

V. INFORMATION ON THE DXN GROUP

1. INFORMATION ON DXN

1.1 Incorporation

DXN was incorporated in Malaysia under the Companies Act, 1965 on 11 October 1995 as a private limited company under the name Magcure Marketing Sdn Bhd. Subsequently, on 3 August 1998, the Company changed its name from Magcure Marketing Sdn Bhd to DXN Holding Sdn Bhd. On 21 June 2002, the Company changed its name from DXN Holding Sdn Bhd to DXN Holdings Sdn Bhd. It was subsequently converted into a public limited company on 16 July 2002. The principal activities of the Company are investment holding and provision of management services.

1.2 Changes in share capital

The authorised share capital of DXN is RM100,000,000 comprising 400,000,000 DXN Shares. The issued and paid-up share capital of DXN is RM57,500,000 comprising 230,000,000 DXN Shares.

The changes in the issued and paid-up share capital of DXN since its incorporation are as follows:

Date of allotment	Par value	No. of ordinary shares allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
11.10.1995	1.00	2	Subscribers' shares	2
26.01.1999	1.00	299,998	Cash	300,000
12.07.2002	1.00	75,000	Cash	375,000
27.06.2003	0.25	1,500,000	Subdivision of par value from RM1.00 per share to RM0.25 per share	375,000
18.07.2003	0.25	122,000,000	Bonus issue of approximately 81.33 new DXN Shares for every 1 existing DXN Share held	30,875,000
31.07.2003	0.25	17,169,000	Acquisitions	35,167,250
18.08.2003	0.25	89,331,000	Rights issue of approximately 6.35 new DXN Shares for every 10 DXN Shares held	57,500,000

2. LISTING EXERCISE

2.1 Restructuring Scheme

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of DXN on the Main Board of the KLSE, the Company undertook a restructuring scheme which was approved by BNM on 17 February 2003, 8 March 2003 and 11 July 2003, FIC on 2 April 2003, 7 July 2003, 15 July 2003 and 15 August 2003, the SC on 5 May 2003, 18 June 2003 and 15 August 2003 and the MITI on 28 May 2003, 5 June 2003 and 23 July 2003. The restructuring scheme involves the following inter-conditional transactions:

V. INFORMATION ON THE DXN GROUP (CONT'D)

(i) Divestment to LTAT

Divestment of 20,847 existing ordinary shares of RM1.00 each in DXN by Leong Bee Ling to LTAT at an offer price of approximately RM264 per ordinary share which was arrived at based on a willing buyer-willing seller basis. The Divestment to LTAT was completed on 24 June 2003.

(ii) Share Split

Sub-division of par value for every existing ordinary share in DXN from RM1.00 to RM0.25. The Share Split was completed on 27 June 2003 and upon completion of the Share Split the issued and paid-up share capital of DXN amounted to 1,500,000 DXN Shares.

(iii) Bonus Issue

Bonus issue of 122,000,000 new DXN Shares, credited as fully paid-up, on the basis of 81.33 new DXN Shares for every 1 existing DXN Share held, credited as fully paid-up, prior to the Acquisitions. The Bonus Issue was completed on 18 July 2003.

(iv) Acquisitions

(a) Acquisition of DIPL

On 6 January 2003, DXN entered into a conditional share sale agreement with the vendors of DIPL, Dr. Lim Siow Jin to acquire the entire issued and fully paid-up share capital of DIPL comprising 15,010 ordinary shares of USD1.00 each ("DIPL Shares") for a total purchase consideration of approximately RM1,726,023 to be satisfied by the issuance of 6,904,050 new DXN Shares at par.

As part of the Acquisition of DIPL, the DIPL Shares were transferred to DIH, DXN's wholly-owned subsidiary, resulting in DIH holding the entire equity interest in DIPL upon completion of the Acquisition of DIPL. The Acquisition of DIPL was completed on 31 July 2003.

(b) Acquisition of PT Daxen

On 6 January 2003, DXN entered into a conditional share sale agreement with the vendors of PT Daxen, Dr. Lim Siow Jin and Leong Bee Ling to acquire the entire issued and fully paid-up share capital of PT Daxen comprising 700 ordinary shares of Rupiah14,500,000 each ("PT Daxen Shares") for a total purchase consideration of approximately RM2,021,546 to be satisfied by the issuance of 8,086,100 new DXN Shares at par.

As part of the Acquisition of PT Daxen, 99% of the PT Daxen Shares were transferred to DIH, DXN's wholly-owned subsidiary, resulting in DIH holding 99% of the equity interest in PT Daxen upon completion of the Acquisitions of PT Daxen. The Acquisition of PT Daxen was completed on 31 July 2003.

V. INFORMATION ON THE DXN GROUP (CONT'D)

(c) Acquisition of DXN HK

On 6 January 2003, DXN entered into a conditional share sale agreement with the vendors of DXN HK, Dr. Lim Siow Jin and Leong Bee Ling to acquire the entire issued and fully paid-up share capital of DXN HK comprising 2,500,000 ordinary shares of HKD1.00 each ("DXN HK Shares") for a total purchase consideration of approximately RM145,896 to be satisfied by the issuance of 583,580 new DXN Shares at par.

As part of the Acquisition of DXN HK, 2,499,999 of the DXN HK Shares were transferred to DIH, DXN's wholly-owned subsidiary while 1 DXN HK Share is held by DXN in trust for DIH. DIH still effectively holds the entire equity interest in DXN HK upon completion of the Acquisitions of DXN HK. The Acquisition of DXN HK was completed on 31 July 2003.

(d) Acquisition of DXN Singapore

On 6 January 2003, DXN entered into a conditional share sale agreement with the vendors of DXN Singapore, Dr. Lim Siow Jin and Leong Bee Ling to acquire the entire issued and fully paid-up share capital of DXN Singapore comprising 2 ordinary shares of SGD1.00 each ("DXN Singapore Shares") for a total purchase consideration of approximately RM291,870 to be satisfied by issuance of 1,167,470 new DXN Shares at par.

As part of the Acquisition of DXN Singapore, the DXN Singapore Shares were transferred to DIH, DXN's wholly-owned subsidiary, resulting in DIH holding the entire equity interest in DXN Singapore upon completion of the Acquisitions of DXN Singapore. The Acquisition of DXN Singapore was completed on 31 July 2003.

(e) Acquisition of DXN Thailand

On 6 January 2003, DXN entered into a conditional share sale agreement with the vendors of DXN Thailand, Dr. Lim Siow Jin and Leong Bee Ling to acquire 36.75% of the issued and fully paid-up share capital of DXN Thailand comprising 73,500 ordinary shares of Baht100 each ("DXN Thailand Shares") for a total purchase consideration of approximately RM106,950 to be satisfied by the issuance of 427,800 DXN Shares at par.

As part of the Acquisition of DXN Thailand, the DXN Thailand Shares were transferred to DIH, DXN's wholly-owned subsidiary, resulting in DIH holding 36.75% of the equity interest in DXN Thailand upon completion of the Acquisitions of DXN Thailand. The Acquisition of DXN Thailand was completed on 31 July 2003.

All the shares of the companies detailed in part (iv) above were acquired by DXN free from all claims, charges, liens and encumbrances.

The purchase consideration for DIPL is based on the audited consolidated NTA of DIPL, DXN Herbal and Daxen, while the purchase consideration for DXN Singapore, PT Daxen, DXN HK and DXN Thailand are based on their respective NTAs as at 28 February 2002.

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The details of the vendors' shareholdings in DIPL, PT Daxen, DXN HK, DXN Singapore and DXN Thailand are as follows:

	<---DIPL--->		<---PT Daxen--->		<---DXN HK--->		<DXN Singapore>		<---DXN Thailand--->	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Dr. Lim Siow Jin	15,010	100.00	490	70.00	1,250,000	50.00	1	50.00	49,000	24.50
Leong Bee Ling	-	-	210	30.00	1,250,000	50.00	1	50.00	24,500	12.25
	15,010	100.00	700	100.00	2,500,000	100.00	2	100.00	73,500	36.75

The new DXN Shares to be issued to the vendors pursuant to the Acquisition of DIPL, Acquisition of PT Daxen, Acquisition of DXN Singapore, Acquisition of DXN HK and Acquisition of DXN Thailand are as follows:

	Acquisition of DIPL	Acquisition of PT Daxen	Acquisition of DXN Singapore	Acquisition of DXN HK	Acquisition of DXN Thailand	Total
Dr. Lim Siow Jin	6,904,050	5,660,270	583,735	291,790	285,200	13,725,045
Leong Bee Ling	-	2,425,830	583,735	291,790	142,600	3,443,955
	6,904,050	8,086,100	1,167,470	583,580	427,800	17,169,000

The Acquisitions resulted in the issued and paid-up share capital of DXN being increased from RM30,875,000 to RM35,167,250.

(v) Transfers

(a) Transfer of DXN Cyprus

On 6 January 2003, DXN entered into a conditional share sale agreement with DIH for the transfer of the entire issued and fully paid-up share capital of DXN Cyprus comprising 10,000 ordinary shares of CYP1.00 each held by DXN to DIH, its wholly-owned subsidiary, to be satisfied via inter company advances. The Transfer of DXN Cyprus was completed on 31 July 2003.

(b) Transfer of DXN UK

On 6 January 2003, DXN entered into a conditional share sale agreement with DIH for the transfer of the entire issued and fully paid-up share capital of DXN UK comprising 1,000 ordinary shares of £1.00 each held by DXN to DIH, its wholly-owned subsidiary, to be satisfied via intercompany advances. The Transfer of DXN UK was completed on 31 July 2003.

(c) Transfer of DXN SA

On 6 January 2003, DXN entered into a conditional share sale agreement with DIH for the transfer of the entire issued and fully paid-up share capital of DXN SA comprising 100 ordinary shares of Rand1.00 each held by DXN to DIH, its wholly-owned subsidiary, to be satisfied via intercompany advances. The Transfer of DXN SA was completed on 31 July 2003.

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(vi) Rights Issue

On 18 August 2003, DXN implemented a rights issue of 89,331,000 new DXN Shares at par on the basis of approximately 6.35 new DXN Shares for every 10 existing DXN Shares held after the Acquisitions.

The Rights Issue resulted in the issued and paid-up share capital of DXN being further increased from RM35,167,250 to RM57,500,000. Gross proceeds from the Rights Issue and Public Issue amounting to RM22.333 million and RM6.300 million respectively will be utilised in the manner set out in Section III(8) of this Prospectus.

(vii) Offer for Sale

Following the completion of the Acquisitions, Transfers and Rights Issue and in conjunction with the flotation of DXN, the Offerors will undertake an Offer for Sale of 47,600,000 DXN Shares of which 12,000,000 DXN Shares will be allocated to Bumiputera investors approved by MITI and 35,600,000 DXN Shares will be made available for application by Malaysian investors whereby attempt will be made to allocate 30% of the Offer Shares to Bumiputera investors.

(viii) Public Issue

Following the completion of the Acquisitions, Transfers and Rights Issue and in conjunction with the flotation of DXN, the Company is implementing a public issue of 10,000,000 new DXN Shares of which 1,200,000 new DXN Shares will be made available for application by the Malaysian public and 8,800,000 new DXN Shares will be reserved for application by the eligible Directors and employees, the registered distributors in Malaysia and the suppliers of DXN and its subsidiaries. Gross proceeds from the Rights Issue and Public Issue amounting to RM22.333 million and RM6.300 million respectively will be utilised in the manner set out in Section III(8) of this Prospectus.

(ix) Listing and Quotation

The listing of and quotation for the entire enlarged issued and paid-up share capital of DXN comprising 240,000,000 DXN Shares on the Main Board of the KLSE.

2.2 Executive Share Option Scheme

DXN had on 5 May 2003 obtained the approval of the SC to establish an ESOS to motivate, reward and retain eligible executives, whose services are vital to the operation and continued growth of the DXN Group. The Company had on 11 August 2003 obtained its existing shareholders' approval at a general meeting for the establishment of the ESOS and the allocation of the ESOS options to the Executive Directors of the DXN Group.

The number of ESOS options to be offered under the ESOS shall not exceed 10% of the issued and paid-up share capital of DXN at any one time. Based on the enlarged issued and paid-up share capital of DXN of RM60,000,000 comprising 240,000,000 DXN Shares, the aggregate number of options offered under the ESOS shall be 24,000,000 DXN Shares. The ESOS options shall only be exercisable after the Listing and in accordance with the terms of the By-Laws.

V. INFORMATION ON THE DXN GROUP (CONT'D)

The salient features of the By-Laws, the details and definitions of which are set out in Section XIV of this Prospectus are summarised as follows:

- (i) Not more than 10% of the issued and fully paid-up share capital of the Company shall be offered under the ESOS at any point of time during the existence of the ESOS.
- (ii) However, in the event the maximum number of new DXN Shares offered under the ESOS exceeds the aggregate of 10% of the issued and paid-up share capital of the Company as a result of the Company purchasing its own shares under Section 67A of the Companies Act, 1965 which results in its issued and fully paid-up share capital being reduced, then such ESOS options granted prior to the adjustment of the issued and fully paid-up share capital of the Company shall remain valid and exercisable in accordance with the provisions of the ESOS as if such reduction had not occurred but the option committee shall not make any further offers.
- (iii) An executive is eligible for participation in the ESOS, if the executive:
 - (a) is at least 18 years of age on or before the date of offer;
 - (b) is employed full time by and on the payroll of the Company or an eligible subsidiary (other than a company which is dormant);
 - (c) is confirmed in writing as a full time employee and has been in the employment of the Company or an eligible subsidiary for a period of at least 1 year of continuous service with the Company or an eligible subsidiary prior to and up to the date of offer including service during the probation period and such person would include any Executive Director of the Company or an eligible subsidiary who is involved in the day-to-day management and who is on the payroll of the Company or an eligible subsidiary.
 - (d) if an executive (including the Executive Directors) of the Company or an eligible subsidiary is not a Malaysian citizen, he/she must, in addition to the conditions stipulated in above, also satisfy the following conditions:
 - he/she must be in the employment of the Company or an eligible subsidiary on a full time basis and his/her contribution must be vital to the Group; or
 - in the event that he/she is serving under a fixed term employment contract, that contract should be for a continuous period of at least 3 years and in this regard, any remaining unexercised ESOS options can be exercised on expiry of the employment contract if the remaining duration of the contract is less than 5 years from the date on which the ESOS option was granted.

The option committee may, at its discretion, nominate any executive (including Executive Directors) of the Group to be an eligible executive notwithstanding that the eligibility criteria is not met.

V. INFORMATION ON THE DXN GROUP (CONT'D)

- (iv) The maximum number of new DXN Shares that may be offered under the ESOS to any eligible executive shall be at the discretion of the option committee after taking into consideration the performance, responsibility, seniority in position, grading and length of service of the eligible executive and such other factors that the option committee may deem relevant subject to the following:
- (a) not more than 50% of the DXN Shares available under the ESOS should be allocated, in aggregate, to Executive Directors and senior management of the Group;
 - (b) not more than 10% of the new DXN Shares available under the ESOS should be allocated to any eligible executive who, either singly or collectively through his/her associates, holds 20% or more in the issued and fully paid-up share capital of the Company; and
 - (c) that the number of options granted under the ESOS shall not exceed the amount stipulated in paragraph (i) above.
- (v) Upon implementation of the ESOS, the option committee shall offer options in writing to such eligible executives based on the criteria for allotment at the discretion of the option committee. Further offers of options may be made to those who become eligible for allotment under the ESOS. The actual number of DXN Shares which may be offered to such eligible executive shall be at the discretion of the option committee and subject to any adjustments that may be made under clause 14.0 of the By-Laws and shall be in multiples of not less than 100 Shares and not more than the maximum entitlement.
- (vi) An offer is personal to the eligible executive and is non-assignable. An offer shall automatically lapse and be null and void in the event of death of the eligible executive or the eligible executive ceasing to be employed by the Group for any reason whatsoever, prior to the acceptance of the offer by the eligible executive.
- (vii) The option price at which the grantee is entitled to subscribe for each new DXN Share shall be set based on the 5-day weighted average market price of the DXN Shares, as quoted on the KLSE, immediately preceding the date of offer with a discount of not more than 10%, if deemed appropriate, or such lower or higher limit in accordance with any prevailing guidelines issued by the SC or any other relevant regulatory authorities, or at the par value of the DXN Share, whichever is higher. The option price shall be stipulated in each option certificate.
- (viii) In addition, the option price shall be subject to adjustments in accordance with clause 14.0 of the By-Laws and that any adjustment to the option price shall be rounded down to the nearest 1 sen.
- (ix) The ESOS shall commence on the date of the letter of confirmation by the adviser of the Company in connection with the ESOS, which may be a merchant bank or other persons approved to make applications to the SC for approval of the ESOS to the SC confirming that the Company:
- (a) has fulfilled the SC's conditions of approval for the ESOS and that the By-Laws do not contravene the guidelines on employees' share option scheme as stipulated under the SC Guidelines;
 - (b) has obtained other relevant approvals for the ESOS and has fulfilled any conditions imposed therein;

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and shall continue for a period of 5 years or such further period as may be extended by the Company subject to the duration of the ESOS not exceeding the maximum term allowed by SC.

- (x) Notwithstanding any other provisions of the By-Laws, the Company may terminate the ESOS before its expiry subject to the following being satisfied:
 - (a) the SC and any other relevant authorities approving such termination;
 - (b) the shareholders of the Company in general meeting, by way of ordinary resolution, approving such termination; and
 - (c) all holders of options (which have not yet lapsed or been fully exercised) under the ESOS giving their consent in writing to such termination.

3. BUSINESS OVERVIEW**3.1 History and Business**

The DXN Group started with DMSB, which commenced operations in 1995. The principal activities of the DXN Group are that of the manufacturing, sales and trading of health supplement and other products and the marketing of these products on a direct sales basis in the domestic and international markets. The main products manufactured and sold by the Group are made from Ganoderma mushroom extracts.

Dr. Lim Siow Jin is the founder of the DXN Group. With his keen interest in mushrooms and its health effects on humans, he advocated the scientific cultivation and processing of the Ganoderma mushroom into various food and personal care products. Studies indicate that the Ganoderma mushroom contain the ingredients such as polysaccharides, organic germanium, triterpenoids, adenosine, LZ-8 and various amino acids and minerals (*Source: Executive Summary Report by Spire dated 22 August 2003*). Under his guidance, the DXN Group ventured from the Malaysian market into the international markets. The Group's major international markets include the Philippines, India, US, Indonesia, Singapore and Thailand. In line with the Group's marketing concept of "One World, One Market" DXN recognises membership and sales by its members worldwide. The Group's business strategy is to focus on manufacturing and marketing its own proprietary products so that it would not be restricted by a licensor or principal to enter into markets of its own choice.

The DXN Group currently comprises DXN, the holding company, 17 subsidiaries and one associated company. DXN Pharma and DISB are the subsidiaries principally involved in the cultivation of the Ganoderma mushroom and the manufacturing of health food supplement and other products. DMSB and the DIH Group are principally involved in the sales, trading, multi-level marketing and manufacturing of the Group's products. Further details on the subsidiaries of DXN are disclosed in Section V(4) of this Prospectus.

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3.2 Principal Products and Principal Markets

The DXN Group's range of products can be categorised into 4 main categories i.e. health food supplements, food and beverages, personal care products and household products.

The DXN Group's product range expanded from 4 Ganoderma mushroom-based products in 1995 comprising 2 types of health food supplements (one derived from the basidiocarp or fruiting body and the other from the mycelium of the Ganoderma mushroom) in capsule form, body foam shampoo and hair shampoo to 40 products currently comprising health food supplements, beverages, herbal candy, fruit drinks, cosmetics, personal care products and household products.

The most popular products in terms of sales value are the "3-in-1" Lingzhi Coffee beverage, RG and GL health food supplements, which account for 75% of the Group's total sales for the financial year ended 28 February 2003. Approximately 18% of the Group's sales are made locally while 82% are destined for the export markets.

The percentage of sales to the principal markets of the DXN Group for the financial year ended 28 February 2003 are set out below:

	RM 000	% of total Group sales
Local sales	23,730	17.91
Overseas sales:		
Philippines	57,086	43.10
India	23,253	17.55
US	10,092	7.62
Indonesia	6,620	5.00
Singapore	2,165	1.63
Thailand	4,299	3.25
Others	5,216	3.94
Total overseas sales	<u>108,731</u>	<u>82.09</u>
Total Group sales	<u>132,461</u>	<u>100.00</u>

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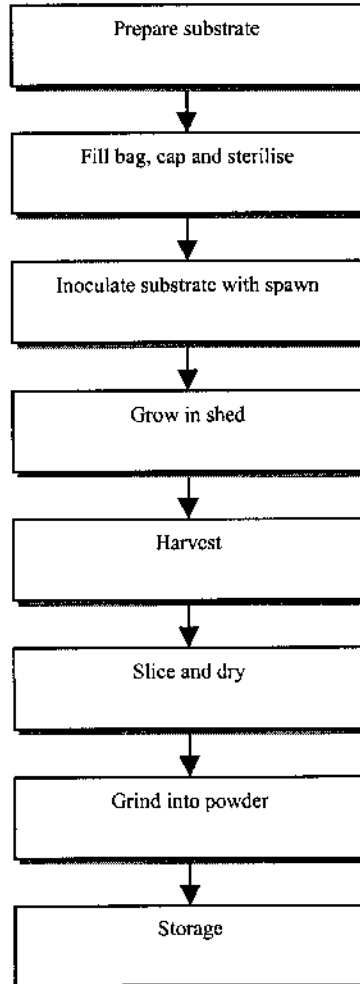
3.3 Production Capacity

The Group's farm for the cultivation of Ganoderma mushroom and manufacturing facilities are located at Bukit Wang in Jitra, Kedah. The DXN Group also has 2 manufacturing sites overseas in Pondicherry, India and Gunung Putri, Kabupaten, Bogor, Indonesia which are mainly involved in the production of RG and GL health food supplements in capsule and tablet form. Currently, DXN Pharma and DISB operate on a single shift, which is sufficient to meet the current demand for its product range. The DXN Group has not experienced any major interruptions in its manufacturing operations over the last 12 months.

The Group's manufacturing facilities, the major products produced and the production capacities are detailed below:

Company	Location and address	Build-up sq. ft.	Owned /rented	Main products produced	Actual capacity per month	Optimum capacity per month
DXN Pharma	H.S.(M) 295 P.T. 1304, Salit Mukim of Malau District of Kubang Pasu Kedah	111,559	Owned	Ganoderma mushroom	72 tonnes	120 tonnes
DXN Pharma	H.S.(M) 375 P.T. 1306 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	33,971	Owned	Health food supplements	106,609,278 capsules	315,945,000 capsules
				Health food supplements	13,059,592 tablets	53,550,000 tablets
				Spica tea	2,304,320 tea bags	3,122,700 tea bags
DISB	H.S.(M) 376 P.T. 1307 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	75,787	Owned by DXN Pharma	Beverages	102,397,260 sachets	125,800,000 sachets
				Beverages	166,093 bottles	800,000 bottles
				Personal care products	805,683 tubes	1,600,000 tubes
				Personal care products	270,808 bottles	1,000,000 bottles
PT Daxen	HGB No. 46 Jalan Pancasila IV No.1 Desa Cicadas Kecamatan Gunung Putri Kabupaten Bogor Indonesia	15,263	Owned	Health food supplements	12,069,000 capsules	72,000,000 capsules
DXN Herbal	R.S. No. 141/14 & 142/5 Whirlpool Road Thiruvandar Koil Mannadipet Commune Pondicherry Union Territory India	15,577	Owned	Health food supplements	90,010,000 capsules	180,000,000 capsules

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3.4 Production Processes**3.4.1 Cultivation of the Ganoderma mushroom**

Rubber wood, rice chaff and water are used to form the organic substrate for the Ganoderma mushroom to grow. An atomic absorption spectrophotometer is used to check the raw materials for chemical contamination and the raw material is rejected if there are indications of any contamination. The raw materials are then thoroughly mixed in a mixer before being funnelled into a filling machine.

The substrate is then filled into polyethylene bags, capped to prevent contamination and are sterilised by steaming in an autoclave at 121°C for 2 hours to destroy microbes but without destroying the nutrients in the substrate. Selected matured spawn from the spawn inventory are then inoculated into the substrate contained in the bags under aseptic conditions to prevent contamination by microbes. The polyethylene bags containing the inoculated spawn are then placed in the sheds for a period of 3 months for the mushrooms to grow and are arranged in suspension to avoid pervasion of unwanted materials. For optimal growth of the mushrooms, temperature in the sheds is maintained between 26 to 27°C and overhead sprinkler systems are used to maintain the temperature during the day but less frequently at night. Ganoderma mushrooms that are found to be contaminated or not growing optimally are rejected.

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After 3 months, matured Ganoderma mushrooms are harvested, sliced and crushed to the desired shape and size. The crushed Ganoderma mushroom will be dehydrated in an electrical freeze-dryer and ground into powder before storage.

3.4.2 Production of health food supplements in capsules and tablets

Empty capsules and Ganoderma mushroom powder are taken from a buffer room, placed into clean containers and taken to the Dispensing Room where a quality control ("QC") personnel reconfirms that the correct raw materials at the right weight have been selected for production.

Capsules are filled and mushroom powder are funnelled into the filling machines. Capsules which have been filled are polished by capsule polishing machines after which the QC personnel will visually check the capsules to ensure they are properly filled and identify those which are not properly filled or are damaged to be rejected and discarded into separate containers. Capsules which pass the visual QC sorting test are filled into calibrated counting machines for bottling in quantities of 60 or 90 capsules. These bottles will then be filled with packed silica gel to absorb moisture.

For tablets, raw materials or active ingredients are pre-mixed with excipient in the correct proportion in a mixer. The mixture is then mechanically granulated and oven dried at 65-70°C for 2 hours before being re-mixed in a dry mixer. Samples of the powder are sent to the QC laboratory for further testing and once accepted by QC, the dried powder is filled into the funnel of an automated tablet machine that compresses and moulds the dried powder into uniformed size tablets. QC personnel monitors the manufacturing process every 4 hours to ensure that the machines are operating efficiently and the tablets are formed properly. The tablets are then transferred onto special aluminium plates and are visually identified and sorted to identify tablets that are distorted in shape. Tablets that are distorted are rejected. Tablets which pass the QC check are transferred onto counting plates and manually distributed through a funnel into bottles which will be filled with packed silica gels to absorb moisture.

The filled bottles of capsules and tablets are then capped and sealed with shrink pack machines and labelled with the batch numbers for future references. The bottles are placed into plastic bags in packs of 10 and sealed using a thermo sealer machine prior to packing.

Quarantine inspection is then conducted by verifying the batch numbers with the documentation during the production process. Samples from the batches are sent for laboratory analysis to ensure QC standards are met. Batches that fail to meet the QC standards are rejected and improperly packed batches are repacked. Batches that meet the QC standards are stored in the warehouse before being distributed.

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3.4.3 Production of beverages**Coffee Mix and Spica Tea**

The dry raw ingredients comprising coffee powder, creamer, flavours, sugar and the Ganoderma extracts are sent to QC for laboratory test to determine their suitability. The dry raw ingredients are then mixed in a mixing machine for 15 minutes and QC personnel ensures the ingredients are properly mixed by conducting visual checks. The coffee mix is then funnelled into an automatic vertical packaging machine for filling into empty aluminium foil sachets. Regular visual checks are conducted to ensure that the sachets are properly filled. Improperly filled sachets are unpacked and refilled. To ensure that the sachets are properly filled according to the required weight, the packaging machines are regularly checked and calibrated.

Spica Tea ingredients derived from the Ganoderma mushroom, *Spica Prunellae* and *Pericarpium Citri Reticulatae* are funnelled into empty tea bags using filling machines, according to a predetermined weight. To ensure the tea bags are filled accurately by weight, the filling machine is checked twice a day and calibrated immediately if the filling machine is found to be inaccurate. Visual QC checks are conducted during the filling process to ensure tea bags that are not properly filled are discarded or repacked. Tea bags which have passed the QC check are packed into aluminium foils and heat-sealed before being packed into boxes and subsequently shrink packed before being placed into cartons.

Samples of the sachets and tea bags are then sent for laboratory analysis and batches accepted by QC are sealed before being packed and printed with batch numbers on the boxes/plastic bags. A shrink pack machine then plastic seals the boxes. The boxes/plastic bags are placed into cartons of 36 boxes/plastic bags before being stored in the warehouse for distribution.

Quarantine inspection is then conducted by verifying the batch numbers with the documentation during the production process. Samples from the batches are sent for laboratory analysis to ensure QC standards are met. Batches that fail to meet the QC standards are rejected and improperly packed batches are repacked. Batches that meet the QC standards are stored in the warehouse before being distributed.

Fruit Drinks

Fresh fruits such as *Morinda Citrifolia* and Roselle are cut and shredded into pieces and then ground into pulp in a grinding machine. The pulp is mixed with the correct proportion of water, sugar and other ingredients in a mechanical mixer and boiled in a commercial cooker to soften the fruit tissue. The mixture is then bottled via a liquid filling machine during which QC personnel visually monitors the process to ensure that the bottles are properly filled. The bottles are then capped and labelled with the batch numbers, shrink packed in plastic and packed into boxes. Samples of the batches are sent to QC for laboratory testing and approval before being stored in the warehouse for distribution.

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Production of personal care products

Raw ingredients for personal care products such as toothpaste, body foam and hair shampoo together with Ganoderma extracts are proportionately mixed in the designated machines. Visual QC checks are conducted during the mixing process to ensure the ingredients are properly mixed and rework any mixture which is improperly mixed. The mixtures are then dispensed into filling machines, which fills the mixtures into tubes or plastic bottles and are subsequently capped. Visual QC checks are conducted to ensure the caps are properly fitted and the tubes or bottles are properly filled. Those that are not properly capped or filled are reworked. To minimise improper filling, the filling machines are regularly calibrated by weight.

Samples of the batches are then sent for laboratory analysis and batches from samples that are not accepted by QC are discarded while accepted batches are packed into boxes and labelled with the batch numbers. The boxes are shrink packed before being packed into cartons and stored in the warehouse for distribution.

3.5 Material sourcing

The Ganoderma mushroom and Ganoderma mycelium used as raw ingredients to manufacture the Group's various products are sourced from its own farm in Jitra, Kedah. The spawn used to inoculate and cultivate the Ganoderma mushroom is also sourced from its farm. The Group also grows the *Mengkudu* fruit trees used to produce fruit juices at its own orchard in Kedah.

The main raw materials which the Group sources from external parties are rubberwood sawdust, rice chaff, coffee powder, creamer, capsules and packaging materials. The purchases of the above raw materials constitute approximately 82% of the Group's raw material purchases for the financial year ended 28 February 2003. Rubberwood sawdust and rice chaff are important raw materials used as organic substrate on which the inoculated spawn grows into a matured Ganoderma mushroom. Currently these raw materials are sourced from local suppliers in Kedah. The Group does not expect to face any shortages in the supply of these raw materials as rubberwood sawdust and rice chaff are easily available in Malaysia.

The Group currently sources its supply of coffee powder (an important ingredient for its "3-in-1" coffee beverage) from only one supplier. The Directors of DXN are looking for an alternative coffee powder supplier which can supply coffee powder with the same aroma and flavour. In this respect, on 2 May 2003, DISB, a subsidiary of DXN, entered into a supplier agreement with its sole coffee powder supplier whereby the supplier agreed to supply a minimum quantity of 20 tonnes of coffee powder a month for a period of 2 years. While the Directors of DXN has taken initiatives to seek more than one supplier for its raw materials in order to reduce risks of an interruption in supply, there can be no assurance that such initiatives will be successful and that any disruption in supply will not have a material adverse effect on the operations of the Group.

V. INFORMATION ON THE DXN GROUP (CONT'D)

The Group's purchasing policy is to minimise dependence on a single supplier for a particular raw material and to have available alternative suppliers. Various measures have been taken to ensure efficient and uninterrupted supply of raw materials to meet demands from production:

- (i) Establish good business relationships with the suppliers who on average have been supplying to the Group for more than 3 years;
- (ii) Maintaining a policy of not depending on a single supplier for a particular raw material and to have at least one alternative supplier;
- (iii) Providing a lead-time of 30 days to its local suppliers and 45-60 days to its overseas suppliers;
- (iv) Maintaining 5 months buffer stock of the Ganoderma mushroom powder and to cultivate new Ganoderma mushrooms when stocks are below 5 months supply.

3.6 Quality Control ("QC")

The DXN Group emphasises on high quality of its products to ensure customer satisfaction and that its products are safe for human consumption or use. QC team leaders are appointed for the cultivation of Ganoderma mushroom in Malaysia and the manufacturing related activities in all of its factories located in Malaysia, India and Indonesia. The main responsibility of each QC team leader is to oversee and ensure that all QC procedures in the manufacturing and cultivation process are strictly adhered to. QC procedures are put in place at various stages of the farming and production processes. Employees who do not form part of the QC team are also responsible for ensuring quality procedures are adhered to when carrying out their respective work activities. Furthermore, smoking, drinking and eating are strictly prohibited within the compounds of the farm and production facilities. Each of the products manufactured have their own process parameters and product specifications comprising particle size, chemical and microbial contamination, solid and moisture content, pH, process temperature, colour and aroma. The responsibility of the QC personnel overseeing the manufacturing of the products is to ensure that standard operating procedures are adhered to. A series of checking, testing and analysis are conducted before, during and after the production process to ensure that the quality of the products are maintained.

3.7 Group R&D Activities

The DXN Group strongly believes in the philosophy that R&D is an important contributing factor towards maintaining sustainable business growth, improvements in earnings, maintaining competitiveness and expansion of its markets. In line with this objective, the Group continuously develop new products that have market potential and develop improvements in its production processes to lower manufacturing cost while improving the quality of its products. The Group's R&D strategies are:

- (i) To develop new and unique high quality products to be sold at competitive prices to gain mass consumer appeal in the Malaysian and international markets;
- (ii) To develop or improve agriculture techniques in cultivation to provide a sustainable source of high quality raw materials for its products; and
- (iii) To develop or improve on manufacturing processes to lower cost of manufacturing and improve product quality.

V. INFORMATION ON THE DXN GROUP (CONT'D)

The Group's R&D Department consists of 8 team members headed by a manager, 3 professional staff, a laboratory assistant and 4 skilled workers. The R&D Department liaises with various Malaysian research institutions such as the Malaysian Palm Oil Board ("MPOB"), Malaysian Agriculture Research and Development ("MARDI") and Forest Research Institute of Malaysia ("FRIM"). Although DXN conducts its own in-house R&D activities, the Group also seeks technical collaboration and assistance from agencies such as the MPOB, FRIM and the MARDI for the formulation of new products and new techniques in cultivation.

The Group spent a total of RM651,318 on R&D in the last 3 financial years ended 28 February 2003. The amounts spent on R&D represents less than 1% of the annual turnover of the respective financial years.

The R&D laboratory in Jitra, Kedah is equipped with modern laboratory equipment to conduct physical, chemical and microbial tests. Major laboratory equipment used include high performance liquid chromatographer for screening and identifying bio-active components, atomic absorption spectrophotometer for identifying heavy metals and minerals, inverted microscopes which are optical microscopes for image capturing and autoclaves for sterilising matter by heat treatment. The laboratory serves various purposes and is used:

- (i) To formulate, develop and test new products or improve formulation for existing products;
- (ii) To formulate, develop new techniques in biotechnology and test new organic substrates for cultivation of the Ganoderma mushroom;
- (iii) To conduct analytical tests to determine the safety and quality of the raw ingredients and finished product; and
- (iv) To incubate spawns (from the Mycelium of the Ganoderma mushroom) under aseptic conditions for cultivation of the Ganoderma mushroom.

As a result of the Group's continuous R&D efforts, it has successfully introduced the following products into the market over the last three years:

- (i) "3-in-1" Lingzhi Coffee with its unique blend of aromatic coffee taste and smell;
- (ii) Morinzhi fruit drink developed from extracts of the fruits of the *Morinda Citrifolia* or Mengkudu and marketed as a health drink;
- (iii) Roselle fruit drink developed from extracts of the fruits of the Roselle plant, which has high vitamin C content;
- (iv) Cocozhi, a cocoa beverage with extracts of the Ganoderma mushroom;
- (v) GL Spread, a margarine spread with extracts of the Ganoderma mushroom;
- (vi) Morinzyme fruit drink; and
- (vi) Zhi Caf , an aromatic roasted coffee beverage added with extracts of the Ganoderma mushroom.

V. INFORMATION ON THE DXN GROUP (CONT'D)

The Group's current and future plans in R&D are focused on developing new products that have market potential and researching commercially viable cultivation techniques. Current R&D activities in Malaysia that are in progress include:

- (i) Experimental cultivation of the *Morinda Citrifolia* fruit and *Roselle* fruit to determine the commercial viability of planting the fruit trees;
- (ii) Experimental cultivation of Cordycep fungus;
- (iii) Trials on the viability of cultivating the Ganoderma mushroom using bio-fermentation techniques under a closed environment in the laboratory;
- (iv) Development of Spirulina in powder form;
- (v) Development of a pineapple jam with Mycelium extracts which is expected to be launched by September 2003;
- (vi) Formulation of a high fibre chocolate which is expected to be launched by January 2004;
- (vii) Development of skin care and cosmetic products such as lipstick, deodorant and facial foam with Ganoderma extracts which is expected to be launched in February 2004; and
- (viii) Development of a health tea with "Tongkat Ali" extracts which is expected to be launched in June 2004.

Current R&D activities in Indonesia that are in progress include:

- (i) Experimental cultivation to determine the commercial viability of cultivating Ganoderma mushrooms and Mycelium; and
- (ii) Experimental cultivation to determine the commercial viability of cultivating shitake mushrooms and matsutake mushrooms.

3.8 Mode of distribution

The Group's products are distributed via multi-level marketing through its stockists and distributors thus resulting in an expansive distribution network. As at 16 August 2003, the Group has 164 stockists and 23,324 active distributors in Malaysia and 1,480 stockists and 224,465 active distributors overseas. As at 16 August 2003, the Group's largest overseas market is the Philippines which has 204 stockists and 91,921 active distributors while India, the Group's second largest overseas market has 1,113 stockists and 78,273 active distributors.

3.9 Key achievements, milestones and awards

As testimony to the Group's commitment to quality, its subsidiary, DXN Pharma has been awarded the Quality Management Systems Standard ISO 9001:2000 by Lloyd's Register of Quality Assurance on 16 September 1999 for the manufacture of Ganoderma and Andro-G capsules, Ganoderma tablets and spica tea. DXN Plantation has been awarded the Environmental Management System (ISO 14001:1996, BS EN ISO 14001:1996, MS ISO 14001:1996) by Lloyd's Register of Quality Assurance on 11 July 2000 for the cultivation of Ganoderma and associated site activities. As the activities pertaining to the cultivation of Ganoderma have been transferred to DXN Pharma, the award is in the process of being transferred to DXN Pharma.

V. INFORMATION ON THE DXN GROUP (CONT'D)

4. SUBSIDIARIES AND ASSOCIATED COMPANY

4.1 The principal activities of the subsidiaries and associated company of DXN as at the date of this Prospectus are as follows:

Name	Date and place of incorporation	Authorised share capital	Issued and paid-up share capital	Effective interest %	Principal activities
Subsidiaries					
DMSB	11.12.93; Malaysia	RM500,000	RM500,000	100.00	Sale of health supplement and other products on direct sales basis
DISB	20.11.96; Malaysia	RM500,000	RM500,000	100.00	Manufacture of health food supplements and other products
DXN Pharma	20.11.96; Malaysia	RM5,000,000	RM4,000,000	100.00	Cultivation of Ganoderma and Mycelium and the manufacturing of health supplements and other products
DXN Plantation	06.11.95; Malaysia	RM500,000	RM150,000	100.00	Dormant
DPSB	25.03.97; Malaysia	RM100,000	RM100,000	100.00	Dormant
DKSB	17.09.98; Malaysia	RM100,000	RM100,000	100.00	Dormant
DIH	11.04.02; British Virgin Islands	USD50,000	USD2,500	100.00	Investment holding and provision of management services
Subsidiaries of DIH					
DIPL	08.03.99; Federal Territory of Labuan, Malaysia	USD250,000	USD15,010	100.00	Trading of health food, traditional medicine, all kinds of confectioneries and other food products and investment holding
DXN Singapore	05.03.97; Singapore	SGD100,000	SGD2	100.00	Trading in health products
PT Daxen	05.08.98; Indonesia	Rupiah 14,500,000,000	Rupiah 10,150,000,000	100.00	Sale of traditional medicines, cosmetics, beverages and cleaning materials
DXN HK	17.10.97; Hong Kong	HKD2,500,000	HKD2,500,000	100.00	Multi-level marketing of health care products
DXN Cyprus	31.12.01; Cyprus	CYP10,000	CYP10,000	100.00	Dormant
DXN UK	05.06.02; United Kingdom	£20,000	£1,000	100.00	Dormant
DXN SA	22.02.02; South Africa	Rand4,000	Rand100	100.00	Dormant

V. INFORMATION ON THE DXN GROUP (CONT'D)

Name	Date and place of incorporation	Authorised share capital	Issued and paid-up share capital	Effective interest %	Principal activities
Subsidiaries of DIPL					
Daxen	04.10.01; US	USD1,000,000	USD200,000	100.00	Trading of health food, traditional medicine, all kinds of confectioneries and other food products
DXN Herbal	30.07.01; India	Rupee 30,000,000	Rupee 4,865,000	100.00	Manufacturing, production and processing of herbal health care products, herbal beverages and health care instruments
Branch of DIPL					
DIPL Philippines Branch	None; Philippines	-	-	-	Trading of health food, traditional medicine, all kinds of confectioneries and other food products
Subsidiary of Daxen					
DXN Mexico	01.11.02; Mexico	MXN50,000	MXN50,000	99.90	Sale, purchase, import, export and distribution of natural food and vitamin supplements
Branch of Daxen					
DXN Canada Branch	None; Canada	-	-	-	Distribution of natural health products through multi level marketing
Associated company of DIH					
DXN Thailand	25.06.98; Thailand	Baht20,000,000	Baht20,000,000	36.75	Import and distribution of consumable health and nutrition products

Further details of the subsidiaries and associated company of DXN are as follows:

4.2 DMSB

History and Business

DMSB was incorporated on 11 December 1993 in Malaysia under the Companies Act, 1965 as a private limited company under the name of Petonar Service (M) Sdn Bhd. On 19 August 1995, the company assumed its present name. The principal activities of the company are the sale of health supplements and other products on a direct sales basis.

Share Capital

The authorised share capital of DMSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of DMSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

V. INFORMATION ON THE DXN GROUP (CONT'D)

The changes in the issued and paid-up share capital of DMSB since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
11.12.1993	3	Subscribers' shares	3
29.01.1994	50,997	Cash	51,000
11.12.1995	49,000	Cash	100,000
13.12.1998	400,000	Bonus issue	500,000

Substantial shareholder

DMSB is a wholly-owned subsidiary of DXN.

Subsidiary and Associated Company

As at the date hereof, DMSB does not have any subsidiary or associated company.

4.3 DISB

History and Business

DISB was incorporated on 20 November 1996 in Malaysia under the Companies Act, 1965 as a private limited company under the name of DXN Industries (M) Sdn Bhd. The principal activity of the company is the manufacture of health food supplements and other products.

Share Capital

The authorised share capital of DISB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of DISB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of DISB since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
20.11.1996	2	Subscribers' shares	2
15.09.1999	499,998	Cash	500,000

Substantial shareholder

DISB is a wholly-owned subsidiary of DXN.

Subsidiary and Associated Company

As at the date hereof, DISB does not have any subsidiary or associated company.

V. INFORMATION ON THE DXN GROUP (CONT'D)

4.4 DXN Pharma***History and Business***

DXN Pharma was incorporated on 20 November 1996 in Malaysia under the Companies Act, 1965 as a private limited company under the name of DXN Pharmaceutical Sdn Bhd. The principal activities of the company are the cultivation of Ganoderma and Mycelium and the manufacturing of health supplements and other products.

Share Capital

The authorised share capital of DXN Pharma is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of DXN Pharma is RM4,000,000 comprising 4,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of DXN Pharma since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued And paid-up Share capital RM
20.11.1996	2	Subscribers' shares	2
25.10.1999	2,999,998	Cash	3,000,000
28.05.2000	1,000,000	Cash	4,000,000

Substantial shareholder

DXN Pharma is a wholly-owned subsidiary of DXN.

Subsidiary and Associated Company

As at the date hereof, DXN Pharma does not have any subsidiary or associated company.

4.5 DXN Plantation***History and Business***

DXN Plantation was incorporated on 6 November 1995 in Malaysia under the Companies Act, 1965 as a private limited company under the name of RG Daxen Sdn Bhd. On 17 September 1998, the company assumed its present name. DXN Plantation is currently dormant.

Share Capital

The authorised share capital of DXN Plantation is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of DXN Plantation is RM150,000 comprising 150,000 ordinary shares of RM1.00 each.

V. INFORMATION ON THE DXN GROUP (CONT'D)

The changes in the issued and paid-up share capital of DXN Plantation since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
06.11.1995	2	Subscribers' shares	2
01.03.2002	149,998	Cash	150,000

Substantial shareholder

DXN Plantation is a wholly-owned subsidiary of DXN.

Subsidiary and Associated Company

As at the date hereof, DXN Plantation does not have any subsidiary or associated company.

4.6 DPSB

History and Business

DPSB was incorporated on 25 March 1997 in Malaysia under the Companies Act, 1965 as a private limited company under the name of Friendly Prospect Sdn Bhd. On 22 November 1997, the company converted to a public company and changed its name to Friendly Prospect Bhd. On 7 August 1998, the company converted from a public company to a private company and changed its name to Friendly Prospect Sdn Bhd. On 17 September 1998, the company assumed its present name. DPSB is currently dormant.

Share Capital

The authorised share capital of DPSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of DPSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of DPSB since its incorporation are as follows:

Date of Allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
25.03.1997	2	Subscribers' shares	2
27.02.2000	99,998	Cash	100,000

Substantial shareholder

DPSB is a wholly-owned subsidiary of DXN.

Subsidiary and Associated Company

As at the date hereof, DPSB does not have any subsidiary or associated company.

V. INFORMATION ON THE DXN GROUP (CONT'D)

4.7 DKSB***History and Business***

DKSB was incorporated on 17 September 1998 in Malaysia under the Companies Act, 1965 as a private limited company under the name of DXN (KL) Sdn Bhd. DKSB is currently dormant.

Share Capital

The authorised share capital of DKSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of DKSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of DKSB since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
17.09.1998	2	Subscribers' shares	2
27.02.2000	99,998	Cash	100,000

Substantial shareholder

DKSB is a wholly-owned subsidiary of DXN.

Subsidiary and Associated Company

As at the date hereof, DKSB does not have any subsidiary or associated company.

4.8 DIH***History and Business***

DIH was incorporated on 11 April 2002 in the British Virgin Islands under the International Business Companies Act, (Cap 291) as an international business company under the name of DXN International Holding Limited. The principal activities of DIH are investment holding and provision of management services.

Share Capital

The registered share capital of DIH is USD50,000 comprising 50,000 ordinary shares of USD1.00 each. The issued and paid-up share capital of DIH is USD2,500 comprising 2,500 ordinary shares of USD1.00 each.

The changes in the issued and paid-up share capital of DIH since its incorporation are as follows:

Date of allotment	No. of ordinary shares of USD1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital USD
11.04.2002	2,500	Subscribers' shares	2,500

V. INFORMATION ON THE DXN GROUP (CONT'D)

Substantial shareholders

DIH is a wholly-owned subsidiary of DXN.

Subsidiaries and Associated Company

The subsidiaries and associated company of DIH as at the date hereof are as follows:

Name	Date and place of incorporation	Authorised share capital	Issued and paid-up share capital	Effective interest %	Principal activities
Subsidiaries					
DIPL	08.03.99; Federal Territory of Labuan, Malaysia	USD250,000	USD15,010	100.00	Trading of health food, traditional medicine, all kinds of confectioneries and other food products and investment holding
DXN Singapore	05.03.97; Singapore	SGD100,000	SGD2	100.00	Trading in health products
PT Daxen	05.08.98; Indonesia	Rupiah 14,500,000,000	Rupiah 10,150,000,000	100.00	Sale of traditional medicines, cosmetics, beverages and cleaning materials
DXN HK	17.10.97; Hong Kong	HKD2,500,000	HKD2,500,000	100.00	Multi-level marketing of health care products
DXN Cyprus	31.12.01; Cyprus	CYP10,000	CYP10,000	100.00	Dormant
DXN UK	05.06.02; United Kingdom	£20,000	£1,000	100.00	Dormant
DXN SA	22.02.02; South Africa	Rand4,000	Rand100	100.00	Dormant
Subsidiaries of DIPL					
Daxen	04.10.01; US	USD1,000,000	USD200,000	100.00	Trading of health food, traditional medicine, all kinds of confectioneries and other food products
DXN Herbal	30.07.01; India	Ruppee 30,000,000	Ruppee 4,865,000	100.00	Manufacturing, production and processing of herbal health care products, herbal beverages and health care instruments
Branch of DIPL					
DIPL Philippines Branch	None; Philippines	-	-	-	Trading of health food, traditional medicine, all kinds of confectioneries and other food products
Subsidiary of Daxen					
DXN Mexico	01.11.02; Mexico	MXN50,000	MXN50,000	99.90	Sale, purchase, import, export and distribution of natural food and vitamin supplements

V. INFORMATION ON THE DXN GROUP (CONT'D)

Name	Date and place of incorporation	Authorised share capital	Issued and paid-up share capital	Effective interest %	Principal activities
Branch of Daxen					
DXN Canada Branch	None; Canada	-	-	-	Distribution of natural health products through multi level marketing

The associated company of DIH as at the date hereof is as follows:

Name	Date and place of incorporation	Authorised Share Capital	Issued and paid-up share capital	Effective interest %	Principal activities
DXN Thailand	25.06.98; Thailand	Baht20,000,000	Baht20,000,000	36.75	Import and distribution of consumable health and nutrition products

4.9 DIPL

History and Business

DIPL was incorporated on 8 March 1999 in the Federal Territory of Labuan, Malaysia under the Offshore Companies Act, 1990 as a private limited company under the name of DXN International Private Ltd. The principal activities of DIPL are the trading of health food, traditional medicine, all kinds of confectioneries and other food products and investment holding.

Share Capital

The authorised share capital of DIPL is USD250,000 comprising 250,000 ordinary shares of USD1.00 each. The issued and paid-up share capital of DIPL is USD15,010 comprising 15,010 ordinary shares of USD1.00 each.

The changes in the issued and paid-up share capital of DIPL since its incorporation are as follows:

Date of allotment	No. of ordinary shares of USD1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital USD
08.03.1999	10	Subscribers' shares	10
25.08.1999	15,000	Cash	15,010

Substantial shareholder

DIPL is a wholly-owned subsidiary of DIH, which in turn, is a wholly-owned subsidiary of DXN.

Subsidiaries and Associated Company

The subsidiaries and branch of DIPL as at the date hereof are disclosed in Section V(4.8) of this Prospectus.

V. INFORMATION ON THE DXN GROUP (CONT'D)

4.10 Daxen***History and Business***

Daxen was incorporated on 4 October 2001 in the state of California, US as a California corporation under the name of Daxen, Inc. The principal activities of Daxen are trading of health food, traditional medicine, all kinds of confectioneries and other food products.

Share Capital

The authorised share capital of Daxen is USD1,000,000 comprising 1,000,000 ordinary shares. The issued and paid-up share capital of Daxen is USD200,000 comprising 200,000 ordinary shares of USD1.00 each.

The changes in the issued and paid-up share capital of Daxen since its incorporation are as follows:

Date of allotment	No. of ordinary shares of USD1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital USD
28.11.2001	200,000	Cash	200,000

Substantial shareholder

Daxen is a wholly-owned subsidiary of DIPL, which in turn, is a wholly-owned subsidiary of DIH which is a wholly-owned subsidiary of DXN.

Subsidiary and Associated Company

The subsidiary and branch of Daxen as at the date hereof are disclosed in Section V(4.8) of this Prospectus..

As at the date hereof, Daxen does not have any associated company.

4.11 DXN Herbal***History and Business***

DXN Herbal was incorporated on 30 July 2001 in India as a private limited company under the name of DXN Herbal Manufacturing (India) Private Limited. The principal activities of DXN Herbal are the manufacturing, production and processing of herbal health care products, herbal beverages and health care instruments.

Share Capital

The authorised share capital of DXN Herbal is Rupee30,000,000 comprising 3,000,000 ordinary shares of Rupee10.00 each. The issued and paid-up share capital of DXN Herbal is Rupee4,865,000 comprising 486,500 ordinary shares of Rupee10.00 each.

V. INFORMATION ON THE DXN GROUP (CONT'D)

The changes in the issued and paid-up share capital of DXN Herbal since its incorporation are as follows:

Date of allotment	No. of ordinary shares of Rupee10.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital Rupee
10.08.2001	10,000	Subscribers' shares	100,000
07.10.2002	476,500	Cash	4,865,000

Substantial shareholder

DXN Herbal is effectively a wholly-owned subsidiary of DIPL, which in turn, is a wholly-owned subsidiary of DIH which is a wholly-owned subsidiary of DXN.

Subsidiary and Associated Company

As at the date hereof, DXN Herbal does not have any subsidiary or associated company.

4.12 DXN Mexico

DXN Mexico was incorporated on 1 November 2002 in Mexico by public instrument number 11,199 issued by Notary Public number 7 in Tijuana, Baja, California, Mexico as a private limited company under the name of DXN Mexico, S.A. DE C.V.. The principal activity of the company is sale, purchase, import, export and distribution of natural food and vitamin supplements.

Share Capital

The authorised share capital of DXN Mexico is MXN50,000 comprising 1,000 ordinary shares of MXN50.00 each, all of which has been fully issued and paid-up.

The changes in the issued and paid-up share capital of DXN Mexico since its incorporation are as follows:

Date of allotment	No. of ordinary shares of MXN50.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital MXN
01.11.2002	1,000	Subscribers' shares	50,000

Substantial Shareholder

DXN Mexico is a 99.90%-owned subsidiary of Daxen.

Subsidiary and Associated Company

As at the date hereof, DXN Mexico does not have any subsidiary or associated company.

V. INFORMATION ON THE DXN GROUP (CONT'D)

4.13 DXN Singapore***History and Business***

DXN Singapore was incorporated on 5 March 1997 in Singapore as a private limited company under the name of DXN (Singapore) Pte Ltd. The principal activity of DXN Singapore is that of trading in health products.

Share Capital

The authorised share capital of DXN Singapore is SGD100,000 comprising 100,000 ordinary shares of SGD1.00 each. The issued and paid-up share capital of DXN Singapore is SGD2 comprising 2 ordinary shares of SGD1.00 each.

The changes in the issued and paid-up share capital of DXN Singapore since its incorporation are as follows:

Date of allotment	No. of ordinary shares of SGD1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital SGD
05.03.1997	2	Subscribers' shares	2

Substantial shareholder

DXN Singapore is a wholly-owned subsidiary of DIH, which in turn is a wholly-owned subsidiary of DXN.

Subsidiary and Associated Company

As at the date hereof, DXN Singapore does not have any subsidiary or associated company.

4.14 PT Daxen***History and Business***

PT Daxen was incorporated on 5 August 1998 in Indonesia as a limited liability company under the name of PT Daxen Indonesia. The principal activities of PT Daxen are the sale of traditional medicines, cosmetics, beverages and cleaning materials.

Share Capital

The authorised share capital of PT Daxen is Rupiah14,500,000,000 comprising 1,000 ordinary shares of Rupiah14,500,000 each. The issued and paid-up share capital of PT Daxen is Rupiah10,150,000,000 comprising 700 ordinary shares of Rupiah14,500,000 each.