



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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF-YEAR ENDED 31 DECEMBER 2023

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 2023

	Individual 6 months ended		Cumulative 6 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM	RM	RM	RM
Revenue	5,912,830	5,899,071	5,912,830	5,899,071
Cost of sales	(1,632,509)	(1,280,428)	(1,632,509)	(1,280,428)
Gross profit	4,280,321	4,618,643	4,280,321	4,618,643
Other income	226,304	126,678	226,304	126,678
Administrative expenses	(1,421,793)	(1,215,506)	(1,421,793)	(1,215,506)
Other operating expenses	(1,727,190)	(1,511,556)	(1,727,190)	(1,511,556)
Finance costs	(5,702)	(7,620)	(5,702)	(7,620)
Profit before tax ("PBT")	1,391,940	2,010,639	1,391,940	2,010,639
Tax expense	(377,489)	(300,000)	(377,489)	(300,000)
Profit after tax ("PAT")	1,014,451	1,710,639	1,014,451	1,710,639
Other comprehensive income, net of tax items that may be reclassified subsequently to profit and loss				
Foreign currency translation differences for foreign operations	(58,124)	(101,556)	(58,124)	(101,556)
Total comprehensive income for the financial period	956,327	1,609,083	956,327	1,609,083
Profit/(loss) attributed to:				
Owners of the Company	1,014,451	1,616,132	1,014,451	1,616,132
Non-controlling interest	-	94,507	-	94,507
	<u>1,014,451</u>	<u>1,710,639</u>	<u>1,014,451</u>	<u>1,710,639</u>
Total comprehensive income attributed to:				
Owners of the Company	956,327	1,504,420	956,327	1,504,420
Non-controlling interest	-	104,663	-	104,663
	<u>956,327</u>	<u>1,609,083</u>	<u>956,327</u>	<u>1,609,083</u>
Gross profit ("GP") Margin (%)	72.4	78.3	72.4	78.3
PBT Margin (%)	23.5	34.1	23.5	34.1
PAT Margin (%)	17.2	29.0	17.2	29.0
Earnings per share ("EPS") ⁽ⁱ⁾ (sen)	0.9	1.5	0.9	1.5

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 2023

	Unaudited	Audited
	31.12.2023	30.06.2023
	RM	RM
<u>Assets</u>		
Non-Current Assets		
Property, Plant and equipment	459,447	499,573
Right-of-use assets	1,129,207	1,222,728
Deferred tax assets	266,000	266,000
Tax recoverable	221,811	207,330
Total Non—Current Assets	2,076,465	2,195,631
Current Assets		
Trade receivables	2,384,634	1,976,936
Other receivables	298,587	172,036
Contract assets	7,608	-
Fixed deposit with licensed banks	5,706,594	6,821,151
Cash and bank balances	12,045,055	11,558,087
Total Current Assets	20,442,478	20,528,210
Total Assets	22,518,943	22,723,841
Equity		
Equity		
Share capital/Invested equity	16,573,447	16,573,447
Restructuring reserve	(3,409,409)	(3,409,409)
Retained earnings	7,439,617	7,073,166
Foreign currency translation reserves	16,388	74,512
Equity attributed to Owners of the Company	20,620,043	20,311,716
Non-controlling interest	-	-
Total Equity	20,620,043	20,311,716

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

	Unaudited	Audited
	31.12.2023	30.06.2023
	RM	RM
Liabilities		
Non-Current Liabilities		
Lease liabilities	122,670	146,998
Total Non-Current Liabilities	122,670	146,998
Current Liabilities		
Trade payables	13,500	16,309
Other payables	529,587	941,454
Contract liabilities	953,388	927,999
Lease liabilities	87,571	145,639
Tax payable	192,184	233,726
Total Current Liabilities	1,776,230	2,265,127
Total Liabilities	1,898,900	2,412,125
Total Equity and Liabilities	22,518,943	22,723,841
NA per Share (RM)	0.19	0.19

(The rest of this page is intentionally left blank)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST HALF-YEAR ENDED 31 DECEMBER 2023

	<-----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 2023	16,573,447	(3,409,409)	74,512	7,073,166	20,311,716	-	20,311,716	
Profit after tax	-	-	-	1,014,451	1,014,451	-	1,014,451	
Other comprehensive income:								
Foreign currency translation differences for foreign operation	-	-	(58,124)	-	(58,124)	-	(58,124)	
Total comprehensive income	-	-	(58,124)	1,014,451	956,327	-	956,327	
Transactions with Owners of the Company:								
Dividend paid	-	-	-	(648,000)	(648,000)	-	(648,000)	
At 31 December 2023	<u>16,573,447</u>	<u>(3,409,409)</u>	<u>16,388</u>	<u>7,439,617</u>	<u>20,620,043</u>	<u>-</u>	<u>20,620,043</u>	

(The rest of this page is intentionally left blank)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST HALF-YEAR ENDED 31 DECEMBER 2023

	31.12.2023	31.12.2022
<u>Cash Flow from Operating Activities</u>		
Profit before tax	1,391,940	2,010,639
Adjustments for:		
Amortisation of intangible assets	-	20
Depreciation of plant and equipment	67,964	89,818
Depreciation of right-of-use assets	49,821	179,928
Interest income	(176,726)	(113,480)
Interest expenses	5,702	7,620
Unrealised loss on foreign exchange	54,340	60,412
Operating profit before working capital changes	1,393,041	2,234,957
Changes in working capital:		
Trade and other receivables	(548,547)	(1,419,611)
Trade and other payables	(381,340)	(721,225)
Contract assets	(7,608)	172,497
Contract liabilities	31,759	752,142
Amounts due from shareholders	-	92,793
Cash generated from operations	487,305	1,111,553
Interest paid	(5,702)	(7,620)
Interest received	176,726	113,480
Tax paid	(442,534)	(426,967)
Net cash from operating activities	251,795	790,446
<u>Cash Flows from Investing Activities</u>		
Purchase of property, plant and equipment	(31,702)	(21,107)
Net cash used in investing activities	(31,702)	(21,107)
<u>Cash Flows from Financing Activities</u>		
Payment for the principal portion of lease liabilities	(82,396)	(281,986)
Dividends paid	(648,000)	(1,296,000)
Net cash (used in)/from financing activities	(730,396)	(1,577,986)
Net (decrease) in cash and cash equivalents	(546,303)	(808,647)
Effect of exchange rate changes on cash and cash equivalents	(81,286)	(99,465)
Cash and cash equivalent at beginning of the financial period	18,379,238	18,314,698
Cash and cash equivalent at the end of the financial period	17,751,649	17,406,586

A. EXPLANATORY NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 31 DECEMBER 2023

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 Standard 134: Interim Financial Reporting and paragraph 6.12 of the LEAP Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

This is the interim financial report on the Group’s unaudited financial statements for the first half-year ended 31 December 2023, covering the 6-month financial period from 1 July 2023 to 31 December 2023.

A.2 ACCOUNTING POLICIES

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

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

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

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 Standard 2018-2020	

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

(ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted

The Group has not adopted the following new 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 2024

Amendments to MFRS 16	Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Non-current Liabilities with Covenants
Amendments to MFRS 7 and MFRS 107	Supplier Finance Arrangements

(iii) Accounting pronouncements that are issued but not yet effective and have not been early adopted

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

The Group will adopt the above accounting pronouncements when they become effective in the respective financial periods. These accounting pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial applications.

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 the Group's assets, liabilities, equity, or cash flow 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.

(The rest of this page is intentionally left blank)

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	
	31.12.2023		31.12.2022		31.12.2023		31.12.2022	
	RM	%	RM	%	RM	%	RM	%
Malaysia	1,579,023	26.7	2,071,752	35.1	1,579,023	26.7	2,071,752	35.1
Indonesia	3,766,635	63.7	3,438,245	58.3	3,766,635	63.7	3,438,245	58.3
Philippines	59,101	1.0	55,786	0.9	59,101	1.0	55,786	0.9
Hong Kong	58,500	1.0	45,000	0.8	58,500	1.0	45,000	0.8
Thailand	449,571	7.6	288,288	4.9	449,571	7.6	288,288	4.9
Total	5,912,830	100.0	5,899,071	100.0	5,912,830	100.0	5,899,071	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 31.12.2023 (RM)
Glossy Valley Sdn Bhd ("Glossy Valley") and DynaFront Systems Sdn Bhd ("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 expired on 31 December 2023. The tenancy agreement has been renewed for 1 additional year, up to 31 December 2024, at no change to the existing terms.	199,357

<u>Transacting parties</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	Transaction value for 6-months ended 31.12.2023 (RM)
		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.	

A.9 MATERIAL EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events subsequent to the end of the reporting period that have not been reflected in this report.

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 2023.

A.11 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

A.12 CAPITAL COMMITMENTS

There is no material capital commitment as at 31 December 2023.

(The rest of this page is intentionally left blank)

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	
	31.12.2023		31.12.2022		31.12.2023		31.12.2022	
	RM	%	RM	%	RM	%	RM	%
Proprietary software ⁽ⁱ⁾	2,493,754	42.2	3,174,807	53.8	2,493,754	42.2	3,174,807	53.8
Managed services ⁽ⁱⁱ⁾	2,804,757	47.4	2,329,041	39.5	2,804,757	47.4	2,329,041	39.5
Others ⁽ⁱⁱⁱ⁾	614,319	10.4	395,223	6.7	614,319	10.4	395,223	6.7
Total	5,912,830	100.0	5,899,071	100.0	5,912,830	100.0	5,899,071	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 2023 vs 6-month FPE 31 December 2022

The Group's revenue increased slightly by RM13,759, or 0.23% from RM5.899 million recorded for FPE 31 December 2022 to RM5.913 million recorded for the current financial period. This increase was primarily due to higher income from revenue sharing contracts and monthly subscription fee contracts from Managed Services segment, as well as an increase in revenue from one-off consultancy contracts from the Other Revenue segment. The aforementioned increases were offset by a reduction in revenue from Proprietary Software segment due to longer timeline required for implementation of existing projects.

Gross profit decreased by RM0.338 million, or 7.33%, from RM4.619 million in FPE 31 December 2022 to RM4.280 million in FPE 31 December 2023. This decrease was due to an increase in cost of sales, arising from the following factors:

- (i) hiring of additional programmers for the newly embarked microservices project under the Proprietary Software segment, and
- (ii) salary increments for existing programmers.

The Group recorded a decrease of RM0.619 million, or 30.77%, in PBT, from PBT of RM2.011 million for FPE 31 December 2022 to PBT of RM1.392 million for FPE 31 December 2023. Administrative expenses in FPE 31 December 2023 increased by RM0.206 million or 16.97% from RM1.216 million for FPE 31 December 2022 to RM1.422 million for FPE 31 December 2023, mainly due to the salary increments of administrative staff, and payment in relation to the transferring of the title of the Group's office in Jakarta, Indonesia, from the developer to PT DynaFront Systems Indonesia ("**DynaFront Indonesia**"), the Group's wholly-owned subsidiary.

Other operating expenses in FPE 31 December 2023 also increased, by RM0.216 million, or 14.27%, from RM1.512 million for FPE 31 December 2022 to RM1.727 million during the current financial period due to the higher staff cost related to the Group's general research and development, the hiring of the Chief Revenue Officer of the Group, as well as payment of withholding tax by DynaFront Indonesia arising from payments made to DynaFront Systems for services provided by the latter.

B.2 PROSPECTS

Our Group commenced the core system technology re-platform proof-of-concept for one of our Malaysian clients in October 2023. The proof-of-concept exercise is anticipated to take over 5 months to complete, followed by the actual implementation upon successful proof-of-concept exercises. The implementation of the re-platform is expected to begin in April 2024 over a period of 6 months. This technology re-platform journey marks the initiation of their long-term plan to migrate from their existing enterprise Java-based platform to a cloud-based open sources microservices platform.

Our Group's cloud-based digital medical claim system has successfully completed its testing stage and is now poised for live production. To formalise this milestone, our Group is anticipated to enter a partnership agreement with Higea Indonesia, an insurtech startup company, by the end of February 2024. To kick off, Higea has already identified three potential clients in Indonesia, and we are set to roll out our first digital medical claim system to them in the 2nd half of 2024.

The Group's data science team has successfully enhanced the accuracy of predictive analysis for our Claim Artificial intelligence (AI) by incorporating additional insurance data. Nevertheless, further evaluations are required to ensure consistent and high accuracy in the predictive results.

The implementation of our newly completed open-source microservices-based group insurance core system, PrecentiaGroup, for our Japanese insurance client in Indonesia, has successfully completed the first cycle of User Acceptance Test (UAT). The system is currently progressing into the second UAT cycle and is anticipated to go live by June 2024.

As part of its plans to expand its business, the Group continues exploring similar business opportunities in Philippines and China.

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 report, 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⁾ 844	844	-	⁽¹⁾ Within 30 months
Acquisition of PT DynaFront Systems Indonesia	⁽¹⁾ 156	156	-	Not applicable
R&D activities	699	699	-	Within 24 months
Listing expenses	821	821	-	Immediate
Total	2,520	2,520	-	

Note:

- (1) Taking into account the variation and extension of time to the utilisation of proceeds as set out in the Company’s announcement dated 24 October 2023.

January 2022 Placement (as defined below)

As at the date of this report, 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)	⁽²⁾ Estimated timeframe for utilisation upon listing
Investments in cloud-based microservices	3,500	1,821	⁽¹⁾ 1,679	Within 36 months
Solutions for digital insurance	3,500	1,610	⁽¹⁾ 1,890	Within 36 months
Working capital requirements	1,930	963	967	Within 48 months
Expenses for the January 2022 Placement	70	70	-	⁽³⁾ N/A
Total	9,000	4,464	4,536	

Note:

- (1) As disclosed in the Company’s announcements dated 7 January 2022 and 25 January 2022, should there be any unutilised amount from these categories, the earmarked funds will be re-allocated to be utilised for working capital requirements of the Group.
- (2) Taking into account the extension of time to the utilisation of proceeds as set out in the Company’s announcement dated 8 February 2024. The estimated timeframe is calculated from the date of listing of the placement shares, being 7 February 2022.
- (3) The proceeds earmarked for the expenses relating to the January 2022 Placement have been fully utilised within the estimated timeframe as set out in the Company’s announcements dated 7 January 2022 and 25 January 2022.

C.3 DIVIDEND

The Board of Directors does not recommend any dividend as at the date of this report.

A first single tier interim dividend for the financial year ending 30 June 2024 of RM0.006 per ordinary share had been declared on 22 August 2023 and paid on 8 September 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>31.12.2023</u>	<u>31.12.2022</u>	<u>31.12.2023</u>	<u>31.12.2022</u>
Net profit for the financial period attributable to owners of the Company (RM)	1,014,451	1,616,132	1,014,451	1,616,132
Weighted average number of ordinary shares in issue	108,000,000	108,000,000	108,000,000	108,000,000
Basic / Diluted EPS (sen)	0.9	1.5	0.9	1.5

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 20 February 2023.