



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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF-YEAR ENDED 31 DECEMBER 2022

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 DYNAFRONT HOLDINGS BERHAD (“DYNAFRONT” OR THE “COMPANY”). 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.

THE ADMISSION OF DYNAFRONT HOLDINGS BERHAD TO THE LEAP MARKET WAS ADVISED BY OUR APPROVED ADVISER, HONG LEONG INVESTMENT BANK BERHAD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST HALF-YEAR ENDED 31 DECEMBER 2022

	Individual 6 months ended		Cumulative 6 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Revenue	5,899,071	5,951,638	5,899,071	5,951,638
Cost of sales	(1,280,428)	(1,584,011)	(1,280,428)	(1,584,011)
Gross profit	4,618,643	4,367,627	4,618,643	4,367,627
Other income	126,678	80,306	126,678	80,306
Administrative expenses	(1,215,506)	(399,542)	(1,215,506)	(399,542)
Other operating expenses	(1,511,556)	(1,566,267)	(1,511,556)	(1,566,267)
Finance costs	(7,620)	(17,843)	(7,620)	(17,843)
Profit before tax ("PBT")	2,010,639	2,464,281	2,010,639	2,464,281
Tax expense	(300,000)	(420,000)	(300,000)	(420,000)
Profit after tax ("PAT")	1,710,639	2,044,281	1,710,639	2,044,281
Other comprehensive income, net of tax items that may be reclassified subsequently to profit and loss				
Foreign currency translation differences for foreign operations	(101,556)	20,859	(101,556)	20,859
Total comprehensive income for the financial period	1,609,083	2,065,140	1,609,083	2,065,140
Profit/(loss) attributed to:				
Owners of the Company	1,616,132	2,049,592	1,616,132	2,049,592
Non-controlling interest	94,507	(5,311)	94,507	(5,311)
	<u>1,710,639</u>	<u>2,044,281</u>	<u>1,710,639</u>	<u>2,044,281</u>
Total comprehensive income attributed to:				
Owners of the Company	1,504,420	2,072,537	1,504,420	2,072,537
Non-controlling interest	104,663	(7,397)	104,663	(7,397)
	<u>1,609,083</u>	<u>2,065,140</u>	<u>1,609,083</u>	<u>2,065,140</u>
Gross profit ("GP") Margin (%)	78.3	73.4	78.3	73.4
PBT Margin (%)	34.1	41.4	34.1	41.4
PAT Margin (%)	29.0	34.3	29.0	34.3
Earnings per share ("EPS") ⁽ⁱ⁾ (sen)	1.5	2.8	1.5	2.8

Notes:

(i) Please refer to Note C.5 below for further details on the Group's EPS.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2022**

	31.12.2022	30.06.2022
Assets		
Non-Current Assets		
Property, Plant and equipment	1,325,761	377,344
Right-of-use assets	0	1,250,910
Intangible assets	0	20
Deferred tax assets	52,000	52,000
Tax recoverable	163,679	61,897
Total Non—Current Assets	1,541,440	1,742,171
Current Assets		
Trade receivables	2,515,712	1,029,034
Other receivables	197,706	281,621
Contract assets	292,244	464,741
Amounts due from shareholders	52,910	148,000
Fixed deposit with licensed banks	2,636,506	3,626,387
Cash and bank balances	14,770,078	14,688,311
Total Current Assets	20,465,156	20,238,094
Total Assets	22,006,596	21,980,265
Equity		
Equity		
Share capital/Invested equity	16,573,447	16,573,447
Restructuring reserve	(3,409,409)	(3,409,409)
Retained earnings	6,544,306	6,224,175
Foreign currency translation reserves	(81,884)	9,515
Equity attributed to Owners of the Company	19,626,460	19,397,728
Non-controlling interest	197,791	113,440
Total Equity	19,824,251	19,511,168

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Liabilities

Non-Current Liabilities

Lease liabilities	68,438	141,637
Deferred tax liabilities	-	-
Total Non-Current Liabilities	68,438	141,637

Current Liabilities

Trade payables	15,579	560,232
Other payables	705,346	883,517
Contract liabilities	1,007,539	272,813
Lease liabilities	151,783	360,570
Tax payable	233,660	250,328
Total Current Liabilities	2,113,907	2,327,460
Total Liabilities	2,182,345	2,469,097
Total Equity and Liabilities	22,006,596	21,980,265
NA per Share (RM)	0.18	0.18

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST HALF-YEAR ENDED 31 DECEMBER 2022

	<-----Attributable to Owners of the Company----->			<-----Non-Distributable----->			
	Share Capital	Restructuring Reserves	Foreign Currency Translation Reserve	Distributable Retained Earnings	Total	Non- Controlling Interest	Total Equity
At 1 July 2022	16,573,447	(3,409,409)	9,516	6,224,174	19,397,728	113,440	19,511,168
Profit after tax	-	-	-	1,616,132	1,616,132	94,507	1,710,639
Other comprehensive income:							
Foreign currency translation differences for foreign operation	-	-	(91,400)	-	(91,400)	(10,156)	(101,556)
Total comprehensive income	-	-	(91,400)	1,616,132	1,524,732	84,351	1,609,083
Transactions with Owners of the Company:							
Dividend paid	-	-	-	(1,296,000)	(1,296,000)	-	(1,296,000)
At 31 December 2022	<u>16,573,447</u>	<u>(3,409,409)</u>	<u>(81,884)</u>	<u>6,544,306</u>	<u>19,626,460</u>	<u>197,791</u>	<u>19,824,251</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST HALF-YEAR ENDED 31 DECEMBER 2022

	<u>31.12.2022</u>	<u>31.12.2021</u>
<u>Cash Flow from Operating Activities</u>		
Profit before tax	2,010,639	2,464,281
Adjustments for:		
Amortisation of intangible assets	20	60
Depreciation of plant and equipment	89,818	42,053
Depreciation of right-of-use assets	179,928	288,591
Interest income	(113,480)	(26,215)
Interest expenses	7,620	17,843
Unrealised loss on foreign exchange	60,412	-
Operating profit before working capital changes	2,234,957	2,786,613
Changes in working capital:		
Trade and other receivables	(1,419,611)	(154,702)
Trade and other payables	(721,225)	(467,677)
Contract assets	172,497	(25,324)
Contract liabilities	752,142	105,191
Amounts due from shareholders	92,793	(1,721)
Cash generated from operations	1,111,553	2,242,380
Interest paid	(7,620)	(17,843)
Interest received	113,480	26,215
Tax paid	(426,967)	(275,696)
Net cash from operating activities	790,446	1,975,056
<u>Cash Flows from Investing Activities</u>		
Purchase of property, plant and equipment	(21,107)	(9,482)
Net cash used in investing activities	(21,107)	(9,482)
<u>Cash Flows from Financing Activities</u>		
Payment for the principal portion of lease liabilities	(281,986)	(553,457)
Dividends paid	(1,296,000)	-
Proceed from issuance of ordinary shares through Private Placement in July 2021	-	2,520,000
Share issuance expenses	-	(148,555)
Advances from a director	-	(5,580)
Net cash (used in)/from financing activities	(1,577,986)	1,812,408
Net (decrease) in cash and cash equivalents	(806,647)	(3,777,982)

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	<u>31.12.2022</u>	<u>31.12.2021</u>
Effect of exchange rate changes on cash and cash equivalents	(99,465)	3,021
Cash and cash equivalent at beginning of the financial period	18,314,698	4,145,391
Cash and cash equivalent at the end of the financial period	<u>17,406,586</u>	<u>7,926,394</u>

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A. EXPLANATORY NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 31 DECEMBER 2022

A.1 BASIS OF PREPARATION

The condensed consolidated financial statements of DynaFront Holdings Berhad and its subsidiaries (collectively known as the “**Group**”) are unaudited and have been prepared in accordance with the requirements of the Malaysian Financial Reporting Standards (“**MFRS**”) 134: Interim Financial Reporting and Rule 6.12 of the LEAP Market Listing Requirements of Bursa Malaysia Securities Berhad.

This is the interim financial report on the Group’s unaudited financial statements for the first half-year ended 31 December 2022, covering the 6-month financial period from 1 July 2022 to 31 December 2022.

A.2 ACCOUNTING POLICIES

The financial statements of the Group have been prepared in accordance with the MFRS, International Financial Reporting Standards (“**IFRS**”) and the requirements of the Companies Act 2016 in Malaysia.

The Group have also considered the new accounting pronouncements in the preparation of the financial statements.

(i) Accounting pronouncements that are effective and adopted during the financial period

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 – 2020	

The adoption of the above did not have any significant effect on the financial statements of the Group.

(ii) Accounting pronouncements that are effective and adopted during the financial period

The Group has not adopted the following accounting pronouncements that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:-

Effective for financial periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for financial periods beginning on or after 1 January 2024

Amendments to MFRS 16	Lease liability in a Sale and Leaseback
Amendments to MFRS 101	Non-current Liabilities with Covenants

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application.

A.3 SEASONAL OR CYCLICAL FACTORS

The Group does not experience any material seasonality in its business.

A.4 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity or cash flow of the Group during the current period under review.

A.5 MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in accounting estimates during the current period under review.

A.6 DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities of the Group for the current period under review.

A.7 SEGMENTAL INFORMATION

Revenue by geographical areas

The following table sets out the breakdown and analysis of our Group's revenue by geographical areas:

	Individual 6 months ended				Cumulative 6 months ended			
	Unaudited		Unaudited		Unaudited		Unaudited	
	31.12.2022		31.12.2021		31.12.2022		31.12.2021	
	RM	%	RM	%	RM	%	RM	%
Malaysia	2,071,752	35.1	1,760,846	29.6	2,071,752	35.1	1,760,846	29.6
Indonesia	3,438,245	58.3	3,674,423	61.7	3,438,245	58.3	3,674,423	61.7
Philippines	55,786	0.9	350,681	5.9	55,786	0.9	350,681	5.9
Hong Kong	45,000	0.8	20,000	0.3	45,000	0.8	20,000	0.3
Thailand	288,288	4.9	145,687	2.5	288,288	4.9	145,687	2.5
Total	5,899,071	100.0	5,951,637	100.0	5,899,071	100.0	5,951,637	100.0

A.8 RELATED PARTY TRANSACTIONS

The related party transactions other than transactions of a revenue nature in the ordinary course of business of the Group are as follows:

Transacting parties	Nature of relationship	Nature of transaction	Transaction value for 6-months ended 31.12.2022 (RM)
Glossy Valley Sdn Bhd ("Glossy Valley") and DynaFront Systems Berhad ("DynaFront Systems")	Glossy Valley and DynaFront Systems share common directors and shareholders: i) Chan Eng Lim; and ii) Gan Hui Ping	Tenancy agreement dated 5 December 2022 with effective date on 1 January 2023, which will expire on 31 December 2023.	199,357

<u>Transacting parties</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>Transaction value for 6-months ended 31.12.2022 (RM)</u>
		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.	
PT DynaFront Systems Indonesia ("DynaFront Indonesia")	DynaFront Indonesia is a 90% owned subsidiary of the Company	Advances by the Company to DynaFront Indonesia for its daily operational expenses.	IDR 1,500,000,000 (equivalent to RM 423,000) based on the closing exchange rate of MYR 1.00 : IDR 0.000282 ⁽¹⁾ for the 6-months period ended 31 December 2022

Note:

(1) Extracted from the website of Bank Negara Malaysia on 3 January 2023.

A.9 MATERIAL EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events subsequent to the end of the reporting that have not been reflected in the interim financial statement.

A.10 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial period ended 31 December 2022.

A.11 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent assets and contingent liabilities as at the date of this interim financial report.

A.12 CAPITAL COMMITMENTS

There is no material capital commitment as at 31 December 2022.

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LEAP MARKET LISTING REQUIREMENT

B.1 PERFORMANCE REVIEW

The Group's revenue is mainly derived from the 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:

	Individual 6 months ended				Cumulative 6 months ended			
	Unaudited		Unaudited		Unaudited		Unaudited	
	31.12.2022		31.12.2021		31.12.2022		31.12.2021	
	RM	%	RM	%	RM	%	RM	%
Proprietary software ⁽ⁱ⁾	3,174,807	53.8	2,276,938	38.2	3,174,807	53.8	2,276,938	38.2
Managed services ⁽ⁱⁱ⁾	2,329,041	39.5	2,550,754	42.9	2,329,041	39.5	2,550,754	42.9
Others ⁽ⁱⁱⁱ⁾	395,223	6.7	1,123,945	18.9	395,223	6.7	1,123,945	18.9
Total	5,899,071	100.0	5,951,637	100.0	5,899,071	100.0	5,951,637	100.0

Notes:

- (i) Revenue from our Proprietary Software segment namely, PrecentiaLife, PrecentiaTakaful, PrecentiaCMS, and PrecentiaGroup is derived from the sale, implementation and/or maintenance of these products. The sale and implementation of our Proprietary Software are undertaken on a project basis whereas maintenance contracts are mainly renewable annually.
- (ii) The revenue from Managed Services segment are commissions received from the revenue sharing contracts with our customers for the use of PrecentiaLife Agency and the monthly subscription fee model with our customers for the use of PrecentiaLife Cloud.
- (iii) The Other Revenue comprises revenue from consulting services, 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.

6-month financial period ended ("FPE") 31 December 2022 vs 6-month FPE 31 December 2021

The Group's revenue decreased by RM0.05 million or 0.88% from RM5.95 million recorded for FPE 31 December 2021 to RM5.90 million recorded for the current financial period. This was partly due to lower income from revenue sharing contracts from Managed Services segment, pursuant to a revision made to the terms of the revenue sharing in an existing contract. Other Revenue segment recorded lower revenue in FPE 31 December 2022, due to a one-off contract which had commenced and completed in FPE 31 December 2021. Revenue from Proprietary Software segment increased due to the commencement of the second phase of existing contracts.

Gross profit increased by RM0.25 million, or 5.75%, from RM4.37 million in FPE 31 December 2021 to RM4.62 million in FPE 31 December 2022. This was due to decrease in cost of sales, as less staffs have been allocated to ongoing projects in favour of research and development efforts of the Group.

The Group recorded a decrease of RM0.45 million, or 18.41%, in PBT, from PBT of RM2.46 million for FPE 31 December 2021 to PBT of RM2.01 million for FPE 31 December 2022. Administrative expenses in FPE 31 December 2022 increased by RM0.82 million or 204.22% from RM0.40 million for FPE 31 December 2021 to RM1.22 million for FPE 31 December 2021, mainly due to the reclassification of staff costs from other operating expenses to administrative expenses.

Other operating expenses in FPE 31 December 2022 also have increased during the current financial period due to the increase in staff cost related to research and development, as well as higher operating expenses in Indonesia in line with the Group's expansion in Jakarta, Indonesia.

B.2 PROSPECTS

The Group is actively marketing and pursuing business opportunities in Indonesia and Malaysia.

The Group's initial development of a new digital medical insurance claim system, has been completed. The Group is now in the final phase of a partnership discussion with a health insurance platform provider in Indonesia to roll out the said system to the Indonesian market in the near future.

The Group has delayed the release of its first beta version of Artificial Intelligence (AI) solution to the second quarter of 2023 to give time to the Group's data science team to conduct more simulations to test its accuracy. Meantime, DynaFront Systems, Tunku Abdul Rahman University College and Tokio Marine Life Insurance Malaysia Bhd, all being parties to the technical collaboration agreement entered on 1 December 2021, have agreed to suspend the collaboration for six months upon the expiry of the existing contract, effective 1 December 2022. This is to give the Group and Tokio Marine Life Insurance Malaysia Bhd some time to put the AI into practice and evaluate its effectiveness before the parties decide whether they wish to set up a joint venture to further pursue this initiative.

The Group has also begun conducting the Pre-Release Workshop for Gibraltar BSN Life Berhad ("GBSN") in October 2022. The Pre-Release Workshop is expected to end in April 2023, after which, at GBSN's discretion, shall proceed to the next phase of project implementation, which may take another 24 months to complete.

In the future, while the Group continues to enhance its technological edge and enlarge its service portfolio to reach a broader base of insurance clients, the Group's future growth is expected to be driven primarily by cloud services and digital insurance in two of its largest markets – Malaysia and Indonesia.

B.3 VARIANCE OF ACTUAL PROFIT FROM FORECAST AND PROFIT GUARANTEE

The Company has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

C. OTHER INFORMATION

C.1 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but pending completion as at the date of this report.

C.2 UTILISATION OF PROCEEDS

July 2021 Placement (as defined below)

As at the date of this announcement, the status of utilisation of proceeds raised of RM2,520,000 from the issuance of 12,000,000 new Shares pursuant to an excluded issue to sophisticated investors at an issue price of RM0.21 each (the “**July 2021 Placement**”), is as follows:

Purpose	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Unutilised proceeds (RM'000)	Estimated timeframe for utilisation upon listing
Indonesian expansion expenses	1,000	489	511	Within 24 months
R&D activities	699	699	-	Within 24 months
Listing expenses	821	821	-	Immediate
Total	2,520	2,009	511	

January 2022 Placement (as defined below)

As at the date of this announcement, the status of utilisation of proceeds raised of RM9,000,000 from the issuance of 36,000,000 new Shares pursuant to a private placement to sophisticated investors at an issue price of RM0.25 each (the “**January 2022 Placement**”), is as follows:

Purpose	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Unutilised proceeds (RM'000)	Estimated timeframe for utilisation upon listing
Investments in cloud-based microservices	3,500	638	2,862	Within 24 months
Solutions for digital insurance	3,500	575	2,925	Within 24 months
Working capital requirements	1,930	453	1,477 ⁽¹⁾	Within 24 months
Expenses for the Proposed Private Placement	70	70	-	Immediate
Total	9,000	1,736	7,264	

Note:

- (1) Taking into account the unutilised amount from expenses for the January 2022 Placement which has been reallocated towards the Group's working capital requirements.

C.3 DIVIDEND

On 21 February 2023, the Board of Directors declared a second single-tier interim dividend of RM 0.006 per share in respect of the financial year ending 30 June 2023. The interim dividend is expected to be paid on 30 March 2023.

Please refer to the Company's announcement dated 23 August 2022 for details on the first interim dividend for the financial year ending 30 June 2023.

C.4 MATERIAL LITIGATION

The Board is not aware of any proceedings/ material litigations pending or threatened against the Group as at the date of this report.

C.5. EARNINGS PER SHARE

Basic/ Diluted earnings per share is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period.

	Individual 6 months ended		Cumulative 6 months ended	
	<u>31.12.2022</u>	<u>31.12.2021</u>	<u>31.12.2022</u>	<u>31.12.2021</u>
Net profit for the financial period attributable to owners of the Company (RM)	1,616,132	2,049,592	1,616,132	2,049,592
Weighted average number of ordinary shares in issue	108,000,000	72,000,000	108,000,000	72,000,000
Basic / Diluted EPS (sen)	1.5	2.8	1.5	2.8

The basic and diluted EPS are equal as the Group has no potential dilutive ordinary shares at the end of each financial period.

This report is dated 21 February 2023.