.8	0.7	(7.8)
Cash and cash equivalents at the end of the financial year/period	4,945.6	5,163.5	4,584.7	4,289.7

Net cash generated from operating activities

(i) FYE 30 June 2019 and FYE 30 June 2020

Our Group recorded net cash inflow from operating activities of RM0.9 million for FYE 30 June 2019, with movements on the following key items:

- (a) cash outflow for working capital of approximately RM0.4 million; and
- (b) RM0.4 million for payment of tax.

Our Group recorded net cash inflow from operating activities of RM1.7 million for FYE 30 June 2020, with movements on the following key items:

- (a) cash outflow for working capital of approximately RM0.9 million; and
- (b) RM0.4 million for payment of tax.

(ii) FPE 31 December 2019 and FPE 31 December 2020

Our Group recorded net cash inflow from operating activities of RM0.5 million for FPE 31 December 2019, with movements on the following key items:

- (a) cash inflow for working capital of approximately RM0.1 million; and
- (b) RM0.2 million for payment of tax.

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Our Group recorded net cash inflow from operating activities of RM2.9 million for FPE 31 December 2020, with movements on the following key items:

- (a) cash inflow for working capital of approximately RM1.8 million; and
- (b) RM0.2 million in payment of tax.

Net cash used in from investing activities**(i) FYE 30 June 2019 and FYE 30 June 2020**

Our Group's net cash used in investing activities of RM0.2 million for the FYE 30 June 2019 was mainly due to the purchase of the office equipment for DynaFront Indonesia.

Our Group's net cash used in investing activities of RM0.2 million for the FYE 30 June 2020 was mainly due to the purchase of computer and other electronic equipment for DynaFront Indonesia.

(ii) FPE 31 December 2019 and FPE 31 December 2020

Our Group recorded net cash used in investing activities of RM0.2 million for the FPE 31 December 2019 was mainly due to the purchase of other electronic equipment for DynaFront Indonesia.

For FPE 31 December 2020, our Group's net cash used in investing activities was insignificant and was related to the purchase of office equipment for DynaFront Indonesia.

Net cash generated from/(used in) financing activities**(i) FYE 30 June 2019 and FYE 30 June 2020**

Our Group's net cash generated from financing activities of approximately RM0.03 million for the FYE 30 June 2019 was mainly due to issuance of share capital of approximately RM0.39 million for DynaFront Indonesia. However, it was offset by the repayment of hire purchase of approximately RM0.35 million for the FYE 30 June 2019.

Our Group's net cash used in financing activities of RM1.3 million for the FYE 30 June 2020 was mainly due to the repayment for the principal portion of lease liabilities of approximately RM1.3 million.

(ii) FPE 31 December 2019 and FPE 31 December 2020

Our Group's net cash used in financing activities of RM0.7 million for the FPE 31 December 2019 was mainly due to repayment for the principal portion of lease liabilities of approximately RM0.7 million.

Our Group's net cash used in financing activities of RM3.7 million for the FPE 31 December 2020 was mainly due to dividends paid by DynaFront Systems of approximately RM3.1 million and the repayment for the principal portion of lease liabilities of approximately RM0.7 million.

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

7.3 Recent developments

Save as disclosed below, there were no significant events subsequent to our Group's unaudited combined financial statements for FPE 31 December 2020:

- (a) As mentioned in Section 2.3.2 of this Information Memorandum, DynaFront Indonesia's share capital was reduced from 10,000 ordinary shares to 5,000 ordinary shares and the said reduction was completed on 17 March 2021. Further, pursuant to Acquisition 2, the amount due from Gan Hui Ping has been assumed by our Company. In view of the share capital reduction and Acquisition 2, the amount due from our Company to DynaFront Indonesia has been reduced from RM1.8 million to approximately RM0.7 million.
- (b) Gan Hui Ping had between 25 January 2021 to 26 March 2021 advanced a total of IDR676,034,781 (equivalent to RM194,484 based on the average exchange rate of IDR1:RM0.000288) to DynaFront Indonesia for its operational expenses. The advances are interest-free and have no fixed term of repayment.

7.4 Significant factors affecting our financial position and results of operations

Section 5 of this Information Memorandum details out a number of risk factors relating to our business and the industry in which we operating in. Some of these risks have an impact on our revenue and financial performance.

Sophisticated Investors should carefully consider the risk factors set out in **Section 5** of this Information Memorandum before making any decision on whether an investment in our Shares is suitable for them in light of their circumstances and financial resources and whether they are able and willing to withstand the potential loss of their entire investment.

7.5 Dividend policy

As we are an investment holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies as well as compliance with the relevant laws of Indonesia as elaborated in Section 9.8 of this Information Memorandum, there is no legal, financial, or economic restriction on the ability of our existing subsidiaries to transfer funds in the form of cash dividends, loan or advances to us.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval, regulatory requirements, the Group's financial performance, capital expenditure requirements, general financial condition, timing and quantum of the dividends and any other factors considered relevant by our Board.

We intend to have dividend policy where we pay dividends equivalent to approximately 10% of our annual audited PAT. When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:

- (a) our anticipated future operating conditions as well as future expansion, capital expenditure and investment plans;
- (b) our operating cash flow requirements and financing commitments;
- (c) our expected financial performance including return on equity and retained earnings;
- (d) any restrictive covenants contained in our current and future financing arrangements;

7.0 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

- (e) the availability of adequate reserves and cash flows;
- (f) any material impact of tax laws and regulatory requirements; and
- (g) general economic condition.

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

Save for the dividend amounting to RM3.05 million declared and paid by DynaFront Systems to its shareholders prior to the Acquisitions, no dividends were paid by companies within our Group for FYE 30 June 2019, FYE 30 June 2020 and up to the LPD.

7.6 Order book

As at the LPD, our order book is as follows:

	<u>Total contract value</u>	<u>Total unbilled amount</u>
	<u>RM'000</u>	<u>RM'000</u>
Proprietary software	10,332.4	2,984.2
Managed services	7,290.0	7,047.0 ⁽¹⁾
Others	1,956.8	915.3
Total	<u>19,579.2</u>	<u>10,946.5</u>

Note:

(1) *The unbilled amount under managed services excludes any commission-based fee from Customers B and D*

We actively and continuously market our products and services in order to secure new clients as part of our business strategies. Riding on our competitive strengths as set out in Section 4.4 of this Information Memorandum as well as commitment towards the growth of our business, barring unforeseen circumstances, we are optimistic of the business and prospects of our Group in the foreseeable future.

(The rest of this page is intentionally left blank)

8.0 APPROVALS, CONDITIONS AND UNDERTAKING

8.1 Approvals and conditions

The Proposed Listing is subject to the following:

- (a) approval from Bursa Securities for the listing of and quotation for our entire enlarged share capital on the LEAP Market of Bursa Securities; and
- (b) successful completion of the Proposed Placement.

Concurrent with the issuance of this Information Memorandum, HLIB has on behalf of our Company, made an application to Bursa Securities for the admission of our Company to the Official List and the listing of and quotation for our entire enlarged share capital on the LEAP Market and are awaiting the decision of Bursa Securities.

8.2 Exempt transaction

Our Proposed Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of SC.

8.3 Details of moratorium and undertakings

8.3.1 Promoters

Pursuant to Rule 3.07 of the LEAP Listing Requirements, the Shares held by the Promoters, amounting to 53,936,890 Shares (representing approximately 74.92% of the enlarged share capital upon listing) are to be placed under moratorium.

Our Promoters, who hold our Shares directly and indirectly upon our listing, have fully accepted the moratorium where they will not be permitted to sell, transfer or assign any part of their interest in the Shares placed during the moratorium period as follows ("**Promoters' Moratorium Period**"):

- (a) The moratorium applies to the entire shareholdings of our Promoters for a period of 12 months from the date of our listing on the LEAP Market ("**First 12-Month Moratorium**"); and
- (b) Upon expiry of the First 12-Month Moratorium, our Company must ensure that our Promoters shall maintain an aggregate shareholding amounting to 32,400,000 Shares representing 45.00% of our enlarged share capital upon Proposed Listing for further period of 36 months ("**Second 36-Month Moratorium**").

In this respect, the Shares are subject to moratorium.

(The rest of this page is intentionally left blank)

8.0 APPROVALS, CONDITIONS AND UNDERTAKING (CONT'D)

Details of our Promoters and their Shares which will be subject to the abovesaid moratorium, are set out below:

Name	Position / Directorship	Moratorium shares during the First 12-Month Moratorium ⁽ⁱ⁾		Moratorium shares during the Second 36-Month Moratorium ⁽ⁱⁱ⁾	
		No. of Shares	% ⁽ⁱⁱⁱ⁾	No. of Shares	% ⁽ⁱⁱⁱ⁾
Chan Eng Lim	Promoter / Managing Director / Group Chief Executive Officer	1	*	-	-
Gan Hui Ping	Promoter / Executive Director / Group Chief Operating Officer	8,748,635	12.15	5,255,300	7.30
Chan Choong Wai	Promoter / Non Independent Non Executive Director	-	-	-	-
Watergate Solidwood	Promoter	45,188,254	62.76	27,144,700	37.70
Total		53,936,890	74.91	32,400,000	45.00

Notes:

(i) From the date of our Proposed Listing.

(ii) Upon the expiry of 12 months from the date of our Proposed Listing.

(iii) Based on the enlarged share capital of 72,000,000 Shares upon completion of the Proposed Placement.

(The rest of this page is intentionally left blank)

8.0 APPROVALS, CONDITIONS AND UNDERTAKING (CONT'D)

8.3.2 Undertakings in relation to the Proposed Placement

- (i) All money received from the Sophisticated Investors pursuant to the subscription of our Shares will be placed in a trust account with a financial institution licensed by BNM ("**Trust Account**"). The Trust Account will be jointly operated by HLIB as the Approved Adviser and Placement Agent and DynaFront;
- (ii) DynaFront and HLIB undertake that all monies deposited in the Trust Account will not be withdrawn until the date of listing of our Shares on the LEAP Market of Bursa Securities; and
- (iii) DynaFront undertakes to forthwith repay within 14 days without interest all monies received from the Sophisticated Investors if:
 - (a) the Proposed Listing does not take place within 6-months from the date of Bursa Securities' approval for the Proposed Listing on the LEAP Market or such further extension of time as Bursa Securities may allow ("**Period**"); or
 - (b) the Proposed Listing is aborted by DynaFront.

Should we fail to do so, in addition to our Company's liabilities, our Board shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum from the end of the Period or such other rate as Bursa Securities may prescribe.

(The rest of this page is intentionally left blank)

PART II
ADDITIONAL
INFORMATION

9.0 ADDITIONAL INFORMATION

9.1 Responsibility statements

Our Directors and Promoters have seen and approved this Information Memorandum, and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted, would make any statement in this Information Memorandum false or misleading.

HLIB acknowledges that, based on all available information and to the best of its knowledge and belief, this Information Memorandum constitutes a full and true disclosure of all material facts concerning the Proposed Listing.

9.2 Material litigation and contingent liabilities

As at the LPD, we are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and our Board does not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business.

As at the LPD, there is no contingent liability which, upon becoming enforceable, may have a material impact on our financial position or business.

9.3 Material contracts

Save as disclosed below, there are no contracts which are or may be material (not contracts entered into the ordinary course of business) which have been entered by our Company or our subsidiaries, within the past 2 years immediately preceding the date of the Information Memorandum:

- (i) The sale and purchase agreement dated 21 June 2019 for the purchase of an Apartment Unit in Gold Coast Office Tower No. GCOT/PERJ/0619/000080 with a lease period of 20 years between DynaFront Indonesia and PT Multi Artha Pratama for a purchase consideration of IDR2.4 billion.
- (ii) The sale and purchase agreement dated 21 June 2019 for the purchase of an Apartment Unit in Gold Coast Office Tower No. GCOT/PERJ/0619/000081 with a lease period of 20 years between DynaFront Indonesia and PT Multi Artha Pratama for a purchase consideration of IDR2.4 billion.
- (iii) The share sale agreement dated 27 January 2021 entered into between DynaFront and DynaFront Systems' Vendors for Acquisition 1, which was completed on 3 February 2021.
- (iv) The share sale agreement dated 29 January 2021 entered into between DynaFront and DynaFront Indonesia's Vendor for Acquisition 2, which was completed on 25 February 2021.

(The rest of this page is intentionally left blank)

9.0 ADDITIONAL INFORMATION (CONT'D)

9.4 Intellectual property

9.4.1 Trademarks

DynaFront is the proprietor of 4 trademarks for “DynaFront”, “PRECENTIA”, “iClient” and “PowerAgent”. All trademarks certificates are still in existence and valid as at LPD.

(a) **DYNAFRONT**

Proprietor	DynaFront Systems
Trade Mark	DynaFront
Trade Mark No.	01016228
Class of Goods and Services	Class 9 - Computer hardware and software
Date of Issue of Certificate	21 September 2006
Period	20 December 2001 - 20 December 2011
Date of Renewal of Certificate	16 November 2011
Validity Period	10 years until 20 December 2021

(b) **PRECENTIA**

Proprietor	DynaFront Systems
Trade Mark	PRECENTIA
Trade Mark No.	09017716
Class of Goods and Services	Class 9 - Computer programmes for use in insurance
Date of Issue of Certificate	10 December 2013
Period	12 October 2009 - 12 October 2019
Date of Renewal of Certificate	10 May 2019
Validity Period	10 years until 12 October 2029

(The rest of this page is intentionally left blank)

9.0 ADDITIONAL INFORMATION (CONT'D)

(c) **iClient**

Proprietor	DynaFront Systems
Trade Mark	iClient
Trade Mark No.	02011953
Class of Goods and Services	Class 9 - Computer software
Date of Issue of Certificate	21 September 2006
Period	26 September 2002 - 26 September 2012
Date of Renewal of Certificate	04 September 2012
Validity Period	10 years until 26 September 2022
Non-Exclusive Use	Registration of this Trademark shall give no right to the exclusive use of a letter 'i'

(d) **POWERAGENT**

Proprietor	DynaFront Systems
Trade Mark	PowerAgent
Trade Mark No.	02011954
Class of Goods and Services	Class 9 - Computer software
Date of Issue of Certificate	27 April 2005
Period	26 September 2002 - 26 September 2012
Date of Renewal of Certificate	04 September 2012
Validity Period	10 years until 26 September 2022

9.4.2 Copyright

Pursuant to the duly affirmed statutory declaration by Chan Eng Lim dated 1 March 2021, DynaFront owns the copyright to the literary works consisting as follows:

- a. **PrecentiaCMS** - a computer program and software, with source code, to provide for a front-end support system to facilitate the communication channels to various distribution channels and comprises marketing and sales management modules (Current Version 8.3 dated 01 July 2021).

(The rest of this page is intentionally left blank)

9.0 ADDITIONAL INFORMATION (CONT'D)

- b. **PrecentiaGroup** - a computer program and software, with source code, to provide for a suite of back-end group life insurance administration system for employee benefits (Current Version 1.0 dated 24 February 2021).
- c. **PrecentiaLife** - a computer program and software, with source code, to provide for a suite of back-end life insurance administration system for individual life insurance businesses that includes conventional, investment-linked, universal, structures note, mortgage, annuity and medical insurances (Current Version 6.1 dated 26 February 2021).
- d. **PrecentiaTakaful** – a computer program and software, with source code, to provide for a Shariah-compliant Takaful administration system. It caters for Wakalah, Mudharabah and hybrid concepts and can be integrated into various Takaful models (Current Version 4.1 dated 24 February 2021).

9.5 Licenses/Permits

DynaFront Group owns 5 licenses and 5 permits which are still in existence and valid as at LPD.

9.5.1 Licensing agreement

Proof of Entitlement from IBM Singapore Pte Ltd to Dynafront Systems

This an Application Specific Licensing (ASL), arising from an agreement between IBM Singapore and DynaFront Systems under which DynaFront Systems, being a IBM partner bundles IBM software with their value-added products and services. ASL is then sold as a total solution to DynaFront Systems’ end customers. However, ASL’s usages are limited as follows:

- (a) Must be sold as part of the solution to end customers;
- (b) License restricted to be used within IBM partner solution only;
- (c) License held by IBM partner (Not by end customers); and
- (d) First level support to be provided by IBM partner.

The details of this agreement are as follows:

Parties	IBM Singapore Pte Ltd DynaFront Systems
Software subscription	1 November 2020 – 31 October 2021
Purpose	Authorised use of the Eligible Products – Proof of entitlement

For information purposes, the IBM software is only applicable in instances where the client had requested for the same and to be bundled with the Group’s solutions. Therefore, there is no reliance on IBM as part of the Group’s offerings as the Group’s solutions are offered and can function independently from the IBM software.

Registration No.: 202001042085 (1398406-X)

9.0 ADDITIONAL INFORMATION (CONT'D)

9.5.2 Licenses / Permits

The Group has obtained all approvals/permits/licenses required to carry out its operations. As at LPD, details of our general business licenses/permits are as follows:

Licence / Reference no.	Licensee	Issuing authority	Purpose	Issue/Renewal date	Validity Period
Premise license (DBKL.JPPP/PR01/1335/03/2021)	DynaFront Systems	Dewan Bandaraya Kuala Lumpur (DBKL)	Premise license for Management Office at C-8-1, 8 th Floor, Corporate Office Tower, Block C, KL Trillion	10 March 2021 until 9 March 2022	1 year
Location permit	DynaFront Indonesia	Government of the Republic of Indonesia c.q. (in this case) Online Single Submission (OSS) Agency	Publishing of book, brochure, leaflet, dictionary, encyclopedia, atlas, map and graphic; publishing of newspaper, journal, magazine and other periodical; directory and mailing list and other publications, as well as publishing software	15 February 2019	-
Industrial business license (UIU)	DynaFront Indonesia	Government of the Republic of Indonesia c.q. (in this case) Online Single Submission (OSS) Agency	1. (KBLI 62019) Other computer programming activities; 2. (KBLI 62090) Information technology and other computer services activities; and 3. (KBLI 63122) Web portal and/or digital platform for commercial purposes	22 January 2021 (updated 22 February 2021)	-
E-Commerce trade business license (SIUPMSE)	DynaFront Indonesia	Government of the Republic of Indonesia c.q. (in this case) Online Single Submission (OSS) Agency	(KBLI 63122) Web Portal Activities and/or Digital Platform Activities for Commercial Purposes	22 January 2021	-

Registration No.: 202001042085 (1398406-X)

9.0 ADDITIONAL INFORMATION (CONT'D)

Licence / Reference no.	Licensee	Issuing authority	Purpose	Issue/Renewal date	Validity Period
Trade business license (SIUP)	DynaFront Indonesia	Government of the Republic of Indonesia c.q. (in this case) Online Single Submission (OSS) Agency	1. (KBLI 46512) Software Wholesale Trading; 2. (KBLI 70209) Other Consultancy Management Activities	22 January 2021	-
Location Permit	DynaFront Indonesia	Government of the Republic of Indonesia c.q. (in this case) Online Single Submission (OSS) Agency	Other Consultancy Management Activities	22 January 2021	3 years
Location Permit	DynaFront Indonesia	Government of the Republic of Indonesia c.q. (in this case) Online Single Submission (OSS) Agency	Development Activities of Commercial Application through the Internet (E-Commerce)	30 January 2021	3 years
Location permit	DynaFront Indonesia	Government of the Republic of Indonesia c.q. (in this case) Online Single Submission (OSS) Agency	Information technology and other computer services activities	22 February 2021	3 years
Location Permit	DynaFront Indonesia	Government of the Republic of Indonesia c.q. (in this case) Online Single Submission (OSS) Agency	Other computer programming activities	22 January 2021	3 years

9.0 ADDITIONAL INFORMATION (CONT'D)

9.6 Loan, hire purchase and guarantee

Save as disclosed below, there are no other outstanding loans, hire purchase including guarantees of any kind made by our Company and/or our Directors:

- (i) Hire-Purchase Agreement for the financing of vehicle (VN8011) with Affin Bank Berhad dated 20 January 2017 with Individual Guarantee by Chan Eng Lim
- (ii) Hire-Purchase Agreement for the financing of vehicle (VP8011) with Affin Bank Berhad dated 24 January 2017 with Individual Guarantee by Chan Eng Lim
- (iii) Hire-Purchase Agreement for the financing of vehicle (WB8011N) with Affin Bank Berhad dated 27 May 2015 with Individual Guarantee by Chan Eng Lim
- (iv) Hire-Purchase Agreement for the financing of vehicle (WB8011V) with Affin Bank Berhad dated 21 August 2015 with Individual Guarantee by Gan Hui Ping
- (v) Hire-Purchase Agreement for the financing of vehicle (WDJ8888) with Affin Bank Berhad dated 12 August 2016 with Individual Guarantee by Chan Eng Lim.

9.7 Indonesian laws and regulations

9.7.1 Indonesian Company Law

To conduct business operations in Indonesia, a foreign investor must incorporate and establish a limited liability company under a Deed of Establishment with the approval of the Ministry of Law and Human Rights of the Republic of Indonesia.

Based on the Law No 40 of 2007 regarding the limited liability company, every limited liability company established must have at least 1 director, 1 commissioner and 2 shareholders. Pursuant to the Ministry of Manpower Regulation No 10 of 2018 regarding the Procedures for Recruitment of Foreign Worker, a limited liability company, whether it is a local company or foreign investment company, could have a foreign director. Such foreign director may not need to be domiciled in Indonesia, however, if the foreign director is appointed as a person in charge for such company, then such foreign director must be domiciled in Indonesia and must be issued with a foreign worker license.

Effective as of 2 June 2021, Indonesia has introduced 2 new Indonesia Investment Coordinating Board Regulations, which are as follows: -

1. Indonesia Investment Coordinating Board Regulation No. 4 of 2021 on Guidelines and Procedures for Risk-Based Licensing Services and Investment Facilities (*Peraturan Badan Koordinasi Penanaman Modal No. 4 Tahun 2021 tentang Pedoman dan Tata Cara Pelayanan Perizinan Berusaha Berbasis Risiko dan Fasilitas Penanaman Modal*) ("**BKPM Regulation No. 4/2021**"); and
2. Indonesia Investment Coordinating Board Regulation No. 5 of 2021 on Guidelines and Procedures for Supervision of Risk-Based Business Licensing (*Peraturan Badan Koordinasi Penanaman Modal No. 5 Tahun 2021 tentang Pedoman dan Tata Cara Pengawasan Perizinan Berusaha Berbasis Risiko*).

The above regulations revoke the following Indonesia Investment Coordinating Board Regulations: -

9.0 ADDITIONAL INFORMATION (CONT'D)

1. Indonesia Investment Coordinating Board Regulation No. 1 of 2020 on Guidelines on the Provision of Integrated Electronic Business Licensing Services (*Peraturan Kepala BKPM No. 1 Tahun 2020 tentang Pedoman Pelaksanaan Pelayanan Perizinan Berusaha Terintegrasi Secara Elektronik*) (“**BKPM Regulation No. 1/2020**”); and
2. Indonesia Investment Coordinating Board Regulation No. 6 of 2020 on Guidelines on Procedures on Investment Control (*Peraturan Kepala BKPM No. 6 Tahun 2020 tentang Pedoman dan Tata Cara Pengendalian Penanaman Modal*).

Pursuant to the above and under the new Indonesia Investment Coordinating Board Regulations, in particular under BKPM Regulation No. 4/2021:

1. Article 12 (7) of BKPM Regulation No. 4/2021 stipulates that the minimum issued and paid-up Capital of a foreign-owned company shall be IDR10,000,000,000 (“**New Minimum Capital**”) which has been increased from IDR2,500,000,000 stipulated in the previous regulation (BKPM Regulation No. 1/2020) . The New Minimum Capital would be applicable prospectively only when foreign-owned companies apply for new business licence, but does not affect the validity of existing business licences already secured by them (as elaborated in (3) below.
2. Article 95 (1) of BKPM Regulation No. 4/2021 stipulates that any business which has obtained Business Identification Number (*Nomor Induk Berusaha*) and business licence based on commitment in accordance with Government Regulation No. 24 of 2018, will need to provide confirmation of previous business data when notified by the the Online Single Submission (“**OSS**”) System to do so. In relation to this new provision, companies will need to provide such confirmation only in the event that they receive the said notification via the OSS System;
3. Article 97 (1) of BKPM Regulation No. 4/2021 stipulates that any business which has obtained business license that is still valid prior to the issuance of BKPM Regulation No. 4/2021 can still use the business licence in accordance with the business activity.

9.7.2 Regulatory regime relevant to the Indonesian business operations

The Indonesian Government enacts a range of laws and regulations that govern the establishment of businesses within each industry sector. The relevant regulatory regimes that are applicable to Dynafront Indonesia are set out as follows:

- Law No. 40 of 2007 concerning Limited Liability Companies (*Undang-Undang No. 40 Tahun 2007 tentang Perseroan Terbatas*);
- Indonesia Investment Coordinating Board Regulation No. 4 of 2021 on Guidelines and Procedures for Risk-Based Licensing Services and Investment Facilities (*Peraturan Badan Koordinasi Penanaman Modal No. 4 Tahun 2021 tentang Pedoman dan Tata Cara Pelayanan Perizinan Berusaha Berbasis Risiko dan Fasilitas Penanaman Modal*);
- Indonesia Investment Coordinating Board Regulation No. 5 of 2021 on Guidelines and Procedures for Supervision of Risk-Based Business Licensing (*Peraturan Badan Koordinasi Penanaman Modal No. 5 Tahun 2021 tentang Pedoman dan Tata Cara Pengawasan Perizinan Berusaha Berbasis Risiko*);
- Government Regulation No. 71 of 2019 on the Implementation of Electronic System and Transaction (*Peraturan Pemerintah No. 71 Tahun 2019 tentang Penyelenggaraan Sistem dan Transaksi Elektronik*);

9.0 ADDITIONAL INFORMATION (CONT'D)

- Government Regulation No. 5 of 2021 on Implementation of Risk-Based Business Licensing (*Peraturan Pemerintah No. 5 Tahun 2021 tentang Penyelenggaraan Perizinan Berusaha Berbasis Risiko*);
- Presidential Regulation No. 10 of 2021 on Investment Business Fields (*Peraturan Presiden Republik Indonesia No. 10 Tahun 2021 tentang Bidang Usaha Penanaman Modal*);
- Ministry of Industry Regulation No. 2 of 2019 on the Procedures for the Submission of Industrial Data, Industrial Zone Data, Other Data, Industrial Information, and Other Information Through the National Industrial Information System (*Peraturan Menteri Perindustrian No. 2 Tahun 2019 tentang Tata Cara Penyampaian Data Industri, Data Kawasan Industri, Data Lain, Informasi Industri, dan Informasi Lain melalui Sistem Informasi Industri Nasional*); and
- Statistics Indonesia Regulation No. 2 of 2020 on Indonesian Standard Business Classifications (*Peraturan Badan Pusat Statistik No. 2 Tahun 2020 tentang Klasifikasi Baku Lapangan Usaha Indonesia*).

Based to the above, DynaFront Indonesia is in compliance with the Indonesian laws regulating limited liability companies, relevant regulatory regime and/or exchange control. DynaFront Indonesia is an Indonesian company duly incorporated and existing under the laws of Indonesia and has obtained all material business licenses to conduct the following business activities:

Business Activity	KBLI code
Software Wholesale Trading	46512
Other Consultancy Management Activities	70209
Web Portal and/or Digital Platform for Commercial Purposes	63122
Other Computer Programming Activities	62019
Information Technology and Other Computer Services Activities	62090

In relation to the Web Portal and/or Digital Platform for Commercial Purposes, DynaFront Indonesia is required to apply for registration as Electronic System Operator (*Penyelenggara Sistem Elektronik*) to the Ministry of Communication and Informatics of the Republic of Indonesia.

9.7.3 Exchange control and repatriation of capital, profits and dividends

Save as set out below, there are no restrictions on repatriation of capital, profits and dividends or controls on foreign exchange by Indonesian laws, decrees, regulations or other legislations.

Pursuant to the Law No 7 of 2011 concerning Currency in conjunction with the Bank of Indonesia Regulation No 17 of 2015 concerning the obligation to use the Indonesian Rupiah Currency in Indonesian Territory, there is an obligation for all party to use the Rupiah currency for any transaction in Indonesia with the exception to, among others, international trade transactions, such as cross border supply between two different countries (such as from Malaysia to Indonesia or vice versa).

9.0 ADDITIONAL INFORMATION (CONT'D)

Further, the Law No 25 of 2007 concerning the Investment Law provides that foreign investors may conduct, among others, transfer of assets and repatriation of capital, profits and dividends in foreign currency provided that such conduct does not reduce the enforcement of law to protect the rights of creditors, to avoid Indonesia's losses, to require reporting of any fund transfer and to draw taxes, royalties and/or other revenues from investments in accordance with the prevailing laws and regulations in Indonesia.

A foreign investor may also repatriate capital, profits and dividends from its investment in Indonesia in their original currency subject to the prevailing exchange rates.

Under the Indonesian Company Law, repatriation of capital shall be considered as reduction of company's capital and must be approved by all the shareholders through a general meeting of shareholders. Such reduction of capital shall not fall below the minimum issued and paid-up capital of Rp 2.5 billion, which is a requirement for foreign investment company as set out under Indonesia Investment Coordinating Board Regulation No. 1 of 2020 on Guidelines on the Provision of Integrated Electronic Business Licensing Services (*Peraturan Kepala BKPM No. 1 Tahun 2020 tentang Pedoman Pelaksanaan Pelayanan Perizinan Berusaha Terintegrasi Secara Elektronik*).

According to Law No 40 of 2007 for distribution of dividend by a limited liability company, all net profit of a limited liability company after the deduction to be set aside for reserves shall be allocated to its shareholders as dividends unless otherwise stated or specify in the general meeting of shareholders. The dividends may only be allocated if the company has a positive balance of profits. The company may allocate interim dividends before the company's financial year ends provided that the Articles of Association of the company so allow, in the event that after the financial year ends it transpires that the company has suffered losses, the interim dividends so allocated must be returned to the company by the shareholders, otherwise the Board of Directors and Board of Commissioners shall be jointly and severally responsible for the company's losses in the event that the shareholders fail to return the interim dividends.

Law No 40 of 2007 also requires for a limited liability company to allocate a certain amount of net profits in every fiscal year as reserves until the said reserves reaches a minimum of 20% (twenty percent) of total issued and paid-up capital. The determination of the allocation amount for reserves is subject to the resolution of the general meeting of shareholders. All net profits after being deducted with those set aside as reserves shall be distributed to the shareholders as dividends, unless determined otherwise by the general meeting of shareholders.

9.7.4 Withholding tax and tax on remittance/repatriation of profits

Taxation on dividend is governed by the Income Tax Law No 36 of 2008 which imposes income tax rate of 15% on resident corporate investors and a maximum of 10% on resident individuals. Whereas dividend paid to or received by a non-resident recipient is subject to a 20% final withholding tax unless the following conditions are met, among others:

- (a) If the dividend is distributed to the shareholder, being limited liability company incorporated in Indonesia, from retained earnings, the dividend received by limited liability company incorporated in Indonesia, is exempted from income tax; and
- (b) Limited liability company incorporated in Indonesia earning the dividend holds at least 25% of the paid-up capital in the company distributing the dividends.

DynaFront Indonesia, as resident taxpayer, is required to withhold tax at a rate of 20% in the event that it pays dividends to non-resident recipients.

9.0 ADDITIONAL INFORMATION (CONT'D)

Indonesia's Double Taxation Agreements ("DTAs/tax treaties") provide for tax benefits in the form of withholding tax exemptions for reduced withholding tax rates on dividends received by tax residents of its treaty partners. In this case, pursuant to DTA/tax treaty between Indonesia and Malaysia, the withholding tax rates applicable on dividends to be received by Dynafront Systems can be reduced to 10%.

Any advance to be provided by the Group to DynaFront Indonesia that is in the form of cash advance shall be treated by DynaFront Indonesia as loan received from the Group. In view of the above, there will be no withholding tax from the repayment of the principal of the advance. However, the interest on the advance is subject to withholding at a rate of 20%. Similar to withholding tax on dividends, the DTAs/tax treaties provide for tax benefits in the form of withholding tax exemptions for reduced withholding tax rates on interest received by tax residents of its treaty partners.

9.8 Declarations of conflict of interest by our Advisers**9.8.1 HLIB**

HLIB confirms that there is no existing or potential conflict of interest in relation to its capacity as the Approved Adviser, Placement Agent and Continuing Adviser to our Company for our Proposed Listing.

9.8.2 Messrs. Zain Megat & Murad

Messrs. Zain Megat & Murad confirms that there is no existing or potential conflict of interest in relation to its capacity as the Solicitor to our Company for our Proposed Listing.

9.8.3 Roosdiono & Partners

Roosdiono & Partners confirms that there is no existing or potential conflict of interest in relation to its capacity as the Solicitor for DynaFront Indonesia's legal due diligence for our Proposed Listing.

9.8.4 Moore Stephens Associates PLT

Moore Stephens Associates PLT confirms that there is no existing or potential conflict of interest in relation to its capacity as the Auditors / Reporting Accountants to our Company for our Proposed Listing.

9.8.5 Providence Strategic Partners Sdn Bhd

Providence Strategic Partners Sdn Bhd confirms that there is no existing or potential conflict of interest in relation to its capacity as the Independent Market Research Consultant to our Company for our Proposed Listing.

9.8.6 Tricor Investor & Issuing House Services Sdn Bhd

Tricor Investor & Issuing House Services Sdn Bhd confirms that there is no existing or potential conflict of interest in relation to its capacity as the Share Registrar to our Company for our Proposed Listing.

9.8.7 GovernanceAdvisory.com Sdn Bhd

GovernanceAdvisory.com Sdn Bhd confirms that there is no existing or potential conflict of interest in relation to its capacity as the Internal Control Reviewer to our Company for our Proposed Listing.

9.0 ADDITIONAL INFORMATION (CONT'D)

9.9 Consent

The written consents of the Approved Adviser, Company Secretaries, Auditors and Reporting Accountants, Solicitors, Independent Market Researcher, Principal Banker, Internal Control Reviewer and Share Registrar to the inclusion in this Information Memorandum of their names in the form and context in which such names appear have been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

9.10 Third party information

Where information has been sourced from a third party, the information has been accurately reproduced and, as far as our Company and our Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

9.11 Mode of communication

Upon successful listing on the LEAP Market, in accordance with our constitution, the Company may from time to time send to the holders of our securities ("**Holders**"), documents such as, but not limited to shareholders' circulars, annual reports and notices as required by LEAP Listing Requirements ("**Documents**") either:

- (i) in hard copy, which shall be sent to the Holders either personally or by post to his last known address;
- (ii) in electronic form, which shall be either:
 - (a) transmitted to the last known electronic address provided by the Holders to the Company;
 - (b) transmitted to the last known contact details as recorded in the Register of Members or Record of Depositors provided by the Holders to the Company or Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") respectively;
 - (c) by publishing on a website;
 - (d) transmitted by the Company to the Holders using any appropriate electronic communication platform established by the Company or third parties, or
- (iii) partly in hard copy and partly in electronic form.

Our Holders have a right to request for a hard copy of notices and documents which have been issued in electronic form should they wish to do so. In accordance with Rule 2.12 of the LEAP Listing Requirements, in such event, we will forward a hard copy of the notices and documents to the Holders, as soon as reasonably practicable after the receipt of the request, free of charge.

(The rest of this page is intentionally left blank)

APPENDICES