

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF DXN HOLDINGS BHD. (“DXN” OR “COMPANY”) DATED 28 APRIL 2023 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Electronic Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at www.bursamalaysia.com (“**Website**”).

Availability and Location of Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company or the Issuing House, Malaysian Issuing House Sdn Bhd. Alternatively, the applicant may obtain a paper/printed copy of the Prospectus, subject to availability, from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective applicants should note that the application forms are not available in electronic format.

Jurisdictional Disclaimer

The IPO and the distribution of the Electronic Prospectus are subject to the laws of Malaysia. The Electronic Prospectus will not be distributed outside Malaysia. Bursa Securities, the Company, the Promoter, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters named in the Electronic Prospectus have not authorised and take no responsibility for the distribution of the Electronic Prospectus outside Malaysia. No action has been taken to permit any offering of the IPO Shares based on the Electronic Prospectus in any jurisdiction other than Malaysia. The Electronic Prospectus may not be used for the purpose of and does not constitute an offer for the subscription or purchase of, or an invitation to subscribe for or purchase, the IPO Shares to any person outside Malaysia or in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. Prospective applicants who may be in possession of the Electronic Prospectus are required to take note, to inform themselves, and to observe such restrictions.

This document is not for publication or distribution, directly or indirectly, in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia). This document is not an offer for sale of the IPO Shares in the United States or anywhere other than Malaysia. The IPO Shares may not be offered or sold in or into the United States unless under an exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act of 1933, as amended, and any applicable state securities laws. The Company has not and does not intend to register any portion of the offering in the United States or to conduct a public offering of its securities in the United States or in any other jurisdiction where such an offering is restricted or prohibited.

Close of Application

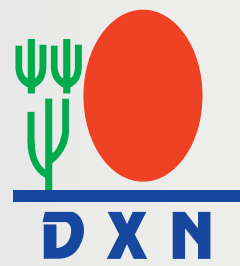
Applications for the IPO Shares offered under the Retail Offering will open at 10.00 a.m. on 28 April 2023 and will close at 5.00 p.m. on 9 May 2023. Any change to the timetable will be advertised by DXN in widely circulated English and Bahasa Malaysia daily newspapers within Malaysia.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities, being the stock exchange the Company is seeking listing on. Users’ access to the Website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained on the Website.

The contents of the Electronic Prospectus as provided by the Company to Bursa Securities, are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.



DXN KEDAH, MALAYSIA



DXN TELANGANA, INDIA



HEAD/MANAGEMENT OFFICE

Wisma DXN
213 Lebuhraya Sultan Abdul Halim
05400 Alor Setar
Kedah
Tel. No. : +604 772 3388
Email : enquiry@dxn2u.com
Website : www.dxn2u.com



DXN NINGXIA, CHINA



BOULDER VALLEY, PENANG, MALAYSIA



DXN HOLDINGS BHD.

PROSPECTUS



DXN HOLDINGS BHD.

(Registration No. 199501033918 (363120-V))
(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

PROSPECTUS

THIS PROSPECTUS IS DATED 28 APRIL 2023

INITIAL PUBLIC OFFERING (“**IPO**”) OF UP TO 932,675,000 ORDINARY SHARES IN DXN HOLDINGS BHD. (“**DXN**”) (“**IPO SHARES**”) IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED ORDINARY SHARES OF DXN (“**SHARES**”) ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING AN OFFER FOR SALE OF UP TO 772,675,000 EXISTING SHARES (“**OFFER SHARES**”) AND A PUBLIC ISSUE OF 160,000,000 NEW SHARES (“**ISSUE SHARES**”) INVOLVING:

- (I) INSTITUTIONAL OFFERING OF UP TO 772,675,000 OFFER SHARES TO MALAYSIAN AND FOREIGN INSTITUTIONAL AND SELECTED INVESTORS INCLUDING BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY OF MALAYSIA (FORMERLY KNOWN AS MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY OF MALAYSIA) AT THE INSTITUTIONAL PRICE TO BE DETERMINED BY WAY OF BOOKBUILDING (“**INSTITUTIONAL PRICE**”); AND
- (II) RETAIL OFFERING OF 160,000,000 ISSUE SHARES TO THE DIRECTORS OF DXN, ELIGIBLE EMPLOYEES OF DXN AND ITS SUBSIDIARIES (“**GROUP**”), PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE DXN GROUP AND THE MALAYSIAN PUBLIC AT THE RETAIL PRICE OF RM0.76 PER ISSUE SHARE (“**RETAIL PRICE**”), PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO REFUND OF THE DIFFERENCE BETWEEN THE RETAIL PRICE AND THE FINAL RETAIL PRICE (AS DEFINED IN THIS PROSPECTUS) IN THE EVENT THAT THE FINAL RETAIL PRICE IS LESS THAN THE RETAIL PRICE,

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AND THE OVER-ALLOTMENT OPTION (AS DEFINED IN THIS PROSPECTUS). THE FINAL RETAIL PRICE WILL BE EQUAL TO THE LOWER OF

- (I) THE RETAIL PRICE; OR
- (II) THE INSTITUTIONAL PRICE

Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Joint Managing Underwriter and Joint Underwriter



Investment Bank

Maybank Investment Bank Berhad

(Registration No. 197301002412)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Global Coordinator, Joint Bookrunner, Joint Managing Underwriter and Joint Underwriter



CIMB Investment Bank Berhad
Registration No. 197401001266 (18417-M)

Joint Global Coordinator and Joint Bookrunner



CLSA Limited
(Registration No. 156668)
CLSA Securities Malaysia Sdn Bhd
(Co. Reg.No. 200501013874 (690921-X))

Joint Bookrunner and Joint Underwriter



RHB Investment Bank Berhad
(Registration No. 197401002639 (19663-P))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX MONTHS FROM THE DATE OF THIS PROSPECTUS. THE SECURITIES COMMISSION MALAYSIA (“**SC**”) HAS APPROVED THE ISSUE, OFFER OR INVITATION FOR THE OFFERING UNDER SECTION 214(1) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS THAT YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “**RISK FACTORS**” COMMENCING ON PAGE 45.

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA

All defined terms used in this Prospectus are defined under "Presentation of Financial and Other Information", "Definitions" and "Glossary of Technical Terms" commencing on pages viii, xii and xxv of this Prospectus, respectively.

RESPONSIBILITY STATEMENTS

Our Directors, our Promoter and the Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Maybank IB, being the Principal Adviser, Joint Global Coordinator and Joint Bookrunner for the Institutional Offering, and Joint Managing Underwriter and Joint Underwriter for the Retail Offering, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

It is to be noted that the role of CIMB IB in our IPO is limited to being Joint Global Coordinator and Joint Bookrunner for the Institutional Offering both within Malaysia and outside Malaysia, and Joint Managing Underwriter and Joint Underwriter for the Retail Offering in Malaysia.

It is also to be noted that the role of CLSA in our IPO is limited to being Joint Global Coordinator and Joint Bookrunner for the Institutional Offering both within Malaysia and outside Malaysia. CLSA does not have any role in, and disclaims any responsibility for, the Retail Offering in Malaysia.

In addition, the role of RHB IB in our IPO is limited to being Joint Bookrunner for the Institutional Offering both within Malaysia and outside Malaysia, and Joint Underwriter for the Retail Offering in Malaysia.

STATEMENTS OF DISCLAIMER

Our Company has obtained the approval of Bursa Securities for our Listing. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the Application Forms have also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

OTHER STATEMENTS

Investors should note that they may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Our Shares are classified as Shariah-compliant by the SAC. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

Investors should not take the agreement by the Joint Managing Underwriters and the Joint Underwriters named in this Prospectus to underwrite our Shares under the Retail Offering as an indication of the merits of our Shares being offered.

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

This Prospectus is published solely in connection with our IPO. Our Shares are being offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, our Promoter, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, our Promoter, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters or any of their respective directors, or any other persons involved in our IPO.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional investors outside Malaysia in connection with our IPO. Our Company, our Promoter, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional investors outside Malaysia in connection with our IPO. No action has been taken to permit any offering of our Shares based on this Prospectus in any jurisdiction other than Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase of our Shares in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the offering of our Shares in certain other jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability whether or not any enquiry or investigation is made in connection to it.

It will be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subject to the laws of Malaysia in connection to it.

However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It will be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither we nor our Promoter, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters nor any other advisers in relation to our IPO will accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

Our Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, or delivered within the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act), unless pursuant to an exemption from, or a transaction not subject to, the registration requirements under the U.S. Securities Act. Accordingly, our Shares are being offered and sold only outside the United States in offshore transactions in reliance upon Regulation S under the U.S. Securities Act.

Our Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State Securities Commission in the U.S. or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of our IPO or confirmed the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the U.S..

ELECTRONIC PROSPECTUS/INTERNET SHARE APPLICATION

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

The internet is not a fully secure medium. Your Internet Share Application may be subject to risks of data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions. If you doubt the validity or integrity of the Electronic Prospectus, you should immediately request from us or the Issuing House, a paper/printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC will prevail.

In relation to any reference in this Prospectus to third-party internet sites ("**Third-Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third-Party Internet Sites, you acknowledge and agree that:

- (i) we do not endorse and are not affiliated in any way to the Third-Party Internet Sites. Accordingly, we are not responsible for the availability of or the content or any data, file or other material provided on the Third-Party Internet Sites. You bear all risks associated with the access to or use of the Third-Party Internet Sites;
- (ii) we are not responsible for the quality of products or services in the Third-Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third-Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third-Party Internet Sites or the use of or reliance on any data, file or other material provided by the Third-Party Internet Sites; and
- (iii) any data, information, file or other material downloaded from the Third-Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, file or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

- (i) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of the Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium; and
- (iii) the Internet Participating Financial Institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Time and/or Date
Opening of the Institutional Offering	28 April 2023
Issuance of the Prospectus/Opening of the Retail Offering	10:00 a.m., 28 April 2023
Closing of the Retail Offering	5:00 p.m., 9 May 2023
Closing of the Institutional Offering	9 May 2023
Price Determination Date	10 May 2023
Balloting of applications for our Issue Shares under the Retail Offering	11 May 2023
Allotment/Transfer of our IPO Shares to successful applicants	18 May 2023
Listing	19 May 2023

In the event there is any change to the timetable, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia daily newspapers within Malaysia.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “our Company” or “DXN” are to DXN Holdings Bhd. All references to “DXN Group” or “our Group” are to our Company and our subsidiaries taken as a whole. All references to “we”, “us”, “our” and “ourselves” are to our Company and where the context otherwise requires, our Group.

All references to the “Selling Shareholders” are to LSJ Global and Gano Global. All references to “Promoter” are to LSJ Global.

All references to “you” are to our prospective investors.

All references to “Government” are to the Government of Malaysia.

Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding adjustments. Other abbreviations and acronyms used in this Prospectus are defined in the “Definitions” section and technical terms used in this Prospectus are defined in the “Glossary of Technical Terms” section. Words denoting the singular will, where applicable, include the plural and *vice versa* and words denoting the masculine gender will, where applicable, include the feminine and/or neuter genders and *vice versa*. Reference to persons will, where applicable, include companies and corporations.

Any reference to provisions of the statutes, rules, regulations, enactments or rules of the stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of the stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of the stock exchange for the time being in force and unless specified, is a reference to an enactment by Malaysia.

Any reference to a date and time will be a reference to a date and time in Malaysia, unless otherwise stated.

All references to the “LPD” in this Prospectus are to 31 March 2023, being the latest practicable date prior to the registration of this Prospectus with the SC.

The information on our website or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on those information for the purposes of your decision whether or not to invest in our Shares.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding the growth and performance of the industry in which we operate and our estimated market share. This data is taken or derived from information published by industry sources and from our internal data. In each of such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us or is extracted from the IMR Report as included in Section 8 of this Prospectus. We have appointed Frost & Sullivan to provide an independent market and industry review. In compiling its data for the review, Frost & Sullivan had relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry.

Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We cannot give any assurance that the projected figures will be achieved and you should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION *(Cont'd)*

For the purpose of this Prospectus, EBITDA is calculated as our profit for the relevant financial year or period plus (i) tax expense; (ii) finance costs; (iii) depreciation and amortisation, less (iv) interest income.

EBITDA and the related ratios presented in this Prospectus are supplemental measures of our performance and liquidity that are not required by or presented in accordance with the IFRS and MFRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under the IFRS and MFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with the IFRS or MFRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, and hence, a direct comparison of EBITDA between companies may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

We believe that EBITDA may facilitate comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortisation of assets (affecting relative depreciation and amortisation expenses). EBITDA has been presented because we believe that it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-IFRS and non-MFRS financial measures when reporting their results. Finally, EBITDA is presented as a supplemental measure of our ability to service debt. Nevertheless, EBITDA has limitations as an analytical tool, and prospective investors should not consider it in isolation from or as a substitute for analysis of our financial condition or results of operations, as reported under the IFRS and MFRS. Due to these limitations, EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of our business.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies and prospects are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current view with respect to future events and do not guarantee future performance. Forward-looking statements can be identified by the use of forward-looking terminologies such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions, and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) demand for our products and general industry environment;
- (ii) our strategies and competitive position;
- (iii) our future financial position, earnings, cash flows and liquidity;
- (iv) our ability to enter and operate in certain foreign markets;
- (v) potential growth opportunities; and
- (vi) regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, but not limited to:

- (i) activities and financial position of our customers, suppliers and other business partners;
- (ii) delay in supply of raw materials and shortages in labour;
- (iii) finance costs, interest rates, tax rates and foreign exchange rates;
- (iv) future regulatory or government policy changes affecting us or the countries where we operate or may operate in the future;
- (v) delays or problems with the execution of our expansion plans;
- (vi) the ongoing COVID-19 pandemic and possible similar future outbreak;
- (vii) competitive environment of the industry in which we operate;
- (viii) reliance on licences, permits and approvals;
- (ix) general economic, business, social, political and investment environment in the countries where we operate or may operate in the future;
- (x) continued availability of capital and financing;
- (xi) fixed or contingent obligations and commitments;
- (xii) changes in accounting standards and policies; and
- (xiii) other factors beyond our control.

FORWARD-LOOKING STATEMENTS *(Cont'd)*

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 5 of this Prospectus on "Risk Factors" and Section 12.2 of this Prospectus on "Management's Discussion and Analysis of Financial Condition and Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

In light of these uncertainties, the inclusion of such forward-looking statements should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.

Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment/transfer of our IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6 on Supplementary and Replacement Prospectus) of the Prospectus Guidelines.

DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

ACIS	:	Accounting information system, one of our Company's IT systems
Act	:	Companies Act 2016 of Malaysia
ADA	:	Authorised Depository Agent
Admission	:	Admission of our Shares to the Official List of the Main Market of Bursa Securities
AGM	:	Annual general meeting
Application	:	Application for our Issue Shares by way of Application Form, Electronic Share Application or Internet Share Application
Application Form	:	Application form for the application of our Issue Shares under the Retail Offering accompanying this Prospectus
ATM	:	Automated teller machine
Auditors or Reporting Accountants	:	KPMG PLT
Authorised Financial Institution	:	Authorised financial institution participating in the Internet Share Application in respect of the payment for our Issue Shares
Bio Synergy Engineering	:	Bio Synergy Engineering Sdn. Bhd.
Board	:	Board of Directors of our Company
Bonus Issue	:	Bonus issue of 4,584,236,000 Bonus Shares which was capitalised from our Company's retained earnings as at 28 February 2022
Bonus Shares	:	Our Shares issued pursuant to the Bonus Issue
Bumiputera	:	In the context of: <ul style="list-style-type: none"> (i) individuals - Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia; (ii) companies - companies which fulfil, among others, the following criteria or such other criteria as may be imposed by the MITI: <ul style="list-style-type: none"> (a) registered under the Act as a private company; (b) its shareholders are 100% Bumiputera; and (c) its board of directors (including its staff) are at least 51.0% Bumiputera; and (iii) cooperatives - cooperatives whose shareholders or cooperative members are at least 95.0% Bumiputera or such other criteria as may be imposed by the MITI

DEFINITIONS (Cont'd)

Bursa Depository	: Bursa Malaysia Depository Sdn. Bhd.
Bursa Securities	: Bursa Malaysia Securities Berhad
By-Laws	: By-laws governing the ESOS
CAGR	: Compound annual growth rate, computed through the formula: $\text{CAGR} = (\text{Ending amount} / \text{Beginning amount})^{1/N} - 1$ Ending amount is the amount at the end of the period; Beginning amount is the amount at the beginning of the period; and N is the number of years within the period
CCC	: Certificate of completion and compliance or such certificate by any other name issued by the relevant authority under the SDBA and any by-laws made under it or such relevant legislation applicable at the material time
CCM	: Companies Commission of Malaysia
CDCR	: Control of Drugs and Cosmetics Regulations 1984 of Malaysia
CDS	: Central Depository System
China or PRC	: The People's Republic of China and references in this Prospectus to China or the PRC do not include Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan
CIMB IB	: CIMB Investment Bank Berhad
CLSA	: Collectively, CLSA Limited and CLSA Securities Malaysia Sdn Bhd
CMSA	: Capital Markets and Services Act 2007 of Malaysia
Constitution	: Constitution of our Company
COVID-19	: Coronavirus disease (COVID-19), an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CPS	: Centralised processing system, one of our Company's IT systems
Directors	: Directors of our Company
DCT Tours	: DCT Tours Sdn. Bhd. (<i>formerly known as DXN Comfort Tours Sdn. Bhd.</i>)
DLBL	: Datin Leong Bee Ling
DLBY	: Dato' Lim Boon Yee
DLSJ	: Datuk Lim Siow Jin
DOSH	: Department of Occupational Safety and Health of Malaysia
DSAM	: Direct Selling Association of Malaysia
DSAM Code	: DSAM's Code of Conduct
DXN or Company	: DXN Holdings Bhd.
DXN Group or Group	: Collectively, our Company and its subsidiaries

DEFINITIONS *(Cont'd)*

DXN Shares or Shares	: Ordinary shares in our Company
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	: Copy of this Prospectus that is issued, circulated or disseminated via the internet, and/or an electronic storage medium including, but not limited to compact disc read only memory (CD-ROM)
Electronic Share Application	: Application for our Issue Shares under the Retail Offering through a Participating Financial Institution's ATM
Eligible Persons	: Collectively, the Directors and employees of our Group (including directors of our subsidiaries) and persons who have contributed to the success of our Group who are eligible to participate in the Retail Offering
EPS	: Earnings per Share
Equity Guidelines	: Equity Guidelines issued by the SC
ERP	: Enterprise resource planning, one of our Company's IT systems
ESOS	: Employees' share option scheme of our Company
ESOS Options	: Right of a Grantee to subscribe for our new Shares pursuant to the contract constituted by the acceptance of an offer made in accordance with the terms and conditions of the By-Laws
EV	: Enterprise value
Executive Director	: Executive director of our Company
F&B	: Food and beverages
FDA	: Food and Drug Administration of the U.S.
FEMA	: Foreign Exchange Management Act 1999 of India
FEMA Rules	: The applicable rules, directions, regulations, circulars, master directions, orders, notifications, master circulars issued under the FEMA
FFB	: Fortified food and beverages, which are food and beverage products with added health ingredients and/or nutrients such as vitamins and minerals, to improve the nutritional content and provide health benefits
Final Retail Price	: Final price per Issue Share to be paid by the investors under the Retail Offering, equivalent to the Retail Price or the Institutional Price, whichever is lower, to be determined on the Price Determination Date
FPE	: Financial period ended or where the context otherwise requires, financial period ending
Frost & Sullivan or IMR	: Frost & Sullivan GIC Malaysia Sdn Bhd, the independent market researcher
FYE	: Financial year ended or where the context otherwise requires, financial year ending
Gano Global	: Gano Global Supplements Pte. Ltd.

DEFINITIONS *(Cont'd)*

Ganotherapy	:	The line of thought that health supplements and proper diet can improve health by stimulating the human body's detox and balancing systems
GDP	:	Gross domestic product
GMP	:	Good Manufacturing Practice
GR 5/2021	:	Indonesian Government Regulation No. 5 of 2021 on the Implementation of Risk-Based Business Licencing
GR 16/2021	:	Indonesian Government Regulation No. 16 of 2021 on Implementing Regulation of Law Number 28 of 2002 on Buildings
GR 29/2021	:	Indonesian Government Regulation No. 29 of 2021 on the Organisation of the Trade Sector
Grantee(s)	:	Eligible Director(s) or employee(s) of our Group who has(ve) accepted the offer in accordance with the terms and conditions of the offer and the By-Laws
GRL 2/2022	:	Government Regulation In Lieu of Law No. 2 of 2022 on Job Creation
HACCP	:	Hazard Analysis and Critical Control Point, an international standard defining the requirements for effective control of food safety
HDS	:	Health and dietary supplements, which are products that contain ingredients intended to add nutritional value to a person's diet, and to maintain, enhance and improve the health function of a person's body
IFRS	:	International Financial Reporting Standards
IMR Report	:	Independent market research report dated 14 April 2023 prepared by Frost & Sullivan
Indian Subsidiaries	:	Collectively, Daxen Agritech, DXN Marketing India, DXN Manufacturing India, Esen Lifesciences and DXN Clinics
Industrial Law	:	Law No. 3 of 2014 on the Industry, as partially amended by the GRL 2/2022
Institutional Offering	:	Offering of up to 772,675,000 Offer Shares at the Institutional Price, subject to the clawback and reallocation provisions and the Over-allotment Option, to the following: <ul style="list-style-type: none"> (i) Malaysian institutional and selected investors, including Bumiputera investors approved by the MITI; and (ii) foreign institutional and selected investors outside the United States in reliance on Regulation S
Institutional Price	:	Price per IPO Share to be paid by investors under the Institutional Offering which will be determined on the Price Determination Date by way of bookbuilding
Internet Participating Financial Institution	:	A participating financial institution for the Internet Share Application
Internet Share Application	:	Application for our Issue Shares under the Retail Offering through an Internet Participating Financial Institution

DEFINITIONS *(Cont'd)*

IPO	: Initial public offering of up to 932,675,000 IPO Shares via the Offer for Sale and the Public Issue
IPO Shares	: Collectively, the Offer Shares and the Issue Shares
ISO	: International Organisation for Standardisation
Issue Shares	: New Shares to be issued by our Company under the Public Issue
Issuing House	: Malaysian Issuing House Sdn. Bhd.
IT	: Information technology
JAKIM	: Jabatan Kemajuan Islam Malaysia, a certifier of halal products
Joint Bookrunners	: Collectively, CIMB IB, CLSA, Maybank IB and RHB IB
Joint Global Coordinators	: Collectively, CIMB IB, CLSA and Maybank IB
Joint Managing Underwriters	: Collectively, CIMB IB and Maybank IB
Joint Underwriters	: Collectively, CIMB IB, Maybank IB and RHB IB
KACF LP	: KV Asia Capital Fund I L.P.
KACMF	: KV Asia Capital Master Fund I Pte. Ltd.
Key Senior Management	: Key senior management of our Group, whose profiles are set out in Section 9.3.2 and where applicable, Section 9.2.1 of this Prospectus
KM	: Planning permission (<i>Kebenaran Merancang</i>)
KMT	: Limited planning permission (<i>Kebenaran Merancang Terhad</i>)
Listing	: Listing of and quotation for the entire enlarged issued Shares on the Main Market of Bursa Securities
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 31 March 2023, being the latest practicable date prior to the registration of this Prospectus with the SC
LSJ Biotech	: LSJ Biotech Private Limited (<i>formerly known as Daehsan Biotech Private Limited</i>)
LSJ Global	: LSJ Global Sdn. Bhd. (<i>formerly known as DXN Global Sdn. Bhd.</i>)
LSJ Global Shares	: Ordinary shares in LSJ Global
LSJ Land	: LSJ Land Sdn. Bhd. (<i>formerly known as DXN Land Sdn. Bhd.</i>)
LSJ Plantation	: LSJ Plantation Sdn. Bhd. (<i>formerly known as DXN Plantation Sdn. Bhd.</i>)
Malaysian Public	: Malaysian citizens, companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
Market Day	: A day on which Bursa Securities is open for trading in securities

DEFINITIONS (Cont'd)

Maybank IB	: Maybank Investment Bank Berhad
MCCG	: Malaysian Code on Corporate Governance
MCO	: Movement Control Order issued under the Prevention and Control of Infectious Diseases Act 1988 of Malaysia and the Police Act 1967 of Malaysia
MDTCL	: Ministry of Domestic Trade and Cost of Living of Malaysia (<i>formerly known as Ministry of Domestic Trade and Consumer Affairs of Malaysia</i>)
Members	: A distributor who has registered with the Group
MFRS	: Malaysian Financial Reporting Standards
MIA	: Malaysian Institute of Accountants
MITI	: Ministry of Investment, Trade and Industry of Malaysia (<i>formerly known as Ministry of International Trade and Industry of Malaysia</i>)
MoEF	: Ministry of Environment and Forests of India
MOH	: Ministry of Health of Malaysia
MOHI	: Ministry of Health of Indonesia
MOHI Reg 7/2012	: MOHI Regulation No. 7 of 2012 on Registration of Traditional Medicine
MOHI Reg 26/2018	: MOHI Regulation No. 26 of 2018 on the Electronic Integrated Business Licence Services for the Health Sector
Moratorium Providers	: Collectively, LSJ Global, DLSJ and DLBL, being shareholders of our Company, whose securities are subject to moratorium under the Equity Guidelines
MOT	: Ministry of Trade of Indonesia
MOT Reg 36/2007	: MOT Regulation No. 07/M-DAG/PER/2/2017
MOT Reg 70/2019	: MOT Regulation No. 70 of 2019 on Direct Distribution of Goods
MT	: Metric tonne
N/A	: Not applicable
NA	: Net assets
NBV	: Net book value
NIB	: Business Identification Number (<i>Nomor Induk Berusaha</i>) in Indonesia
NOP	: USDA National Organic Program
OBS	: Online billing system, one of our Company's IT systems
Offer for Sale	: Offer for sale of up to 772,675,000 Offer Shares by the Selling Shareholders
Offer Shares	: Existing Shares to be offered for sale by the Selling Shareholders pursuant to the Offer for Sale

DEFINITIONS (Cont'd)

Official List	: A list specifying all securities listed on Bursa Securities
OJT	: On Job Training
Over-allotment Option	: The over-allotment option granted by the Over-allotment Option Provider to the Stabilising Manager (on behalf of the Placement Managers)
Over-allotment Option Provider	: LSJ Global
Participating Financial Institution	: A participating financial institution for the Electronic Share Application
PATAMI	: Profit after taxation and non-controlling interests
PBT	: Profit before taxation
PCC	: Personal care and cosmetics, which are products applied to a human body for the purposes of personal hygiene and beauty
PER	: Price-to-earnings ratio
Philippines FDA	: Food and Drug Administration Act of the Philippines
Pink Application Form	: Application form for the application of our Issue Shares under the Retail Offering by the Eligible Persons accompanying this Prospectus
Placement Agreement	: The placement agreement to be entered into by the Company, the Selling Shareholders, the Joint Global Coordinators and the Joint Bookrunners in respect of such number of IPO Shares to be offered under the Institutional Offering
Placement Managers	: Collectively, CIMB IB, CLSA, Maybank IB and RHB IB
Price Determination Date	: The date on which the Institutional Price and Final Retail Price will be determined
Principal Adviser	: Maybank IB
Privatisation	: Voluntary conditional take-over offer by Deras Capital Sdn. Bhd. (<i>now known as LSJ Global</i>), DXN Group Sdn. Bhd., Temasek Sejati Sdn. Bhd., DLBY and Lim Yew Lin to acquire all the remaining Shares (excluding treasury shares) which were not already owned by them on 5 September 2011, which was completed on 1 December 2011 and led to the privatisation of our Company
Promoter	: LSJ Global
Prospectus	: This Prospectus dated 28 April 2023 issued by our Company
Prospectus Guidelines	: Prospectus Guidelines issued by the SC
PS	: Temporary Permit (<i>Permit Sementara</i>)
Public Issue	: Public issue of 160,000,000 Issue Shares by our Company
R&D	: Research and development
RBI	: Reserve Bank of India

DEFINITIONS (Cont'd)

Record of Depositors	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
Regulation S	:	Regulation S under the U.S. Securities Act
Retail Offering	:	Offering of 160,000,000 Issue Shares at the Retail Price, subject to the clawback and reallocation provisions, to be allocated to the following: <ul style="list-style-type: none"> (i) 60,000,000 Issue Shares reserved for application by the Eligible Persons; and (ii) 100,000,000 Issue Shares for application by the Malaysian Public, via balloting
Retail Price	:	Indicative initial price of RM0.76 per Issue Share to be fully paid upon application under the Retail Offering, subject to the adjustment as detailed in Section 4.4.1 of this Prospectus
Retail Underwriting Agreement	:	Retail underwriting agreement dated 13 April 2023 between our Company, the Joint Managing Underwriters and the Joint Underwriters for the underwriting of our Issue Shares under the Retail Offering
RHB IB	:	RHB Investment Bank Berhad
Richmont Sapphire	:	Richmont Sapphire Sdn. Bhd.
RMCO	:	Recovery Movement Control Order issued under the Prevention and Control of Infectious Diseases Act 1988 of Malaysia and the Police Act 1967 of Malaysia
Rules of Bursa Depository	:	The rules of Bursa Depository as issued under the SICDA
SAC	:	Shariah Advisory Council of the SC
SC	:	Securities Commission Malaysia
Selling Shareholders	:	Collectively, LSJ Global and Gano Global
Share Lending Agreement	:	The agreement to be entered into by the Over-allotment Option Provider and the Stabilising Manager under which the Over-allotment Option Provider will lend our Shares to the Stabilising Manager to cover over-allotments, if any, under the Over-allotment Option
Share Registrar	:	Boardroom Share Registrars Sdn. Bhd.
SICDA	:	Securities Industry (Central Depositories) Act 1991 of Malaysia
SLF	:	Certificate of Occupancy (<i>Sertifikat Laik Fungsi</i>) in Indonesia
SOCSSO	:	Social Security Organisation of Malaysia, also known as PERKESO
SPCB	:	State Pollution Control Board of India
SST	:	Sales and services tax
Stabilising Manager	:	Stabilising manager to be determined
Stargate Land	:	Stargate Land Sdn. Bhd. (<i>formerly known as DXN Development Sdn. Bhd.</i>)

DEFINITIONS (*Cont'd*)

Sunya	:	A mind-training practice centred around the belief that mental peace can lead to peace and prosperity
Sunyatee	:	Sunyatee International Foundation
TGA	:	Therapeutic Goods Administration of Australia
Thai FDA	:	Thai Food and Drug Administration
U.S. or United States	:	United States of America, its territories and possessions, any state of the United States and the District of Columbia
U.S. Securities Act	:	United States Securities Act of 1933
UAE	:	United Arab Emirates
USDA	:	United States Department of Agriculture
VAT	:	Value-added tax
White Form Application	:	Application form for the application of our Issue Shares under the Retail Offering by the Malaysian Public accompanying this Prospectus
Yiked	:	Yiked-LSJ Stargate Sdn. Bhd. (<i>formerly known as Yiked-DXN Stargate Sdn. Bhd.</i>)
Zaman Biotech	:	Zaman Biotech Sdn. Bhd.

Currencies

AED	:	United Arab Emirates Dirham, the lawful currency of the United Arab Emirates
ARS	:	Argentine Peso, the lawful currency of Argentina
AUD	:	Australian Dollar, the lawful currency of Australia
BDT	:	Bangladeshi Taka, the lawful currency of the People's Republic of Bangladesh
BGN	:	Bulgarian Lev, the lawful currency of Bulgaria
BOB	:	Bolivian Boliviano, the lawful currency of Bolivia
CLP	:	Chilean Peso, the lawful currency of Chile
COP	:	Colombian Peso, the lawful currency of Colombia
CZK	:	Czech Koruna, the lawful currency of the Czech Republic
EUR	:	Euro, the lawful currency of the European Union
GBP	:	Pound Sterling, the lawful currency of the United Kingdom
HKD	:	Hong Kong Dollar, the lawful currency of Hong Kong
HUF	:	Hungarian Forint, the lawful currency of Hungary
IDR	:	Indonesian Rupiah, the lawful currency of Indonesia

DEFINITIONS (Cont'd)

INR	:	Indian Rupee, the lawful currency of India
KRW	:	South Korean Won, the lawful currency of the Republic of Korea
MAD	:	Moroccan Dirham, the lawful currency of Morocco
MNT	:	Mongolian Tugrik, the lawful currency of Mongolia
MRU	:	Mauritanian Ouguiya, the lawful currency of Mauritania
MXN	:	Mexican Peso, the lawful currency of Mexico
NGN	:	Nigerian Naira, the lawful currency of Nigeria
NPR	:	Nepalese Rupee, the lawful currency of Nepal
PEN	:	Peruvian Sol, the lawful currency of Peru
PHP	:	Philippine Peso, the lawful currency of Philippines
PKR	:	Pakistani Rupee, the lawful currency of Pakistan
PLN	:	Polish Zloty, the lawful currency of Poland
RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
RMB	:	Renminbi, the lawful currency of the People's Republic of China
RUB	:	Russian Ruble, the lawful currency of the Russian Federation
SGD	:	Singapore Dollar, the lawful currency of Singapore
THB	:	Thai Baht, the lawful currency of Thailand
USD	:	United States Dollar, the lawful currency of United States
UZS	:	Uzbekistani Som, the lawful currency of Uzbekistan
XOF	:	West African CFA Franc, the lawful currency of Niger
ZAR	:	South African Rand, the lawful currency of the Republic of South Africa

Subsidiaries

Amazing Discovery	:	Amazing Discovery Sdn. Bhd.
Anxi Gande Foluohua	:	Anxi Gande Foluohua Integrated Agricultural Science and Technology Co., Ltd.
Bio Synergy	:	Bio Synergy Laboratories Sdn. Bhd.
Daehsan Hungary	:	Daehsan Europe Export-import Korlátolt Felelősségű Társaság
Daehsan Indonesia	:	PT. Daehsan Indonesia
Daehsan Mexico	:	Daehsan Mexico Import & Export, S.A. de C.V.
Daxen Agri	:	PT. Daxen Agri Pratama

DEFINITIONS (Cont'd)

Daxen Agritech	:	Daxen Agritech India Private Limited
Daxen Agrotech	:	PT. Daxen Agrotech Nusantara
Daxen Indonesia	:	PT. Daxen Indonesia
Daxen KJP	:	PT. Daxen KJP Agro
Daxen Logistic	:	Daxen Logistic, LLC
Daxen Mexico	:	Daxen Mexico, S.A. DE C.V.
Daxen Mongolia	:	“DAXEN” LLC
Daxen Morocco	:	Daxen Morocco LLC
Daxen Slovakia	:	Daxen Slovakia s.r.o.
Daxen USA	:	Daxen, Inc.
Daxen Uzbekistan	:	FE LLC “DAXEN UBZ”
Dexin Nepal	:	Dexin Manufacturing Nepal Private Limited
DIPL	:	DXN International Private Ltd.
DXN Agro Park	:	DXN Agro Park Sdn. Bhd.
DXN Agrotech	:	DXN Agrotech Sdn. Bhd.
DXN Agrotech Ningxia	:	DXN Agrotech (Ningxia) Co., Ltd.
DXN Argentina	:	DXN Argentina S.R.L.
DXN Australia	:	DXN International (Australia) Pty. Ltd.
DXN Bangladesh	:	DXN Marketing Bangladesh Ltd.
DXN Bangladesh Industries	:	DXN Bangladesh Industries Pvt. Ltd.
DXN Biofuels	:	DXN Biofuels Sdn. Bhd.
DXN Biogreen	:	DXN Biogreen Sdn. Bhd.
DXN Biotech	:	DXN Biotech Consultants Sdn. Bhd.
DXN Biotechnology Ningxia	:	DXN Biotechnology (Ningxia) Co., Ltd.
DXN Bolivia	:	DXN Bolivia S.R.L.
DXN Brazil	:	DXN Marketing (Brasil) LTDA
DXN Bulgaria	:	DXN Bulgaria Ltd.
DXN BVI	:	DXN International Holding Limited
DXN Cafe	:	DXN Cafe Sdn. Bhd.

DEFINITIONS (Cont'd)

DXN Chile	:	DXN International Chile S.p.A.
DXN Clinics	:	DXN Clinics Private Limited
DXN Colombia	:	DXN Colombia SAS
DXN Corporation Ningxia	:	DXN Corporation (Ningxia) Co., Ltd.
DXN Czech	:	DXN International CZ s.r.o.
DXN Ecuador	:	DXN Trading Ecuador CIA. LTDA.
DXN Europe Trading	:	DXN Europe Trading GmbH
DXN Food Tech	:	DXN Food Tech Sdn. Bhd.
DXN Greece	:	DXN Greece EPE
DXN Healthtech Guangzhou	:	DXN Healthtech (Guangzhou) Co., Ltd.
DXN HK	:	DXN International (Hong Kong) Limited
DXN Industries	:	DXN Industries (M) Sdn. Bhd.
DXN Italy	:	DXN Italy SRL
DXN Korea	:	DXN Korea Co., Ltd.
DXN Manufacturing India	:	DXN Manufacturing (India) Private Limited
DXN Marketing	:	DXN Marketing Sdn. Bhd.
DXN Marketing India	:	DXN Marketing India Private Limited
DXN Materials	:	DXN Materials Sdn. Bhd.
DXN Mauritania	:	DXN Mauritania SARL
DXN Mexico	:	DXN Mexico, S.A. DE C. V.
DXN Mycotech	:	DXN Mycotech Sdn. Bhd.
DXN Niger	:	DXN-Niger SA
DXN Nigeria	:	DXN Global Marketing Nigeria Limited
DXN Pakistan	:	DXN International Pakistan (Private) Limited
DXN Panama	:	DXN International Panama S.A.
DXN Peru	:	DXN International Peru S.A.C.
DXN Pharma	:	DXN Pharmaceutical Sdn. Bhd.
DXN Poland	:	DXN International Poland Sp.z.o.o
DXN Russia	:	LLC "DXN RUS"

DEFINITIONS (Cont'd)

DXN Safari	:	DXN Safari Eco Park Sdn. Bhd.
DXN Singapore	:	DXN (Singapore) Pte Ltd
DXN Solutions	:	DXN Solutions Sdn. Bhd.
DXN Spain	:	DXN Internacional Spain S.L. Unipersonal
DXN Thailand	:	DXN International (Thailand) Co., Ltd.
DXN Trading Ningxia	:	DXN International Trading (Ningxia) Co., Ltd.
DXN Turkey	:	DXN Marketing Private İthalat Ve Pazarlama Limited Şirketi
DXN UK	:	DXN International (UK) Limited
Esen Lifesciences	:	Esen Lifesciences Private Limited
Florin Fujian	:	Florin (Fujian) Integrated Agricultural Science and Technology Co., Ltd.
Golden Health Trading	:	Golden Health Trading Limited
Suryasoft	:	PT. Suryasoft Konsultama

Associate

Box Park Management	:	Box Park Management Sdn. Bhd.
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Joint venture

DNC Food Industries	:	DNC Food Industries Sdn. Bhd.
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Branch

DIPL Philippines Branch	:	DIPL's branch in Philippines
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GLOSSARY OF TECHNICAL TERMS

Beggarticks	: An annual species of herbaceous flowering plant in daisy family - Asteraceae
Cordyceps	: A genus of fungi which contains cordycepin acids, amino acid, glutamic acid and polysaccharides
Direct selling	: A method of consumer product and services distribution via sales in a person-to-person manner, away from a fixed retail location primarily through independent representatives
Ganoderma	: Mushroom scientifically known as <i>Ganoderma lucidum</i>
GL	: Ganocelium, DXN's term for the Ganoderma mycelium
Health-oriented and wellness products	: Products that aim to enhance the physical health of individuals
Lion's Mane	: An edible mushroom belonging to the tooth fungus group
Independent representatives	: An individual who has entered into an independent contractor agreement with a direct selling company, to purchase products and services from it and is compensated for the sales and for the marketing and promotional services. Sometimes also referred to as distributors, members, consultants or other titles
Mycelium	: Scientific name for the root of Ganoderma
Natural ingredients	: Ingredients present or produced in nature derived from natural sources such as plants, animals and minerals
Noni	: Fruit of the <i>Morinda citrifolia</i> tree
RG	: Reishi Gano, DXN's term for the Ganoderma fruiting body, the above-ground part of the mushroom
Roselle	: A species of flowering plant in the genus Hibiscus
Spirulina	: A filamentous and multicellular blue-green microalgae
Synthetic ingredients	: Ingredients that are synthetically derived, not found or harvested in nature, but produced in laboratories, with or without the use of chemical elements
Tiger Milk	: A type of mushroom belonging to the Polyporaceae family

EXCHANGE RATES

The exchange rates as at the LPD as set out below are used in this Prospectus unless specified otherwise:

Currency	Exchange rate (RM)
RM to INR 100	5.437
RM to NGN 100	0.971
RM to RMB 1	0.649
RM to THB 100	12.974
RM to USD 1	4.464
RM to XOF 100	0.729

1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Designation	Nationality	Address
Datuk Lim Siow Jin	Non-Independent Executive Chairman	Malaysian	No. 2807 Taman Golf Jalan Sultanah 05250 Alor Setar Kedah
Teoh Hang Ching	Non-Independent Executive Director and Chief Executive Officer	Malaysian	30, Lorong 4/SS1 Bandar Tasek Mutiara 14120 Simpang Ampat Pulau Pinang
Dato' Lim Boon Yee	Non-Independent Non-Executive Director	Malaysian	No. 79, Taman Gunung Indah Lebuhraya Sultanah Bahiyah 05050 Alor Setar Kedah
Vibhav Panandiker	Non-Independent Non-Executive Director	Singaporean	1 Rhu Cross #04-08 Costa Rhu Singapore 437431
Datuk Noripah Binti Kamso	Senior Independent Non-Executive Director	Malaysian	90, Jalan TR 8/3 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor
Tunku Afwida Binti Tunku A. Malek	Independent Non-Executive Director	Malaysian	7, Jalan TR 9/6 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor
Stefan Heitmann	Independent Non-Executive Director	German	10, Jalan Setia Bakti 8 Damansara Heights 50490 Kuala Lumpur
Abraham Verghese A/L T V Abraham	Independent Non-Executive Director	Malaysian	A-17-01, Kiaramas Danai 8, Jalan Desa Kiara Mont Kiara 50480 Kuala Lumpur
Ong Huey Min	Independent Non-Executive Director	Malaysian	100-B-28-02, The Landmark Jalan Tanjung Tokong 10470 Tanjung Tokong Penang

1. CORPORATE DIRECTORY (Cont'd)**AUDIT COMMITTEE**

Name	Designation	Directorship
Abraham Verghese A/L T V Abraham	Chairman	Independent Non-Executive Director
Tunku Afwida Binti Tunku A. Malek	Member	Independent Non-Executive Director
Stefan Heitmann	Member	Independent Non-Executive Director

EXECUTIVE COMMITTEE

Name	Designation	Directorship
Datuk Lim Siow Jin	Member	Non-Independent Executive Chairman
Teoh Hang Ching	Member	Non-Independent Executive Director and Chief Executive Officer

NOMINATION COMMITTEE

Name	Designation	Directorship
Tunku Afwida Binti Tunku A. Malek	Chairman	Independent Non-Executive Director
Datuk Noripah Binti Kamso	Member	Senior Independent Non-Executive Director
Ong Huey Min	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Ong Huey Min	Chairman	Independent Non-Executive Director
Datuk Noripah Binti Kamso	Member	Senior Independent Non-Executive Director
Tunku Afwida Binti Tunku A. Malek	Member	Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Stefan Heitmann	Chairman	Independent Non-Executive Director
Abraham Verghese A/L T V Abraham	Member	Independent Non-Executive Director
Teoh Hang Ching	Member	Non-Independent Executive Director and Chief Executive Officer

1. CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARIES	: Tai Yit Chan 12th Floor, Menara Symphony No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13 46200 Petaling Jaya Selangor	Professional qualification: The Malaysian Institute of Chartered Secretaries and Administrators (" MAICSA ") (Licence No.: MAICSA 7009143) (CCM Practising Certificate No. 202008001023)
	Ong Tze-En 170-09-01, Livingston Tower Jalan Argyll 10050 George Town Pulau Pinang	Professional qualification: MAICSA (Licence No.: 7026537) (CCM Practising Certificate No. 202008003397)
	Lim Yew Lin 267, Taman Berjaya Jalan Pegawai 05050 Alor Setar Kedah	Professional qualification: MIA (MIA Membership No. 20906) (CCM Practising Certificate No. 202008001679)
REGISTERED OFFICE	: 170-09-01, Livingston Tower Jalan Argyll 10050 George Town Pulau Pinang Tel. No.: +604 229 4390	
HEAD/MANAGEMENT OFFICE	: Wisma DXN 213 Lebuhraya Sultan Abdul Halim 05400 Alor Setar Kedah Tel. No.: +604 772 3388 Email: enquiry@dxn2u.com Website: https://www.dxn2u.com/	
SELLING SHAREHOLDERS	: LSJ Global Sdn. Bhd. <i>(formerly known as DXN Global Sdn. Bhd.)</i> 39 Irving Road 10400 Georgetown Pulau Pinang	Gano Global Supplements Pte. Ltd. 80 Robinson Road #13-03 Singapore (068898)
AUDITORS AND REPORTING ACCOUNTANTS	: KPMG PLT (LLP0010081-LCA & AF0758) Chartered Accountants Level 18, Hunza Tower 163E, Jalan Kelawei 10250 Penang Tel. No.: +604 238 2238 Partner-in-charge: Raymond Chong Chee Mon Professional qualification: MIA (MIA Membership No.: 14800)	
PRINCIPAL ADVISER	: Maybank Investment Bank Berhad 32 nd Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Tel. No.: +603 2059 1888	

1. CORPORATE DIRECTORY (Cont'd)

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS <i>(in alphabetical order)</i>	:	CIMB Investment Bank Berhad 17 th Floor, Menara CIMB No. 1, Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel. No.: +603 2261 8888	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong Tel. No.: +852 2600 8888
		CLSA Securities Malaysia Sdn Bhd Suite 20-01, Level 20, Menara Dion, 27 Jalan Sultan Ismail, 50250 Kuala Lumpur Tel. No.: +603 2056 7888	Maybank Investment Bank Berhad 32 nd Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Tel. No.: +603 2059 1888
JOINT MANAGING UNDERWRITERS AND JOINT UNDERWRITERS <i>(in alphabetical order)</i>	:	CIMB Investment Bank Berhad 17 th Floor, Menara CIMB No. 1, Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel. No.: +603 2261 8888	Maybank Investment Bank Berhad 32 nd Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Tel. No.: +603 2059 1888
		RHB Investment Bank Berhad Level 10, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Tel. No.: +603 9287 3888	
LEGAL ADVISERS	:	<i>To our Company as to Malaysian law</i>	<i>To our Company as to United States federal securities law and English law</i>
		Albar & Partners Suite 14-3, Level 14 Wisma UOA Damansara II No. 6, Changkat Semantan Damansara Heights 50490 Kuala Lumpur Tel. No.: +603 7890 3288	Clifford Chance Pte. Ltd. 12 Marina Boulevard Marina Bay Financial Centre Tower 3, 25 th Floor Marina Bay Financial Centre Singapore 018982 Tel. No.: +65 6410 2200
	:	<i>To the Joint Global Coordinators, Joint Bookrunners, Joint Managing Underwriters and Joint Underwriters as to Malaysian law</i>	<i>To the Joint Global Coordinators and Joint Bookrunners as to United States federal securities law and English law</i>
	Adnan Sundra & Low Level 25, Menara Etiqa No. 3, Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel. No.: +603 2279 3288	Allen & Overy LLP 50 Collyer Quay #09-01 OUE Bayfront Singapore 049321 Tel. No.: +65 6671 6000	

1. CORPORATE DIRECTORY (Cont'd)

- INDEPENDENT MARKET RESEARCHER** : **Frost & Sullivan GIC Malaysia Sdn Bhd**
Level 16 & 17 Nucleus Tower
No. 10, Jalan PJU 7/6
Mutiara Damansara
47800 Petaling Jaya
Selangor
Tel. No.: +603 2023 2000
Name of signing partner: June Liang Pui San
(See Section 8 of this Prospectus for the profile of the firm and the signing partner)
- SHARE REGISTRAR** : **Boardroom Share Registrars Sdn. Bhd.**
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor
Tel. No.: +603 7890 4700
- ISSUING HOUSE** : **Malaysian Issuing House Sdn. Bhd.**
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor
Tel. No.: +603 7890 4700
- LISTING SOUGHT** : Main Market of Bursa Securities
- SHARIAH STATUS** : Approved by the SAC

2. INTRODUCTION

2.1 APPROVALS AND CONDITIONS

2.1.1 SC

The SC has, via its letters dated 15 September 2022, 8 March 2023 and 11 April 2023, approved our IPO and our Listing under Sections 214(1) and 214(2) of the CMSA, subject to compliance with the following condition:

No.	Details of condition imposed	Status of compliance
(i)	Maybank IB and DXN to fully comply with the requirements of the Equity Guidelines and the Prospectus Guidelines pertaining to the implementation of our Listing.	To be complied

The SC has also via its letter dated 15 September 2022 approved the resultant equity structure of our Company pursuant to our Listing under the Bumiputera equity requirement for public listed companies. In its letter dated 8 March 2023, the SC has also noted that the effects of our Listing on the equity structure of our Company are as follows:

Category of shareholders	As at 30 April 2022 ⁽¹⁾		After our Listing	
	No. of Shares	% of issued Shares	No. of Shares	% of enlarged issued Shares
Bumiputera				
- Bumiputera investors to be approved by the MITI	-	-	⁽²⁾ 623,125,000	12.5
- Bumiputera public investors via balloting	-	-	⁽²⁾ 50,000,000	1.0
- Others	-	-	⁽³⁾ 200,000	*
Total Bumiputera	-	-	673,325,000	13.5
Non-Bumiputera	178,870,941	74.3	⁽⁴⁾ 3,649,815,105	73.2
Total Malaysian	178,870,941	74.3	4,323,140,105	86.7
Foreigners	61,893,059	25.7	⁽⁴⁾ 661,859,895	13.3
TOTAL	240,764,000	100.0	4,985,000,000	100.0

Notes:

- * *Negligible.*
- (1) *Being the latest practicable date prior to the submission of our Listing application to the SC.*
- (2) *Assuming all our Shares allocated to Bumiputera investors to be approved by the MITI under the Institutional Offering and Bumiputera public investors via balloting under the Retail Offering are fully subscribed.*
- (3) *Assuming our Shares offered to our Independent Director, Datuk Noripah Binti Kamso, who is not recognised or approved by the MITI is fully subscribed.*
- (4) *Assuming all our Shares are allocated to Malaysian and non-Bumiputera investors only as the actual subscribers cannot be determined at this juncture.*

2. INTRODUCTION (Cont'd)

The SC has, via its letter dated 26 May 2022, approved the reliefs sought by us from having to comply with certain requirements under the Equity Guidelines and the Prospectus Guidelines. The details of the reliefs sought and the corresponding conditions imposed by the SC are as follows:

Reference	Details of relief granted	Condition imposed (if any)
Equity Guidelines		
Paragraph 1(f)(i) of Part IV – Appendix I, Content of Application for Equity Offerings and Listings	Relief from having to disclose the ultimate beneficial ownership of the shareholders of Gano Global in the application term sheet such that the information shall only be up to KACF LP.	-
Paragraphs 2(a) and (b) of Appendix 4, Part IV	Relief from having to comply with the restriction on the placement of IPO Shares to be offered under the Institutional Offering to persons connected to the placement agents.	-
Prospectus Guidelines		
Paragraph 4.01(d) of Chapter 4, Division I – Part II	Relief from having to disclose the ultimate beneficial ownership of Gano Global. The disclosure shall only be up to KACF LP.	-

2.1.2 MITI

The MITI has, via its letters dated 7 July 2022 and 3 March 2023, stated that it has taken note and has no objection for us to implement our Listing.

2.1.3 Bursa Securities

Bursa Securities has, via its letter dated 10 February 2023, resolved to accept our Company's expected level of public shareholding spread of 15.0% upon our Listing, as in compliance with Paragraph 3.06(1) of the Listing Requirements.

Our Company is required to notify Bursa Securities immediately, if in conjunction with the preparation of our semi-annual returns and/or where we become aware of the following:

- (i) any decrease in our issued share capital;
- (ii) any decrease in the percentage of public shareholding spread below 15.0%; and/or
- (iii) any decrease in our Company's average market capitalisation for the preceding 12 months to below RM3.0 billion at any point in time.

Bursa Securities has, via its letter dated 13 April 2023, approved our Admission, our Listing and the listing of and quotation for the new Shares to be issued upon exercise of the ESOS Options, subject to compliance with the following conditions:

No.	Details of condition imposed	Status of compliance
(i)	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements.	To be complied

2. INTRODUCTION (Cont'd)

No.	Details of condition imposed	Status of compliance
(ii)	To furnish Bursa Securities with the following: <ul style="list-style-type: none"> (a) a copy of the schedule of distribution showing compliance with the public spread requirements based on the issued share capital of DXN on the first day of our Listing; (b) confirmation on the full compliance of the ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and together with the disclosure on the effective date of implementation; and (c) a summary of the total number of Shares listed on a quarterly basis pursuant to the ESOS as at the end of each quarter together with a detailed computation of listing fee payable. 	To be complied

2.1.4 SAC

The SAC has, via its letter dated 30 August 2022, classified our Shares as Shariah-compliant securities based on our audited financial information for the FYE 28 February 2022 and the pro forma consolidated statement of financial position as at 28 February 2022.

2. INTRODUCTION (Cont'd)

2.2 MORATORIUM ON OUR SHARES

In accordance with the Equity Guidelines, our Shares held by the Moratorium Providers as at the date of our Listing will be placed under moratorium. In this respect, our Shares that are subject to moratorium are set out below:

Name	After our IPO							
	Assuming the Over-allotment Option is not exercised				Assuming the Over-allotment Option is fully exercised			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
LSJ Global	3,390,465	68.0	-	-	3,250,564	65.2	-	-
DLSJ	-	-	3,390,465	(1)68.0	-	-	3,250,564	(1)65.2
DLBL	-	-	3,390,465	(1)68.0	-	-	3,250,564	(1)65.2

Note:

- (1) Deemed interested by virtue of his/her shareholding in LSJ Global, applying Section 8(4) of the Act.

The Moratorium Providers have fully accepted the moratorium. They are not allowed to sell, transfer or assign any part of their respective holding in our Shares as at the date of our Listing, for a period of six months from the date of our Listing.

DLSJ and DLBL, being the direct shareholders of LSJ Global, will not be allowed to sell, transfer or assign any part of their interest in LSJ Global, including our Shares which are held on trust by LSJ Global for them, for a period of six months from the date of our Listing.

DLSJ and DLBL are not allowed to sell, transfer or assign any Shares that they may subscribe for following the exercise of the ESOS Options granted to them for six months from the date of our Listing.

The above restrictions do not apply:

- (a) in respect of our Shares that may be sold pursuant to the Over-allotment Option to be granted by the Over-allotment Option Provider to the Stabilising Manager (on behalf of the Placement Managers); and
- (b) to the transfer of our Shares by the Over-allotment Option Provider as contemplated under the Share Lending Agreement, provided that the restriction will apply to our Shares returned to the Over-allotment Option Provider pursuant to the Share Lending Agreement.

The above moratorium restrictions are specifically endorsed on the share certificates representing our Shares held by the Moratorium Providers which are under moratorium to ensure that our Share Registrar does not register any transfer that contravenes such restrictions.

3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF OUR IPO

3.1.1 Institutional Offering

The Institutional Offering involves the offering of up to 772,675,000 Offer Shares, representing up to 15.5% of our enlarged issued Shares, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.2.4 and 4.2.5 of this Prospectus, at the Institutional Price in the following manner:

- (i) 623,125,000 Offer Shares, representing 12.5% of our enlarged issued Shares to Bumiputera investors approved by the MITI; and
- (ii) up to 149,550,000 Offer Shares, representing up to 3.0% of our enlarged issued Shares to the following persons:
 - (a) Malaysian institutional and selected investors (other than Bumiputera investors approved by the MITI); and
 - (b) foreign institutional and selected investors outside the United States in reliance on Regulation S.

3.1.2 Retail Offering

The Retail Offering involves the offering of 160,000,000 Issue Shares, representing approximately 3.2% of our enlarged issued Shares, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus, at the Retail Price in the following manner:

(i) Allocation to the Eligible Persons

60,000,000 Issue Shares, representing approximately 1.2% of our enlarged issued Shares, are reserved for application by the Eligible Persons.

(ii) Allocation via balloting to the Malaysian Public

100,000,000 Issue Shares, representing approximately 2.0% of our enlarged issued Shares, are reserved for application by the Malaysian Public, of which 50,000,000 Issue Shares have been set aside for application by Bumiputera citizens, companies, co-operatives, societies and institutions.

3.1.3 Moratorium on our Shares

In accordance with the Equity Guidelines, the Moratorium Providers are not allowed to sell, transfer or assign any part of their respective holding in our Shares as at the date of our Listing, for a period of six months from the date of our Listing. DLSJ and DLBL, being the direct shareholders of LSJ Global, are not allowed to sell, transfer or assign any part of their interest in LSJ Global, including our Shares which are held on trust by LSJ Global for them, for a period of six months from the date of our Listing.

Our Public Issue and the Offer for Sale will raise gross proceeds of RM121.6 million and RM587.2 million, respectively. For further details relating to our IPO and moratorium on our Shares, see Sections 2.2 and 4.2 of this Prospectus, respectively.

3. PROSPECTUS SUMMARY *(Cont'd)*

3.2 OUR BUSINESS

Our Company was incorporated in Malaysia under the Companies Act, 1965 on 11 October 1995 as a private limited company under the name of Magcure Marketing Sdn Bhd and is deemed registered under the Act. On 3 August 1998, our Company changed its name from Magcure Marketing Sdn Bhd to DXN Holding Sdn Bhd and subsequently changed its name to DXN Holdings Sdn Bhd on 21 June 2002. Our Company was converted into a public limited company on 16 July 2002.

The principal activities of our Company are investment holding and provision of management services. As at the LPD, we have 77 subsidiaries across 41 countries, which are principally involved in the sales of health-oriented and wellness consumer products through a direct selling model. Our Group's direct selling network consists of our Members (including stockists) and external distribution agencies who exclusively carry our products to on-sell and distribute to other Members and end-consumers. Our Group's other business activities that primarily serve to support our core business include conducting laboratory testing services for third parties, offering of lifestyle products and operating a café.

Our top 10 markets in terms of revenue for the FYE 28 February 2022 are Peru, Bolivia, Mexico, India, the Philippines, Malaysia, Morocco, certain countries in the Middle East, the United States and Thailand. Our Group has sales branches in these top 10 markets except for the Middle East, where our Group uses an external distribution agency structure.

For further details on our history, group structure and business, see Sections 6 and 7 of this Prospectus.

3.3 COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

(i) Strong presence in Bolivia and Peru for direct selling of health-oriented and wellness products and a diversified exposure to high-growth markets

We operate a direct selling platform within the growing health-oriented and wellness sector with a wide product portfolio range of FFB, HDS and PCC products which use active natural ingredients such as Ganoderma, Spirulina and Cordyceps. Our exposure in global markets is diversified across various geographical regions such as Latin America, North America, Europe, Southeast Asia, Central Asia, South Asia, Middle East, Africa and Oceania.

(ii) Business platform with a broad product portfolio and integrated production facilities

Building on our initial expertise in Ganoderma, we have expanded our product offerings to a diversified portfolio of health-oriented and wellness consumer products across a range of natural health ingredients.

(iii) Expansive global distribution network and sustainable direct selling strategies

We have a vast distribution footprint spanning across various global regions of Europe, Latin America, North America, Central Asia, South Asia, Southeast Asia, Middle East, Africa and Oceania. With a distribution footprint (including our branches and distributors) across 48 countries as at the LPD, our geographical presence around the world provides revenue sustenance as we are not overly-concentrated in any particular country, hence mitigating risks that can have a significant impact to our Group's performance due to circumstances outside of our control.

3. PROSPECTUS SUMMARY *(Cont'd)*

(iv) Strong track record of profitable growth and cash generation

We have proven our ability to establish our business in new markets by leveraging on our experience and scalable business model.

(v) Robust technology ecosystem to support global operations

Our systems, developed internally and together with Suryasoft (which we acquired in April 2022), are tailored to specific needs of the business and continually updated to reflect new market and technical trends. With no licence fees and minimal cost for a global roll-out, we own the source codes and blueprints for all our existing software application.

(vi) Experienced founder-led management

We are anchored by a corporate culture established under the leadership of our founder and Non-Independent Executive Chairman, DLSJ, who has been with our Group for over 25 years.

For further details on our competitive strengths, see Section 7.2 of this Prospectus.

3.4 IMPACT OF COVID-19 ON OUR BUSINESS

The COVID-19 pandemic has impacted various aspects of our business, including logistics, production and supply chain, all of which have affected our profitability, particularly between April and May 2020. Our revenue decreased by 4.9% from RM1,104.6 million for the FYE 29 February 2020 to RM1,050.2 million for the FYE 28 February 2021 primarily due to movement restrictions imposed in response to COVID-19 by the local governments of our core markets in Latin America, South Asia and Southeast Asia. Our profit for the year decreased by 21.3% from RM255.2 million for the FYE 29 February 2020 to RM200.9 million for the FYE 28 February 2021. We have implemented and will continue to implement various precautions, restrictions and measures aimed at safeguarding the health of our employees and the stability of our operations and financial condition at our offices, research, cultivation and manufacturing facilities and other premises in response to COVID-19. However, there can be no assurance that our precautions will be sufficient or that we will not encounter COVID-19 or other disease outbreaks in the future.

For further details on the impact of the COVID-19 pandemic on our business, see Sections 5 and 7 of this Prospectus.

3.5 FUTURE PLANS AND STRATEGIES

Our future plans and strategies are as follows:

(i) Visible pathway to grow in new and existing markets

We will decide to open up a new sales branch or appoint an external distribution agency whenever there is a sufficient number of Members to do network marketing, coupled with a sales volume that is sizable.

(ii) Catering to changing consumer needs and enhancing Member engagement

We have a systematic approach to product ideation, development and launch, which is backed by our strong track record of producing new products with 452 SKUs in our product portfolio (as at the LPD) since our inception.

3. PROSPECTUS SUMMARY *(Cont'd)*

(iii) Continued expansion of our vertically-integrated global supply chain

We intend to expand our global supply footprint to ensure a consistent and reliable demand fulfilment, such that there are no supply impediments to sustain our strong top-line growth.

(iv) Enhancing our technological ecosystem

The availability of social media will enable us to increase our effective outreach and enrolment of Members, as our Members are able to easily share their success stories across their personal networks respectively, allowing a wider audience to understand the value proposition offered by us.

For further details on our future plans and strategies, see Section 7.3 of this Prospectus.

3.6 RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. You should carefully consider all of the information contained in this Prospectus, including all the risk factors, before deciding to invest in our Shares.

Set out below are the key risks faced by us in our business operations:

- (i) There is a high level of competition in the direct selling industry and we may fail to maintain or grow our network of active Members as sales are made to the ultimate consumer principally through direct selling by our Members.
- (ii) We have limited control over our Members as we have a significant number of Members in our global network and it is not feasible for us to monitor all of our Members' day-to-day conduct and business activities.
- (iii) We rely on external distribution agencies in 21 jurisdictions that purchase products from us and on-sell such products to our Members and have limited control over the customers or jurisdictions which the external distribution agencies may on-sell our products to.
- (iv) We may not be successful in expanding to new markets or in expanding and strengthening our footprint in existing markets as our ability to successfully carry out the expansion plans and to succeed in new markets or expand our footprint in existing markets will depend on, among others, our ability to secure necessary governmental approvals or third party consents, the strength of our product portfolio, our ability to register new products, and our ability to locate and partner with the appropriate third parties.
- (v) We face certain risks related to the safety, perceived safety and reputation of our products and our Group. If any of our products cause, or are perceived to cause, adverse side effects, we may face a number of consequences, including, but not limited to injury to, or death of, consumers; a severe decrease in the sales of the relevant products; recalls or withdrawals of the relevant products; revocation of regulatory approvals for the relevant products; stricter and more frequent regulatory inspections of our facilities and products; and the risk of lawsuits and regulatory investigations in respect of the relevant products, which could result in liabilities, fines or penalties.
- (vi) We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products, which may materially and adversely affect our reputation, business and prospects if the products we sell are deemed or proven to be unsafe, defective or contaminated, or if they are insufficiently or improperly labelled.

3. PROSPECTUS SUMMARY (Cont'd)

For further details on our risk factors, see Section 5 of this Prospectus.

3.7 DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, our Directors and Key Senior Management are as follows:

Name	Designation
Directors	
DLSJ	Non-Independent Executive Chairman
Teoh Hang Ching	Non-Independent Executive Director and Chief Executive Officer
DLBY	Non-Independent Non-Executive Director
Vibhav Panandiker	Non-Independent Non-Executive Director
Datuk Noripah Binti Kamso	Senior Independent Non-Executive Director
Tunku Afwida Binti Tunku A. Malek	Independent Non-Executive Director
Stefan Heitmann	Independent Non-Executive Director
Abraham Verghese A/L T V Abraham	Independent Non-Executive Director
Ong Huey Min	Independent Non-Executive Director
Key Senior Management	
DLSJ	Non-Independent Executive Chairman
Teoh Hang Ching	Non-Independent Executive Director and Chief Executive Officer
Lim Yew Lin	Chief Financial Officer and Company Secretary
Teoh Thean Yong	Chief Technology Officer and Group Financial Controller
Tan Hiyin Tiong	Chief Operating Officer
Prajith Pavithran	Chief Marketing Officer
Kuah Lee Peng	Chief Manufacturing Officer

For further details on our Directors and Key Senior Management, see Sections 9.2 and 9.3 of this Prospectus, respectively.

3. PROSPECTUS SUMMARY *(Cont'd)*

3.8 DIVIDEND POLICY

There are no dividend restrictions imposed on our subsidiaries, joint venture and associate as at the LPD save for in India, where two of our subsidiaries are currently unable to remit profits to Malaysia due to errors in the registration of shareholding of our Indian subsidiaries, though such subsidiaries are not restricted from declaring dividends. We have filed the regularisation applications with the relevant authorities in India to regularise these errors in the registration of shareholding of our Indian subsidiaries, which we expect to be completed within one year from the date of this Prospectus.

We target a payout ratio of 30% to 50% of our profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payment of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our cash requirements or any plans approved by our Board.

The following table sets out our dividends declared and paid for the financial years/period indicated:

	FYE 28/29 February			FPE 31
	2020	2021	2022	October
	RM'000	RM'000	RM'000	2022
Total dividends declared	55,000	280,000	70,000	70,000
Total dividends paid	55,000	80,000 ⁽¹⁾	122,700 ⁽²⁾	30,000
Profit for the year/period	255,248	200,884	245,444	188,648
Dividend payout ratio ⁽³⁾	0.22	0.40	0.50	0.16

Notes:

- (1) *Of the total dividends declared in the FYE 28 February 2021, RM80.0 million was paid out of our internally generated funds from operations, RM47.1 million was set off against the proceeds from the disposal of subsidiaries, RM100.2 million was set off against the amount due from the disposed subsidiaries to our Company and the remaining RM52.7 million was paid in the FYE 28 February 2022.*
- (2) *The total dividends paid in the FYE 28 February 2022 include the dividend of RM52.7 million declared in the FYE 28 February 2021.*
- (3) *Computed based on dividend paid out divided by profit for the year/period during the financial year/period.*

For further details on our dividend policy, see Section 12.4 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)

3.9 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

The following table sets out the direct and indirect shareholdings of our Promoter and substantial shareholders before and after our IPO:

Name/ Nationality/ Country of incorporation	Before our IPO ⁽¹⁾				After our IPO			
	Shareholding after the Bonus Issue		Assuming the Over-allotment Option is not exercised ⁽²⁾		Assuming the Over-allotment Option is fully exercised ⁽³⁾		Upon our Listing and assuming full exercise of the ESOS Options ⁽⁴⁾	
	Direct No. of Shares (⁽⁰⁰⁰⁾)	Indirect No. of Shares (⁽⁰⁰⁰⁾)	Direct No. of Shares (⁽⁰⁰⁰⁾)	Indirect No. of Shares (⁽⁰⁰⁰⁾)	Direct No. of Shares (⁽⁰⁰⁰⁾)	Indirect No. of Shares (⁽⁰⁰⁰⁾)	Direct No. of Shares (⁽⁰⁰⁰⁾)	Indirect No. of Shares (⁽⁰⁰⁰⁾)
Promoter and substantial shareholder								
LSJ Global/ Malaysia	3,584,640 ⁽⁶⁾ 74.3	-	3,390,465 68.0	-	3,250,564 65.2	-	3,250,564 64.8	-
Substantial shareholders								
DLSJ/ Malaysian	-	3,584,640 ⁽⁶⁾ 74.3	-	3,390,465 ⁽⁶⁾ 68.0	-	3,250,564 ⁽⁶⁾ 65.2	3,000 0.1	3,250,564 ⁽⁶⁾ 64.8
DLBL/ Malaysian	-	3,584,640 ⁽⁶⁾ 74.3	-	3,390,465 ⁽⁶⁾ 68.0	-	3,250,564 ⁽⁶⁾ 65.2	-	3,250,564 ⁽⁶⁾ 64.8
Gano Global/ Singapore	1,240,360 25.7	-	661,860 13.3	-	661,860 13.3	-	661,860 13.2	-
KACMF/ Singapore	-	1,240,360 ⁽⁷⁾ 25.7	-	661,860 ⁽⁷⁾ 13.3	-	661,860 ⁽⁷⁾ 13.3	-	661,860 ⁽⁷⁾ 13.2
KACF LP/ Cayman Islands	-	1,240,360 ⁽⁸⁾ 25.7	-	661,860 ⁽⁸⁾ 13.3	-	661,860 ⁽⁸⁾ 13.3	-	661,860 ⁽⁸⁾ 13.2

Notes:

- (1) Based on our enlarged issued Shares of 4,825,000,000 after the Bonus Issue.
- (2) Based on our enlarged issued Shares of 4,985,000,000 upon our Listing and assuming full subscription of our Issue Shares allocated to the Eligible Persons in respect of the Retail Offering.
- (3) Assuming an Over-allotment Option of 139,901,250 Shares, representing 15.0% of the total number of our IPO Shares offered.
- (4) Based on our enlarged issued Shares of 5,015,000,000 assuming full exercise of 30,000,000 ESOS Options intended to be offered as described in Section 4.2.6 of this Prospectus.
- (5) LSJ Global has legal interest of 74.3% equity interest in our Company of which it holds the legal and beneficial interest of 48.0% equity interest in our Company. The balance 26.3% equity interest in our Company is held by LSJ Global on trust for DLSJ (0.3%) and DLBL (26.0%).
- (6) Deemed interested by virtue of his/her shareholding in LSJ Global, applying Section 8(4) of the Act.
- (7) Deemed interested by virtue of its shareholding in Gano Global, applying Section 8(4) of the Act.
- (8) Deemed interested by virtue of its shareholding in KACMF, applying Section 8(4) of the Act.

For further information on our Promoter and substantial shareholders, see Section 9.1 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)

3.10 USE OF PROCEEDS

We expect to use the gross proceeds from our Public Issue amounting to RM121.6 million⁽¹⁾ in the following manner:

Details of use of proceeds	Estimated timeframe for use from the date of our Listing	RM'000	%
Repayment of bank borrowings	Within 12 months	80,000	65.8
Working capital	Within 6 months	17,513	14.4
Defray fees and expenses relating to our IPO and Listing	Within 3 months	24,087	19.8
Total		121,600	100.0

Note:

(1) We have assumed that the Institutional Price and the Final Retail Price will be equal to the Retail Price.

For detailed information relating to the use of proceeds arising from our Public Issue, see Section 4.6 of this Prospectus.

3.11 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table sets out our selected historical consolidated financial data for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 October	
	Audited			Unaudited	Audited
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,104,608	1,050,205	1,242,856	793,165	1,043,237
Cost of goods sold ⁽¹⁾⁽²⁾	(191,488)	(179,886)	(231,247)	(147,577)	(218,631)
Gross profit⁽¹⁾	913,120	870,319	1,011,609	645,588	824,606
PBT	347,839	287,267	362,918	237,317	287,758
Profit for the year/period	255,248	200,884	245,444	160,727	188,648
Profit for the year/period attributable to:					
Owners of our Company	241,671	191,572	242,922	159,075	179,921
Non-controlling interests	13,577	9,312	2,522	1,652	8,727
Gross profit margin (%) ⁽³⁾	82.7	82.9	81.4	81.4	79.0
PBT margin (%) ⁽⁴⁾	31.5	27.4	29.2	29.9	27.6
PATAMI margin (%) ⁽⁵⁾	21.9	18.2	19.5	20.1	17.2
	FYE 28/29 February			FPE 31 October	
	Audited				
	2020	2021	2022	2022	
	RM'000	RM'000	RM'000	RM'000	
Total equity	710,691	629,690	811,615	949,664	
Total borrowings (excluding lease liabilities)	156,319	257,863	246,185	233,622	
Net debt ⁽⁶⁾	(96,170)	(68,115)	(163,387)	(267,877)	
Gearing ratio (times) ⁽⁷⁾	0.2	0.4	0.3	0.2	
Net gearing ratio (times) ⁽⁸⁾	(0.1)	(0.1)	(0.2)	(0.3)	

3. PROSPECTUS SUMMARY (Cont'd)

Notes:

- (1) *Our consolidated statements of profit or loss and other comprehensive income disclose our expenses based on the natural classification of expenses, where our expenses are grouped by nature instead of function. As such, our consolidated statements of profit or loss and other comprehensive income do not disclose the expense line items for cost of goods sold and gross profit. The cost of goods sold and gross profit disclosed in this Prospectus have been derived from our consolidated management accounts.*
- (2) *Comprises changes in work-in-progress and manufactured inventories, raw materials used and trading inventories sold, depreciation and amortisation, and employee benefits expense.*
- (3) *Computed based on gross profit divided by revenue.*
- (4) *Computed based on PBT divided by revenue.*
- (5) *Computed based on profit for the year/period attributable to owners of our Company divided by revenue.*
- (6) *Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents as at the end of the financial year/period.*
- (7) *Computed based on total borrowings (excluding lease liabilities) over total equity as at the end of the financial year/period.*
- (8) *Computed based on total borrowings (excluding lease liabilities), less cash and cash equivalents, over total equity as at the end of the financial year/period.*

For further details on financial information relating to our Group, see Section 12 of this Prospectus.

3.12 NON-COMPLIANCES WITH THE RELEVANT LAWS, REGULATIONS, RULES AND REQUIREMENTS GOVERNING THE CONDUCT OF THE OPERATIONS OF MATERIAL SUBSIDIARIES OF OUR GROUP

The total estimated costs (including the potential maximum penalties) of approximately RM9.1 million to rectify the non-compliances referred to in Sections 7.28.1 to 7.28.3 of this Prospectus represent approximately less than 2.5% of our Group's PBT for the FYE 28 February 2022. The impact of the non-compliances to our Group, individually and collectively, is not material to the business operations and financial condition of our Group on the basis that the total estimated costs represent less than 5.0% of our Group's PBT for the FYE 28 February 2022.

The non-compliances in respect of our Group's material properties in Malaysia and China do not have a material impact on our Group's business operations and raw material supply as we have sufficient reserve stock and we are able to source for supplies from third-party suppliers, if required. The non-compliances in respect of our foreign investments in India do not have a material impact on our Group's business operations and financial condition as our shareholding in our Indian Subsidiaries are not rendered void by virtue of the non-compliances and the actions or non-actions of our Indian Subsidiaries which gave rise to the non-compliances are procedural in nature and not substantive.

Notwithstanding that the outstanding non-compliances may remain unresolved at the time of our Listing, our Directors undertake to continue to make the necessary applications and/or engage with the relevant authorities to resolve and address the outstanding non-compliance incidents in accordance with the directions of the relevant authorities after our Listing. Our management is following up closely and liaising with the relevant authorities to resolve the said non-compliances in the best interest of our Company. We will update our shareholders on the status of our outstanding non-compliance incidents in our annual reports. See Section 7.28.4 of this Prospectus for further details.

4. DETAILS OF OUR IPO

4.1 INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Time and/or Date
Opening of the Institutional Offering	28 April 2023
Issuance of the Prospectus/Opening of the Retail Offering	10:00 a.m., 28 April 2023
Closing of the Retail Offering	5:00 p.m., 9 May 2023
Closing of the Institutional Offering	9 May 2023
Price Determination Date	10 May 2023
Balloting of applications for our Issue Shares under the Retail Offering	11 May 2023
Allotment/Transfer of our IPO Shares to successful applicants	18 May 2023
Listing	19 May 2023

In the event there is any change to the timetable, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia daily newspapers within Malaysia.

4.2 PARTICULARS OF OUR IPO AND PLAN OF DISTRIBUTION

Our IPO is subject to the terms and conditions of this Prospectus. Upon acceptance, our IPO Shares are expected to be allocated in the manner described below, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.2.4 and 4.2.5 of this Prospectus, respectively.

Our IPO consists of the Institutional Offering and the Retail Offering, totaling up to 932,675,000 IPO Shares, representing up to approximately 18.7% of our enlarged issued Shares. For the avoidance of doubt, our IPO Shares offered under the Institutional Offering and the Retail Offering do not include our Shares under the Over-allotment Option.

4.2.1 Bonus Issue

In conjunction with our Listing, on 11 April 2023, our Company undertook the Bonus Issue which entails the issuance of 4,584,236,000 Bonus Shares on the basis of approximately 19 Bonus Shares for every one existing Share held by our existing shareholders for the purposes of increasing the number of our issued Shares in order to facilitate our IPO and Listing. The Bonus Issue was implemented by capitalising approximately RM45.8 million or RM0.01 for each Bonus Share from our Company's retained earnings.

Following the completion of the Bonus Issue, our total issued Shares is 4,825,000,000 and the Bonus Shares were allotted to our existing shareholders based on their respective shareholding in DXN such that their effective shareholding in DXN will be the same before and after the Bonus Issue, as follows:

4. DETAILS OF OUR IPO (Cont'd)

Name	Shareholding before the Bonus Issue				Shareholding after the Bonus Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	('000)		('000)		('000)		('000)	
LSJ Global	178,871	(1)74.3	-	-	3,584,640	(1)74.3	-	-
Gano Global	61,893	25.7	-	-	1,240,360	25.7	-	-
DLSJ	-	-	178,871	(2)74.3	-	-	3,584,640	(2)74.3
DLBL	-	-	178,871	(2)74.3	-	-	3,584,640	(2)74.3
KACMF	-	-	61,893	(3)25.7	-	-	1,240,360	(3)25.7
KACF LP	-	-	61,893	(4)25.7	-	-	1,240,360	(4)25.7
Total	240,764	100.0			4,825,000	100.0		

Notes:

- (1) LSJ Global has legal interest of 74.3% equity interest in our Company of which it holds the legal and beneficial interest of 48.0% equity interest in our Company. The balance 26.3% equity interest in our Company is held by LSJ Global on trust for DLSJ (0.3%) and DLBL (26.0%).
- (2) Deemed interested by virtue of his/her shareholding in LSJ Global, applying Section 8(4) of the Act.
- (3) Deemed interested by virtue of its shareholding in Gano Global, applying Section 8(4) of the Act.
- (4) Deemed interested by virtue of its shareholding in KACMF, applying Section 8(4) of the Act.

4.2.2 Institutional Offering

The Institutional Offering involves the offering of up to 772,675,000 Offer Shares, representing up to 15.5% of our enlarged issued Shares, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.2.4 and 4.2.5 of this Prospectus, at the Institutional Price in the following manner:

- (i) 623,125,000 Offer Shares, representing 12.5% of our enlarged issued Shares to Bumiputera investors approved by the MITI; and
- (ii) up to 149,550,000 Offer Shares, representing up to 3.0% of our enlarged issued Shares to the following persons:
- (a) Malaysian institutional and selected investors (other than Bumiputera investors approved by the MITI); and
- (b) foreign institutional and selected investors outside the United States in reliance on Regulation S.

4.2.3 Retail Offering

The Retail Offering involves the offering of 160,000,000 Issue Shares, representing approximately 3.2% of our enlarged issued Shares, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus, at the Retail Price in the following manner:

(i) Allocation to the Eligible Persons

60,000,000 Issue Shares, representing approximately 1.2% of our enlarged issued Shares, are reserved for application by the Eligible Persons in the following manner:

4. DETAILS OF OUR IPO (Cont'd)

Category of Eligible Persons	No. of Eligible Persons	Aggregate no. of Issue Shares allocated
Our Directors ⁽¹⁾	3	6,200,000
Eligible employees of our Group (including directors of our subsidiaries) ⁽²⁾	754	23,800,000
Persons who have contributed to the success of our Group ⁽³⁾	191	30,000,000
Total	948	60,000,000

Notes:

- (1) *The criteria for allocation to our Directors are based on, among others, their respective roles and responsibilities in our Company and they collectively will be allocated a total of 6,200,000 Issue Shares as follows:*

Name	No. of Issue Shares allocated
DLBY	5,000,000
Teoh Hang Ching	1,000,000
Datuk Noripah Binti Kamsu	200,000
Total	6,200,000

- (2) *The allocation of our Issue Shares to the eligible employees of our Group is to be made to full-time confirmed employees of our Group based on, among others, their job grade, length of service, performance and their past contributions to our Group.*
- (3) *The criteria for the allocation of our Issue Shares to persons who have contributed to the success of our Group are based on, among others, their length of business relationship with our Group and their contributions to the success of our Group.*

(ii) Allocation via balloting to the Malaysian Public

100,000,000 Issue Shares, representing approximately 2.0% of our enlarged issued Shares, are reserved for application by the Malaysian Public, of which 50,000,000 Issue Shares have been set aside for application by Bumiputera citizens, companies, co-operatives, societies and institutions.

4. DETAILS OF OUR IPO (Cont'd)

In summary, our IPO Shares will be allocated, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.2.4 and 4.2.5 of this Prospectus, respectively, in the following manner:

Category	Offer for Sale		Public Issue		Total ⁽¹⁾	% of our enlarged issued Shares
	No. of Shares ('000)	% of our enlarged issued Shares	No. of Shares ('000)	% of our enlarged issued Shares		
Retail Offering:						
Eligible Persons:						
- Our Directors	-	-	6,200	0.1	6,200	0.1
- Eligible employees of our Group (including directors of our subsidiaries)	-	-	23,800	0.5	23,800	0.5
- Persons who have contributed to the success of our Group	-	-	30,000	0.6	30,000	0.6
Malaysian Public (via balloting):						
- Bumiputera	-	-	50,000	1.0	50,000	1.0
- Non-Bumiputera	-	-	50,000	1.0	50,000	1.0
Sub-total	-	-	160,000	3.2	160,000	3.2
Institutional Offering:						
- Bumiputera investors approved by the MITI	623,125	12.5	-	-	623,125	12.5
- Other Malaysian and foreign institutional and selected investors	149,550	3.0	-	-	149,550	3.0
Sub-total	772,675	15.5	-	-	772,675	15.5
Total	772,675	15.5	160,000	3.2	932,675	18.7

Note:

(1) Based on our enlarged issued Shares of 4,985,000,000 upon our Listing.

The completion of the Retail Offering and the Institutional Offering are inter-conditional. Our IPO is also subject to the public shareholding spread requirement under the Listing Requirements as set out in Section 4.2.10 of this Prospectus.

4. DETAILS OF OUR IPO (Cont'd)

4.2.4 Clawback and reallocation

The Institutional Offering and the Retail Offering shall be subject to the following clawback and reallocation provisions:

- (i) if our Issue Shares allocated to Eligible Persons are under-subscribed, such Issue Shares may be allocated to the other Malaysian and foreign institutional and selected investors under the Institutional Offering or the Malaysian Public under the Retail Offering or a combination of both, at the discretion of the Joint Global Coordinators and us;
- (ii) if our Offer Shares allocated to Bumiputera investors approved by the MITI (“**MITI Tranche**”) are under-subscribed, such Offer Shares may be allocated to other Malaysian institutional investors under the Institutional Offering.

If after the above reallocation, the MITI Tranche is still under-subscribed under the Institutional Offering, and there is a corresponding over-subscription for our Issue Shares by the Malaysian Public under the Retail Offering, our Offer Shares will be clawed back from the MITI Tranche and allocated firstly, to the Bumiputera public investors under the Retail Offering via balloting process as mentioned in Section 4.2.3(ii) of this Prospectus, and thereafter to the other Malaysian Public under the Retail Offering and subsequently to the foreign institutional and selected investors under the Institutional Offering;

- (iii) subject to items (i) and (ii) above, if there is an over-subscription in the Retail Offering and there is a corresponding under-subscription in the Institutional Offering, our Offer Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering; and
- (iv) subject to item (i) above, if there is an over-subscription in the Institutional Offering and there is a corresponding under-subscription in the Retail Offering, our Issue Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering.

There will be no clawback and reallocation if there is an over-subscription or under-subscription in both the Institutional Offering and the Retail Offering or an under-subscription in either the Institutional Offering or the Retail Offering but no over-subscription in the other.

Any Issue Shares not taken up by any of the Eligible Persons (“**Excess Issue Shares**”) will be made available for application by the other Eligible Persons who have applied for the Excess Issue Shares on top of their pre-determined allocation and allocated on a fair and equitable basis and in the following priority:

- (a) firstly, allocation on a pro-rata basis to our Directors and eligible employees of our Group who have applied for the Excess Issue Shares based on the number of Excess Issue Shares applied for;
- (b) secondly, allocation of any surplus Excess Issue Shares after item (a) above on a pro-rata basis to persons who have contributed to the success of our Group who have applied for the Excess Issue Shares based on the number of Excess Issue Shares applied for; and
- (c) thirdly, to minimise odd lots.

4. DETAILS OF OUR IPO (Cont'd)

Our Board reserves the right to allot Excess Issue Shares applied for in such manner as it may deem fit and expedient in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (a) to (c) above is achieved. Our Board also reserves the right to accept or reject any Excess Issue Shares application, in full or in part, without assigning any reason.

Once completed, the steps involving items (a) to (c) above will not be repeated. Should there be any balance of Excess Issue Shares thereafter, such balance will be made available for clawback and reallocation as described in item (i) above. Any Issue Shares under the Retail Offering not applied for after being subject to the clawback and reallocation provisions above shall be underwritten by the Joint Underwriters.

To the best of our knowledge and belief, there is no person who intends to subscribe for more than 5.0% of our IPO Shares.

4.2.5 Over-allotment Option

The Over-allotment Option Provider may grant an Over-allotment Option to the Stabilising Manager (on behalf of the Placement Managers) and may together with our Company appoint the Stabilising Manager to undertake any price stabilisation actions. The Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) may at its absolute discretion, over-allot our Shares (on behalf of the Placement Managers) and subsequently, effect transactions to stabilise or maintain the market price of our Shares at levels that might not otherwise prevail in the open market.

Such transactions consist of bids or purchases to peg, fix or maintain the price of our Shares. If the Stabilising Manager creates a short position in our Shares in connection with the Institutional Offering, the Stabilising Manager may reduce that short position by purchasing our Shares in the open market. The Stabilising Manager may also elect to reduce any short positions by exercising all or part of the Over-allotment Option.

If granted, the Over-allotment Option will be exercisable in whole or in part by the Stabilising Manager, on one or more occasions, by giving written notice to the Over-allotment Option Provider at any time, within 30 days from the date of our Listing to purchase from the Over-allotment Option Provider up to an aggregate of 139,901,250 Shares, representing up to 15.0% of the total number of our IPO Shares offered, solely for purposes of covering over-allotments of our Shares (if any).

Subject to there being an over-allotment, the Stabilising Manager will (on behalf of the Placement Managers) enter into the Share Lending Agreement with the Over-allotment Option Provider to borrow up to an aggregate of 139,901,250 Shares to cover the over-allotments. Any Shares that may be borrowed by the Stabilising Manager under the Share Lending Agreement will be returned by the Stabilising Manager to the Over-allotment Option Provider either through the purchase of our Shares in the open market by the Stabilising Manager in the conduct of the stabilisation activities or deemed returned through the exercise of the Over-allotment Option by the Stabilising Manager or a combination of both. The exercise of the Over-allotment Option will not increase the total number of Shares issued and is not intended to constitute an offer for sale of our Shares by the Over-allotment Option Provider under our IPO.

Purchases of a security to stabilise the price or to cover the over-allotment may cause the price of the security to be higher than it might be in the absence of these purchases. Such transactions may be effected on the Main Market of Bursa Securities and in other jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulations, including the CMSA and any regulations thereunder.

4. DETAILS OF OUR IPO (Cont'd)

The number of Shares that the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) may buy to undertake stabilising action, shall not exceed an aggregate of 139,901,250 Shares, representing up to 15.0% of the total number of our IPO Shares offered. However, there is no obligation on the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) to undertake such stabilising action. Such stabilising actions may commence on or after the commencement of trading of our Shares on the Main Market of Bursa Securities and, if commenced, may be discontinued at any time and cannot be effected after the earlier of (i) the date falling 30 days from the commencement of trading of our Shares on the Main Market of Bursa Securities; or (ii) the date when the Stabilising Manager has bought, on the Main Market of Bursa Securities, an aggregate of 139,901,250 Shares, representing up to 15.0% of the total number of our IPO Shares offered to undertake the stabilising action.

Neither our Company, the Over-allotment Option Provider nor the Stabilising Manager makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Shares. In addition, neither our Company, the Over-allotment Option Provider nor the Stabilising Manager makes any representation that the Stabilising Manager will engage in such transactions, or that such transactions once commenced, will not be discontinued without notice (unless such notice is required by law).

4.2.6 ESOS

In conjunction with our Listing, we have established an ESOS which involves the granting of ESOS Options to the eligible Directors and employees of our Group.

The ESOS shall be administered by the ESOS committee appointed by the Board ("**ESOS Committee**") and governed by the By-Laws.

The salient features of the ESOS are as follows:

(i) **Maximum number of new Shares available under the ESOS**

The total number of new Shares which may be made available under the ESOS shall not exceed in aggregate 5.0% of our total number of issued Shares (excluding treasury shares, if any) at any one time during the duration of the ESOS ("**Maximum Limit**").

The Maximum Limit upon our Listing is 249,250,000 ESOS Options, representing 5.0% of our total number of issued Shares (excluding treasury shares).

(ii) **Basis of allocation and maximum allowable allocation**

Subject to any adjustments as may be made under the By-Laws, the aggregate number of new Shares that may be offered to the eligible Directors and employees of our Group shall be determined by the ESOS Committee at its sole and absolute discretion, after taking into consideration, where applicable, the eligible Director or employee's position, ranking, performance, contribution, seniority, length of service, fulfilment of the eligibility criteria as referred to in the By-Laws or such other matters which the ESOS Committee may in its sole and absolute discretion deem fit, subject to, among others, the following:

- (a) the aggregate number of new Shares to be issued pursuant to the exercise of the ESOS Options granted under the ESOS shall not exceed the Maximum Limit and the ESOS Committee shall not be obliged in any way to offer an eligible Director or employee the ESOS Options for all the specified maximum number of our Shares the eligible Director or employee is entitled to under the ESOS;

4. DETAILS OF OUR IPO (Cont'd)

- (b) any offer, allocation of ESOS Options under the ESOS and the related allotment of Shares to any Directors, major shareholders who are employees of our Group or our Chief Executive Officer and any person connected with them who is an employee of our Group, shall require prior approval of our shareholders in a general meeting, and they shall not vote on the resolution approving the said offer, allocation and allotment;
- (c) the eligible Directors and senior management of our Group shall not be allowed to participate in the deliberation or discussion of their respective allocation of ESOS Options and/or allocations of ESOS Options to persons connected with them under the ESOS;
- (d) not more than 10.0% of our Shares available under the ESOS shall be allocated to any eligible Director or employee, who, either singly or collectively through persons connected with them, holds 20.0% or more of our total number of issued Shares (excluding treasury shares, if any); and
- (e) any performance target to be achieved before the ESOS Options can be granted and/or exercised by an eligible Director or employee shall be determined by the ESOS Committee.

(iii) Vesting period and conditions

The ESOS Committee shall have sole and absolute direction in determining whether the ESOS Options granted are subject to any vesting period and whether the ESOS Options are subject to any conditions which are required to be fulfilled by an eligible Director or employee before being vested onto the eligible Director or employee.

(iv) Duration of the ESOS

The ESOS shall be in force for a period of five years from the effective date and is renewable for a period of up to five years immediately from the expiry of the first five years.

(v) Eligibility

A Director or employee of any company within our Group which is not dormant shall be eligible for participation in the ESOS if at the date of offer is made in writing by the ESOS Committee to him/her ("**Offer Date**"), he/she:

- (a) has attained 18 years of age;
- (b) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (c) must have been confirmed in service of our Group;
- (d) where the employee or Director is under an employment contract, the contract is for a duration of at least one year and will not be expiring within three months from the Offer Date; and
- (e) has fulfilled any other criteria as may be imposed by the ESOS Committee from time to time,

4. DETAILS OF OUR IPO (Cont'd)

provided always that the selection of any eligible Director and/or employee for participation in the ESOS shall be at the sole and absolute discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding.

(vi) Exercise Price

Subject to any adjustments made under the By-Laws and pursuant to the Listing Requirements, the exercise price payable by the eligible Directors and employees of our Group upon exercise of their ESOS Options shall be:

- (a) in respect of any offer which is made in conjunction with our Listing, the Final Retail Price; and
- (b) in respect of any offer which is made subsequent to our Listing, as determined by our Board upon recommendation of the ESOS committee and shall be based on the five-day volume weighted average market price of our Shares immediately preceding the Offer Date, with a discount, if any, provided always that such discount is not more than 10.0%, if deemed appropriate, or such other percentage of discount as may be permitted by any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time during the option period.

The exercise price as determined in the manner set out above shall be conclusive and binding on the grantee.

In conjunction with our Listing, we intend to offer up to 30.0 million ESOS Options to our Directors and employees of our Group, who meet the eligibility criteria to participate in the ESOS as set out in the By-Laws in Annexure D of this Prospectus. Assuming the 30.0 million ESOS Options are fully exercised into 30.0 million new Shares, such Shares will represent about 0.6% of our enlarged issued Shares upon our Listing. In compliance with item (vi)(a) above, the exercise price for the said 30.0 million ESOS Options shall be the Final Retail Price.

4. DETAILS OF OUR IPO (Cont'd)

The following is the proposed specific allocation of the ESOS Options to our eligible Directors, Key Senior Management and persons connected with them in conjunction with our Listing:

Name	Designation	No. of ESOS Options allocated
<u>Directors</u>		
DLSJ	Non-Independent Executive Chairman	3,000,000
Teoh Hang Ching	Non-Independent Executive Director and Chief Executive Officer	2,500,000
DLBY	Non-Independent Non-Executive Director	250,000
Datuk Noripah Binti Kamso	Senior Independent Non-Executive Director	200,000
Tunku Afwida Binti Tunku A. Malek	Independent Non-Executive Director	200,000
Stefan Heitmann	Independent Non-Executive Director	200,000
Ong Huey Min	Independent Non-Executive Director	200,000
<u>Key Senior Management</u>		
Lim Yew Lin	Chief Financial Officer and Company Secretary	2,000,000
Prajith Pavithran	Chief Marketing Officer	1,500,000
Teoh Thean Yong	Chief Technology Officer and Group Financial Controller	1,500,000
Tan Hiyin Tiong	Chief Operating Officer	1,500,000
Kuah Lee Peng	Chief Manufacturing Officer	1,250,000
<u>Persons connected</u>		
Teoh Shi Kee ⁽¹⁾	Regional Marketing Director	83,000
Teoh Yee Teng ⁽²⁾	Manager	74,000
Total		14,457,000

Notes:

- (1) Son of Teoh Hang Ching.
(2) Daughter of Teoh Hang Ching.

The balance of up to 15,543,000 ESOS Options that will be granted in conjunction with our Listing will be granted to other eligible employees of our Group, who are not our Directors and persons connected with them.

Any further offer, allocation or allotment under the ESOS to any of our eligible Directors, major shareholders, Chief Executive Officer and persons connected with them who are our eligible Directors and employees other than as stated above shall require the prior approval of our shareholders in a general meeting.

The grant of the ESOS Options in conjunction with our Listing will not have an immediate effect on the consolidated NA and NA per Share until such time new Shares are issued when the ESOS Options are exercised.

4. DETAILS OF OUR IPO (Cont'd)

For illustrative purposes only, assuming the entire 30.0 million ESOS Options are granted and vested immediately upon our Listing, and that all ESOS Options are exercised at an exercise price of RM0.76 for each new Share, being the Retail Price, the indicative pro forma financial effects based on our audited consolidated financial statements for the FPE 31 October 2022 are as follows:

	Pro Forma	
	Upon our Listing	Assuming exercise of the entire 30.0 million ESOS Options
	RM'000	RM'000
Total equity	1,036,045	1,066,045
Equity attributable to owners of our Company	975,922	1,005,922
No. of Shares ('000)	4,985,000	5,015,000
NA per Share (RM) ⁽¹⁾	0.21	0.21
NA per Share attributable to owners of our Company (RM) ⁽²⁾	0.20	0.20
Total borrowings (excluding lease liabilities)	233,622	233,622
Gearing ratio (times) ⁽³⁾	0.2	0.2

Notes:

- (1) Computed based on total equity divided by number of Shares in issue.
- (2) Computed based on equity attributable to owners of our Company divided by number of Shares in issue.
- (3) Calculated based on our total borrowings (excluding lease liabilities) divided by total equity.

Any potential effect on the consolidated NA per Share will depend on the number of ESOS Options that have been vested and the exercise price of the ESOS Options. In accordance with By-Law 11 (as set out in the By-Laws in Annexure D of this Prospectus), the aggregate number of new Shares that a grantee can subscribe under the ESOS Options in a particular year shall be determined by the ESOS Committee at its sole discretion.

4.2.7 Share capital

Upon completion of our IPO, our share capital will be as follows:

	No. of Shares	RM'000
After the Bonus Issue	4,825,000,000	106,033
To be issued under our Public Issue	160,000,000	117,983 ⁽¹⁾
Enlarged number of issued Shares and share capital upon Listing	4,985,000,000	224,016

Note:

- (1) Calculated based on the Retail Price and after adjusting against our share capital, the estimated listing expenses of approximately RM3.6 million assumed to be directly attributable to our Public Issue.

4.2.8 Classes of shares and ranking

As at the date of this Prospectus, we only have one class of shares, being ordinary shares.

4. DETAILS OF OUR IPO (Cont'd)

Our Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued Shares including voting rights, and will be entitled to all rights, dividends and other distributions that may be declared subsequent to the date of allotment of our Issue Shares, subject to any applicable Rules of Bursa Depository.

Our Offer Shares rank equally in all respects with our other existing issued Shares including voting rights, and will be entitled to all rights, dividends and other distributions that may be declared subsequent to the date of transfer of our Offer Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attaching to any Shares we may issue in the future, our shareholders will, in proportion to the amount paid on our Shares held by them, be entitled to share the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders will be entitled to the surplus (if any), in accordance with our Constitution after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At every general meeting of our Company, each of our shareholders will be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. Any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative will have one vote for each Share held or represented. A proxy may but need not be a member of our Company.

4.2.9 Priority of the offering

In the event the demand for our IPO Shares is less than 932,675,000 IPO Shares, our Public Issue shall take precedence over the Offer for Sale. The demand for our IPO Shares shall be firstly satisfied with our Issue Shares under our Public Issue, and following that, any excess demand will be satisfied with our Offer Shares under the Offer for Sale.

4.2.10 Minimum subscription level

There is no minimum subscription level in terms of proceeds to be raised under our IPO. However, in order to comply with the public shareholding spread requirement under the Listing Requirements, the minimum subscription level in terms of the number of IPO Shares will be the number of Shares required to be held by the public shareholders of our Company to comply with the minimum public shareholding spread requirement under the Listing Requirements or as approved by Bursa Securities.

Under the Listing Requirements, we are required to have a minimum of 25.0% of our Shares held by at least 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing. However, Bursa Securities has, via its letter dated 10 February 2023, resolved to accept a lower public shareholding spread of 15.0% upon our Listing, as in compliance with Paragraph 3.06(1) of the Listing Requirements. For further details on the conditions of the approval, see Section 2.1 of this Prospectus.

If the above requirement is not met, we may not be able to proceed with our Listing. See Section 5.3.4 of this Prospectus for details in the event there is a delay in or termination of our Listing.

4. DETAILS OF OUR IPO (Cont'd)

4.3 SELLING SHAREHOLDERS

Our Offer Shares to be offered by each Selling Shareholder and their respective direct shareholding in our Company before and after our IPO and their material relationship with our Group within the past three years are as follows:

Selling shareholder	Material relationship with our Group	Shareholding after the Bonus Issue		Shares to be offered under the Offer for Sale		Shareholding after our IPO assuming the Over-allotment Option is not exercised		Shares under the Over-allotment Option		Shareholding assuming the Over-allotment Option is fully exercised ⁽³⁾	
		No. of Shares ('000)	(¹)%	No. of Shares ('000)	(²)%	No. of Shares ('000)	(²)%	No. of Shares ('000)	(²)%	No. of Shares ('000)	(²)%
LSJ Global	Promoter and substantial shareholder	3,584,640	⁽⁴⁾ 74.3	194,175	3.9	3,390,465	68.0	139,901	2.8	3,250,564	65.2
Gano Global	Substantial shareholder	1,240,360	25.7	578,500	11.6	661,860	13.3	-	-	661,860	13.3
Total		4,825,000	100.0	772,675	15.5	4,052,325	81.3	139,901	2.8	3,912,424	78.5

Notes:

(1) Based on our enlarged issued Shares of 4,825,000,000 after the Bonus Issue.

(2) Based on our enlarged issued Shares of 4,985,000,000 upon our Listing.

(3) Assuming an Over-allotment Option of 139,901,250 Shares, representing 15.0% of the total number of our IPO Shares offered.

(4) LSJ Global has legal interest of 74.3% equity interest in our Company of which it holds the legal and beneficial interest of 48.0% equity interest in our Company. The balance 26.3% equity interest in our Company is held by LSJ Global on trust for DLSJ (0.3%) and DLBL (26.0%).

4. DETAILS OF OUR IPO (Cont'd)

4.4 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES AND REFUND MECHANISM

4.4.1 Retail Price

The Retail Price was determined and agreed upon between our Directors and the Selling Shareholders in consultation with the Joint Global Coordinators, after taking into consideration the following factors:

- (i) price-to-earnings multiple of approximately 15.6 times based on our EPS of 4.87 sen after taking into account our PATAMI of RM242.9 million for the FYE 28 February 2022 and our enlarged issued Shares of 4,985,000,000 upon our Listing;
- (ii) pro forma consolidated NA per Share of RM0.18 as at 31 October 2022 after our IPO based on our enlarged issued Shares of 4,985,000,000 upon our Listing;
- (iii) our competitive strengths, as follows:
 - (a) we have a strong presence in Bolivia and Peru for direct selling of health-oriented and wellness products and a diversified exposure to high-growth markets;
 - (b) we have a business platform with a broad product portfolio and integrated production facilities;
 - (c) we have an expansive global distribution network and sustainable direct selling strategies;
 - (d) we have a strong track record of profitable growth and cash generation;
 - (e) we have a robust technology ecosystem to support global operations; and
 - (f) we have an experienced founder-led management team;
- (iv) our future plans and strategies, as follows:
 - (a) visible pathway to grow in new and existing markets;
 - (b) catering to changing consumer needs and enhancing Member engagement;
 - (c) continued expansion of our vertically-integrated global supply chain; and
 - (d) enhancing our technological ecosystem;
- (v) outlook of FFB, HDS and PCC in the direct selling industry globally, as described in Section 8 of this Prospectus; and
- (vi) prevailing market conditions, including market performance of key global indices and companies involved in similar businesses listed on Bursa Securities and regional stock exchanges, current market trends as well as investors' sentiments.

4. DETAILS OF OUR IPO (Cont'd)

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date and will be the lower of:

- (i) the Retail Price; or
- (ii) the Institutional Price.

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants without any interest thereon. Further details on the refund mechanism are set out in Section 4.4.3 of this Prospectus.

The Final Retail Price and the Institutional Price will be announced within two Market Days from the Price Determination Date via Bursa Listing Information Network. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of allotment for our IPO Shares.

4.4.2 Institutional Price

The Institutional Price will be determined by a bookbuilding process wherein prospective institutional and selected investors will be invited to bid for portions of the Institutional Offering by specifying the number of our Offer Shares they would be prepared to acquire and the price they would be prepared to pay for our Offer Shares in respect of the Institutional Offering. This bookbuilding process commenced on 28 April 2023 and will end on 9 May 2023. Upon completion of the bookbuilding process, the Institutional Price will be fixed by our Directors and the Selling Shareholders in consultation with the Joint Global Coordinators on the Price Determination Date.

4.4.3 Refund mechanism

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants without any interest. The refund will be made:

- (i) in the form of cheques to be despatched by ordinary post to the address maintained with Bursa Depository for applications made via the Application Form; or
- (ii) by crediting into the accounts of the successful applicants with the Participating Financial Institution for applications made via the Electronic Share Application or the Internet Participating Financial Institution for applications made via the Internet Share Application,

within 10 Market Days from the date of final ballot of applications, at the successful applicants' own risk.

For further details on the refund mechanism, see Section 15.9 of this Prospectus.

4.4.4 Expected market capitalisation

Based on the Retail Price, the total market capitalisation of our Company upon our Listing would be approximately RM3.8 billion.

You should also note that the market price of our Shares upon our Listing is subject to the vagaries of market forces and other uncertainties. You are reminded to carefully consider the risk factors as set out in Section 5 of this Prospectus.

4. DETAILS OF OUR IPO (Cont'd)

4.5 DILUTION

Dilution is the amount by which our pro forma consolidated NA per Share after our IPO is less than the price paid by retail, institutional and selected investors for our Shares. Our pro forma consolidated NA per Share as at 31 October 2022 after adjusting for the payment of interim dividends in respect of the FYE 28 February 2023 of RM40.0 million and RM20.0 million in November 2022 and March 2023 respectively (“**Subsequent Events**”), the Bonus Issue, and before adjusting for our IPO was RM0.18, based on the enlarged issued Shares of 4,825,000,000 following the Bonus Issue.

After taking into account our enlarged issued Shares from the issuance of 160,000,000 Issue Shares and after adjusting for the use of proceeds from our Public Issue, our pro forma consolidated NA per Share as at 31 October 2022 would be RM0.20. This represents an immediate increase in consolidated NA per Share of RM0.02 to our existing shareholders and an immediate dilution in NA per Share of RM0.56 (representing 73.7%) of the Retail Price and the Institutional Price (assuming the Final Retail Price and the Institutional Price will equal the Retail Price), to the retail/institutional and selected investors.

The following table illustrates such dilution on a per Share basis assuming the Retail Price is equal to the Final Retail Price and the Institutional Price:

	<u>RM</u>
Final Retail Price/Institutional Price	0.76
Pro forma consolidated NA per Share as at 31 October 2022 after the Subsequent Events and the Bonus Issue and before adjusting for our IPO	0.18
Pro forma consolidated NA per Share as at 31 October 2022, after the Subsequent Events and the Bonus Issue and after adjusting for the use of proceeds from our Public Issue	0.20
Increase in pro forma consolidated NA per Share to our existing shareholders	0.02
Dilution in pro forma consolidated NA per Share to the retail/institutional and selected investors	0.56
Dilution in pro forma consolidated NA per Share to the retail/institutional and selected investors as a percentage of the Retail Price/Institutional Price	73.7%

None of our substantial shareholders, Directors, Key Senior Management, or persons connected to them had acquired our Shares in the past three years up to and including the LPD or have the right to acquire and/or subscribe for our Shares as at the LPD.

4.6 USE OF PROCEEDS

We expect to use the gross proceeds from our Public Issue amounting to RM121.6 million⁽¹⁾ in the following manner:

<u>Details of use of proceeds</u>	<u>Estimated timeframe for use from the date of our Listing</u>	<u>RM'000</u>	<u>%</u>
Repayment of bank borrowings	Within 12 months	80,000	65.8
Working capital	Within 6 months	17,513	14.4
Defray fees and expenses relating to our IPO and Listing	Within 3 months	24,087	19.8
Total		<u>121,600</u>	<u>100.0</u>

4. DETAILS OF OUR IPO (Cont'd)

Note:

- (1) We have assumed that the Institutional Price and the Final Retail Price will be equal to the Retail Price.

Further details on the use of proceeds from our Public Issue are as follows:

4.6.1 Repayment of bank borrowings

We intend to use RM80.0 million of the proceeds from our Public Issue to repay the following banking facilities:

Type of facilities ⁽³⁾	OCBC Bank (Malaysia) Berhad		United Overseas Bank (Malaysia) Berhad
	Term loan ⁽¹⁾	Term loan ⁽¹⁾	Revolving credit ⁽²⁾
Amount outstanding as at the LPD ('000)	USD1,343 / RM5,996	USD11,021 / RM49,201	USD19,650 / RM87,723
Maturity date	1 June 2026	1 November 2031	Revolving tenure of 30 days
Effective interest rate	7.81%	7.91%	5.91%
Proposed repayment ('000)	RM5,995	RM49,201	RM24,804
Saving in finance cost ('000)	RM468	RM3,892	RM1,466

Notes:

- (1) The term loan of USD1.3 million (equivalent to RM6.0 million) was obtained to finance the acquisition of a piece of freehold land in Cyberjaya, Malaysia, whereas the term loan of USD11.0 million (equivalent to RM49.2 million) was obtained to finance the construction of DXN Cyberville, a wellness and retreat centre with apartments on the said land. See Section 7.5.2.2 of this Prospectus for further information on DXN Cyberville.
- (2) The revolving credits were obtained to fund the working capital requirements of our Group including purchase of raw materials and packaging materials, payment of distribution expenses and payment of administrative and selling expenses.
- (3) There are no prepayment penalties for repayment of the term loans and revolving credits.

The repayment of the above banking facilities is expected to have a positive financial impact on our Group with interest savings of approximately RM5.8 million per annum.

4.6.2 Working capital

We intend to allocate approximately RM17.5 million of the proceeds from our Public Issue to supplement the working capital requirements of our Group, mainly for the purchase of the primary raw materials used to produce our finished goods, including coffee powder, non-dairy creamer, sugar, cocoa powder and wheat cereal powder, and primary packaging materials, including aluminium foil, empty capsules, labels and plastic containers. See Section 7.12 of this Prospectus for further information on these raw materials.

4. DETAILS OF OUR IPO (Cont'd)

This working capital allocation is expected to enhance our Group's liquidity and cash flow position and to reduce our reliance on external financing.

4.6.3 Defray fees and expenses for our IPO and Listing

The estimated fees and expenses for our IPO and Listing to be borne by us are estimated to be RM24.1 million, comprising the following:

	<u>RM'000</u>
Professional fees	17,191
Fees payable to authorities	1,164
Brokerage, underwriting and placement fees	3,021
Other fees and expenses such as printing, advertising, travel and roadshow expenses	1,811
Miscellaneous expenses and contingencies	900
Total	<u>24,087</u>

If the actual fees and expenses for our IPO and Listing are higher than budgeted, the shortfall will be funded out of the portion allocated for our working capital requirements. On the other hand, if the actual fees and expenses are lower than budgeted, the difference will be used to fund our working capital requirements.

The actual proceeds accruing to our Group will depend on the Institutional Price and the Final Retail Price. If the actual proceeds are higher than budgeted above, the excess will be used for our working capital requirements. Conversely if the actual proceeds are lower than budgeted above, the proceeds allocated for our working capital requirements will be reduced.

Given the timing of the use of proceeds to be raised from our Public Issue may not be immediate and as part of our efficient capital management to maximise profit income, we intend to place the proceeds raised from our Public Issue or any balance (including accrued profit, if any) in the interest-bearing accounts with the licensed financial institution(s) and/or in money-market deposit instruments/funds.

Our Company will not receive any proceeds from the Offer for Sale. The total gross proceeds from the Offer for Sale of up to approximately RM587.2 million will accrue entirely to the Selling Shareholders. The Selling Shareholders will bear their own professional fees and placement fees as well as other miscellaneous expenses for the Offer for Sale which are estimated to be approximately RM12.5 million.

4.7 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.7.1 Brokerage fee

We will pay brokerage in respect of our Issue Shares under the Retail Offering at the rate of 1.0% (exclusive of applicable tax) of the Final Retail Price in respect of all successful applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

4. DETAILS OF OUR IPO (Cont'd)

The Joint Global Coordinators and the Joint Bookrunners are entitled to charge brokerage commission to successful applicants under the Institutional Offering. For the avoidance of doubt, such brokerage commission under the Institutional Offering will not be payable by us or the Selling Shareholders.

4.7.2 Underwriting commission

As stipulated in the Retail Underwriting Agreement, the Joint Managing Underwriters and the Joint Underwriters have agreed to underwrite our Issue Shares under the Retail Offering for an underwriting commission of up to 1.5% (exclusive of applicable tax) of the Retail Price multiplied by the total number of Issue Shares underwritten under the Retail Offering in accordance with the terms of the Retail Underwriting Agreement.

4.7.3 Placement fee

The Selling Shareholders for our Offer Shares and us for our Issue Shares will pay the Joint Global Coordinators and the Joint Bookrunners a placement fee and selling commission of 1.5% (exclusive of applicable tax) of the Institutional Price multiplied by the number of IPO Shares sold to Malaysian and foreign institutional and selected investors in accordance with the terms of the Placement Agreement.

4.8 DETAILS OF THE UNDERWRITING, PLACEMENT AND LOCK-UP ARRANGEMENTS

4.8.1 Underwriting

We have entered into the Retail Underwriting Agreement with the Joint Managing Underwriters and the Joint Underwriters to severally and not jointly (nor jointly and severally) underwrite 160,000,000 Issue Shares under the Retail Offering, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus and upon the terms and subject to the conditions of the Retail Underwriting Agreement.

Details of the underwriting commission are set out in Section 4.7.2 of this Prospectus, while the salient terms of the Retail Underwriting Agreement are as follows:

Unless waived by the Joint Managing Underwriters and Joint Underwriters who have agreed to underwrite our 160,000,000 Issue Shares under the Retail Offering, the underwriting obligations of the Joint Managing Underwriters and Joint Underwriters are subject to certain conditions precedent which must be fulfilled or waived on or before the closing date of the Retail Offering as stated in this Prospectus or such later date as may be agreed in writing by the Joint Managing Underwriters and Joint Underwriters.

The Joint Managing Underwriters (for and on behalf of the Joint Underwriters) may by notice to our Company given at any time before the date of our Listing, terminate, cancel and withdraw their respective underwriting commitment if:

- (a) there is an occurrence of any event or discovery of any fact or circumstances rendering any of the representations and warranties untrue, inaccurate, misleading or incorrect in any respect or resulting in any of the undertakings set out in the Retail Underwriting Agreement to be not complied with, breached and/or failed to be performed in any respect;

4. DETAILS OF OUR IPO (Cont'd)

- (b) there is any breach or failure on the part of our Company to perform any obligations contained in the Retail Underwriting Agreement which results in any event, development or occurrence, or series of events, developments or occurrences, which, in the reasonable and sole opinion of the Joint Managing Underwriters, have or could be expected to have a material adverse effect or result in a material adverse change, whether individually or in the aggregate, and whether or not arising in the ordinary course of business, on any of the following: (i) the condition (financial or otherwise), general affairs, commitments (contractual or otherwise), earnings, management, business, properties, assets, liquidity, liabilities, shareholders' equity, results of operations or prospects of our Group, taken as a whole or our Company; (ii) the ability of our Company or any of the Selling Shareholders to perform its or their obligations under or with respect to, or to consummate the transactions contemplated by, this Prospectus or the Retail Underwriting Agreement, the Placement Agreement, each lock-up agreement and the Share Lending Agreement (collectively, the "**Transaction Agreements**"); (iii) the ability of our Company or any company of our Group (including the DIPL Philippines Branch for the purpose of the Retail Underwriting Agreement) to conduct its businesses and to own or lease its assets and properties as described in this Prospectus; or (iv) our IPO including but not limited to the distribution or the sale of our IPO Shares pursuant to our IPO ("**Material Adverse Effect**");
- (c) our Company withholds any material information from the Joint Managing Underwriters and the Joint Underwriters, which has a Material Adverse Effect;
- (d) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Joint Managing Underwriters and the Joint Underwriters by reason of causes which are unpredictable and beyond the reasonable control of the parties to the Retail Underwriting Agreement claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to: (i) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of a hostile army, nation or enemy, national emergency, civil war, hijacking, terrorism; (ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military takeover or usurped power; or (iii) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accidents, outbreaks of disease, epidemics or pandemics (where in the context of the existing COVID-19 pandemic, any worsening of it), the imposition of lockdowns or similar measures to control the spread of any epidemic or other acts of God which would have or can be expected to have, a Material Adverse Effect or which would have or is likely to have the effect of making any obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms;
- (e) there shall have occurred any government requisition or other events whatsoever which has or is likely to have a Material Adverse Effect;
- (f) there shall have occurred any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which would have or is likely to have a Material Adverse Effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:
- (i) on or after the date of the Retail Underwriting Agreement; and

4. DETAILS OF OUR IPO (Cont'd)

- (ii) prior to the closing date of the Retail Offering,
- lower than 85% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Retail Underwriting Agreement and remains at or below that level for at least three consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;
- (g) a banking moratorium has been declared by authorities in Malaysia, the United States, the United Kingdom, Singapore or Hong Kong, or a material disruption of commercial banking activities or securities settlement or clearance services has occurred in Malaysia, the United States, the United Kingdom, Singapore or Hong Kong;
- (h) trading in shares or securities on Bursa Securities, Singapore Exchange Securities Trading Limited, the New York Stock Exchange, Nasdaq, the London Stock Exchange plc or the Hong Kong Stock Exchange has been limited or suspended or minimum prices have been established on Bursa Securities for three consecutive Market Days or more;
- (i) there shall have been announced or carried into force any new law or change in law in any jurisdiction, interpretation or application by any court or authority including any administrative, governmental, statutory or regulatory commission, board, body, authority or agency, and any stock exchange, self-regulatory organisation, accreditation organisation or other non-governmental regulatory authority (including but not limited to the SC, Bursa Securities and CCM), and any court, tribunal or arbitrator, in each case in Malaysia or any other jurisdiction, and whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, supranational or otherwise ("**Authority**") which: (i) has a Material Adverse Effect; or (ii) in the reasonable and sole opinion of the Joint Managing Underwriters, prejudice the success of our IPO or our Listing or which would have or is likely to have the effect of making it impracticable to enforce contracts to allot and/or transfer our IPO Shares or making any obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms;
- (j) there is a change or development in taxation in Malaysia or any of the top 10 markets set out in Section 7.6.5 of this Prospectus which has a Material Adverse Effect or an announcement of such change or development;
- (k) the Institutional Offering and/or the Retail Offering is stopped or delayed by our Company or any Authority for any reason whatsoever (unless such delay has been approved by the Joint Managing Underwriters);
- (l) the closing date of the Retail Offering does not occur by 9 May 2023 or such other extended date as may be agreed in writing by the Joint Managing Underwriters;
- (m) our Listing does not take place by 31 May 2023 or such other extended date as may be agreed in writing by the Joint Managing Underwriters;
- (n) any commencement of legal proceedings, formal investigations, enquiries or action against our Company or any member of our Group or any of their directors or executive officers, which would have or is likely to have a Material Adverse Effect or in the reasonable and sole opinion of the Joint Managing Underwriters, make it impracticable to market our IPO or to enforce contracts to allot and/or transfer our IPO Shares;

4. DETAILS OF OUR IPO (Cont'd)

- (o) any one of the Transaction Agreements: (i) is terminated or rescinded in accordance with its terms thereof; (ii) ceases to have any effect whatsoever; or (iii) is varied or supplemented upon its terms and such variation or supplementation has or is likely to have a Material Adverse Effect;
- (p) any of the resolutions or approvals referred to in Clause 6.1(f) and Clause 6.1(g) of the Retail Underwriting Agreement respectively, is revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented upon terms which has or is likely to have a Material Adverse Effect;
- (q) in the event our Listing is withdrawn or not procured or procured but subject to conditions not acceptable to the Joint Managing Underwriters;
- (r) if the SC or any other relevant Authority issues an order pursuant to Malaysian law such as to make it impracticable to market our IPO or to enforce contracts to allot and/or transfer our IPO Shares;
- (s) any material statements contained in this Prospectus have become or been discovered to be untrue, inaccurate or misleading in any respect, or matters have arisen or have been discovered which would, if this Prospectus were to be issued at that time, constitute a material omission therefrom; or
- (t) any other event in which a Material Adverse Effect has occurred.

4.8.2 Placement

We and the Selling Shareholders expect to enter into the Placement Agreement with the Joint Global Coordinators and the Joint Bookrunners in relation to the placement of up to 772,675,000 Offer Shares under the Institutional Offering, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.2.4 and 4.2.5 of this Prospectus respectively. We and the Selling Shareholders will be requested to give various representations, warranties and undertakings, and to indemnify the Joint Global Coordinators and the Joint Bookrunners against certain liabilities in connection with our IPO. The terms of the Placement Agreement are subject to negotiations and may include termination events that are different from those under the Retail Underwriting Agreement as set out in Section 4.8.1 of this Prospectus.

4.8.3 Lock-up arrangement

- (i) We have agreed that, subject to offerings under our IPO and certain exceptions, we shall not without the prior written consent of the Joint Bookrunners, to the extent applicable to us, for a period beginning on and including the date of the lock-up agreement and ending on, and including, the date that is six months from the date of our Listing, directly or indirectly, conditionally or unconditionally:
 - (a) issue, allot, offer, pledge, sell, contract to sell, assign, issue or sell or grant or agree to grant any option, right, warrant or contract to purchase, purchase any option or contract to sell, hypothecate or create any encumbrance over or otherwise transfer or dispose of any Shares (or any securities convertible into or exercisable or exchangeable for Shares or are substantially similar to our Shares) including any Shares held in treasury that are now owned or hereafter acquired by our Company;

4. DETAILS OF OUR IPO (Cont'd)

- (b) enter into any swap, hedge or derivative or any other arrangement or agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequence of ownership of our Shares or any securities convertible into or exercisable or exchangeable for Shares or any securities that represent the right to receive or are substantially similar to our Shares, whether any such swap or transaction described in paragraph (a) above or this paragraph (b) is to be settled by delivery of Shares or such other securities, in cash or otherwise, provided that the foregoing shall not apply to any Shares being issued, offered and sold by our Company in connection with our IPO;
 - (c) deposit any Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, our Shares) in any depository receipt facilities;
 - (d) do or announce any intention to do any of the above or an offering or sale of any Shares (or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof));
 - (e) save for such stabilising action permissible under law, take any action which is designed to or which constitutes or which would reasonably be expected to cause or result in stabilisation or manipulation of the price of our Shares; or
 - (f) enter into or effect any transaction with the same economic effect as any transactions described in paragraphs (a) to (e) above.
- (ii) The Selling Shareholders have agreed with the Joint Bookrunners that for a period beginning on and including the date of the lock-up agreement and ending on, and including, the date that is six months from the date of our Listing, they will not and shall procure that their respective nominees or trustees holding Shares on trust for or on their behalf shall not, without the prior written consent of the Joint Bookrunners, directly or indirectly, conditionally or unconditionally:
- (a) offer, pledge, mortgage, charge, sell, contract to sell, assign, sell or grant or agree to grant any option, right, warrant or contract to purchase, purchase any option or contract to sell, hypothecate or create any encumbrance over, lend or otherwise transfer or dispose of any Shares (or any securities convertible into or exercisable or exchangeable for Shares or are substantially similar to our Shares) whether now owned or acquired by such Selling Shareholder between the date of the lock-up agreement and the date of our Listing or with respect to which such Selling Shareholder has or between the date of the lock-up agreement and the date of our Listing acquires the power of disposition ("**Lock-Up Shares**");

4. DETAILS OF OUR IPO (Cont'd)

- (b) enter into any swap, hedge or derivative or any other arrangement or agreement or any transaction that transfers, in whole or in part, any of the economic consequence of ownership of the Lock-Up Shares or any securities convertible into or exercisable or exchangeable for any Lock-Up Shares or any securities that represent the right to receive or are substantially similar to any Lock-Up Shares, whether any such swap or transaction described in paragraph (a) above or this paragraph (b) is to be settled by delivery of the Lock-Up Shares or such other securities, in cash or otherwise, provided that the foregoing shall not apply to any Shares being offered and sold by such Selling Shareholder in connection with our IPO;
- (c) deposit any Lock-Up Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, any Lock-Up Shares) in any depository receipt facilities;
- (d) do or announce any intention to do any of the above or an offering or sale of any Lock-Up Shares (or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, any Lock-Up Shares (or any interest therein or in respect thereof));
- (e) save for such stabilising action permissible under law, take any action which is designed to or which constitutes or which would reasonably be expected to cause or result in stabilisation or manipulation of the price of our Shares; or
- (f) enter into or effect any transaction with the same economic effect as any transactions described in paragraphs (a) to (e) above.

The restrictions in Sections 4.8.3(i) and (ii) above do not apply to (1) the grant of ESOS Options by our Company in conjunction with our Listing; (2) the issuance, offer and sale of any Shares by our Company pursuant to our IPO; (3) the issuance and allotment of any Shares by our Company upon the exercise of the ESOS Options granted under item (1) of this paragraph; or (4) the offer, transfer and sale of any Shares by the Selling Shareholders pursuant to our IPO, including the transfer of any Shares pursuant to the Share Lending Agreement and the offer and sale of any Shares pursuant to the Over-allotment Option.

- (iii) DLSJ and DLBL, who are deemed our substantial shareholders (pursuant to Section 8(4) of the Act), have agreed with the Joint Bookrunners that for a period beginning on and including the date of the lock-up agreement and ending on, and including, the date that is six months from the date of our Listing:
 - (a) DLSJ and DLBL will not and shall procure that any trustee or nominee holding Shares or LSJ Global Shares on trust for him or her or on his or her behalf shall not, without the prior written consent of the Joint Bookrunners, directly or indirectly, conditionally or unconditionally:

4. DETAILS OF OUR IPO (Cont'd)

- (1) offer, pledge, mortgage, charge, sell, contract to sell, assign, sell or grant or agree to grant any option, right, warrant or contract to purchase, purchase any option or contract to sell, hypothecate or create any encumbrance over, lend or otherwise transfer or dispose of any Shares or LSJ Global Shares (or any securities convertible into or exercisable or exchangeable for Shares or LSJ Global Shares or are substantially similar to our Shares or LSJ Global Shares) whether now owned or acquired by DLSJ and DLBL (including those owned or acquired by any trustee for the benefit of or any nominee on behalf of DLSJ and DLBL) between the date of the lock-up agreement and the date of our Listing ("**DLSJ and DLBL Lock-Up Shares**");
- (2) enter into any swap, hedge or derivative or any other arrangement or agreement or any transaction that transfers, in whole or in part, any of the economic consequence of ownership of the DLSJ and DLBL Lock-Up Shares or any securities convertible into or exercisable or exchangeable for any DLSJ and DLBL Lock-Up Shares or any securities that represent the right to receive or are substantially similar to any DLSJ and DLBL Lock-Up Shares, whether any such swap or transaction described in paragraph (1) above or this paragraph (2) is to be settled by delivery of the DLSJ and DLBL Lock-Up Shares or such other securities, in cash or otherwise;
- (3) deposit any DLSJ and DLBL Lock-Up Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, any DLSJ and DLBL Lock-Up Shares) in any depository receipt facilities;
- (4) do or announce any intention to do any of the above or an offering or sale of any DLSJ and DLBL Lock-Up Shares (or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, any DLSJ and DLBL Lock-Up Shares (or any interest therein or in respect thereof));
- (5) save for such stabilising action permissible under law, take any action which is designed to or which constitutes or which would reasonably be expected to cause or result in stabilisation or manipulation of the price of our Shares;
- (6) sell, transfer or assign the ESOS Options assigned to DLSJ and DLBL in conjunction with our Listing; or
- (7) enter into or effect any transaction with the same economic effect as any transactions described in paragraphs (1) to (5) above.

The DLSJ and DLBL Lock-Up Shares shall include any Shares acquired by each of DLSJ and DLBL by exercise of the ESOS Options granted to him or her in conjunction with our Listing, no matter the ESOS Options are exercised before, in conjunction with or after our Listing. For the avoidance of doubt, the DLSJ and DLBL Lock-Up Shares shall not include our Shares owned by LSJ Global which are not held in trust for DLSJ and DLBL.

4. DETAILS OF OUR IPO (Cont'd)

- (b) DLSJ and DLBL will and shall procure that, without the prior written consent of the Joint Bookrunners, LSJ Global shall not issue new shares or otherwise dilute the shareholding of DLSJ and DLBL in LSJ Global.

4.9 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS, which is operated by Bursa Depository. This will be effected in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, we will not deliver share certificates to subscribers or purchasers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS accounts, either directly in their names or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective CDS accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

Shares held in CDS accounts may not be withdrawn from the CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares are required to trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the second Market Day following the transaction date, and payment for the securities is generally settled on the second Market Day following the transaction date.

It is expected that our Shares will commence trading on Bursa Securities approximately 10 Market Days after the close of the Institutional Offering. Subscribers of our Shares will not be able to sell or otherwise deal in our Shares (except by way of book-entry transfer to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

5. RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. You should carefully consider all the information contained in this Prospectus, including the risks described below, before deciding to invest in our Shares. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The market price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

5.1 RISKS RELATING TO OUR BUSINESS

5.1.1 There is a high level of competition in the direct selling industry and we may fail to maintain or grow our network of active Members

A significant portion of our business is conducted primarily via the direct selling channel. Sales are made to the ultimate consumer principally through direct selling by our Members. Our ability to remain competitive and our ability to expand our business depends, in significant part, on our success in recruiting, retaining, and incentivising active Members. We are subject to significant competition for Members. Several factors, some of which we have no control, affect our ability to attract and retain our Members, including:

- on-going motivation of our Members;
- general economic conditions;
- public perception and acceptance of the industry, our business and our products;
- market demand for our proprietary products; and
- competition in recruiting and retaining our Members.

We aim to attract and retain our Members through an appropriate compensation plan and incentives, which we apply consistently among our Members worldwide, as set out and published in our global marketing plan online. Nevertheless, there can be no assurance that the amount of commissions that we pay or the types of financial, travel, training and other incentives that we provide will continue to be attractive to our Members and sufficient in retaining them. The payment of commissions and incentives, including bonuses, is one of our key expenses.

Further, there are a number of direct selling companies that sell product lines which compete with ours, some of which have worldwide operations and compete with us globally. If we are unable to compete or lose market share in the direct selling channel, our business, prospects, financial condition and results of operations may be materially and adversely affected. Furthermore, if any government or regulatory body bans or severely restricts our business methods or operational/commercial model of direct selling, our business, prospects, financial condition and results of operations may be materially and adversely affected. See Section 5.1.18 of this Prospectus for further details.

5.1.2 We have limited control over our Members

We rely on a global distribution network of over 14.9 million registered Members, of which over 3.6 million are active Members, in addition to 79 sales branches and 12 external distribution agencies as at the LPD. As we have a significant number of Members in our global network, it is not feasible for us to monitor all of our Members' day-to-day conduct and business activities. In addition, as our Members who market and sell our products are independent contractors and not our employees, we have limited control over their business activities. As a result, there can be no assurance that our Members will comply with all applicable rules and regulations or our policies and procedures. For example, we cannot guarantee that our products will not be altered or tampered with by such Members prior to receipt by our end consumers.

5. RISK FACTORS (Cont'd)

We have also encountered issues in the past where our Members have overclaimed the efficacy of a product, sold products at a price that is lower than our pricing list, conducted internet sales that are not approved by us or have overstated their income or potential income. For example, in January 2023, the National Institute for the Defense of Competition and Protection of Intellectual Property of Peru ("INDECOP") commenced an inspection in connection with the dissemination of certain false or misleading claims, including certain claims made by one of our Members on such Member's own website that were used in the advertising of some of our products containing Ganoderma. As at the LPD, the inspection by the INDECOP is still in progress, and may extend to other consumer protection matters relating to our products. While we have sought to address these issues, implemented strict rules and regulations and conducted regular training for our Members, there can be no assurance that these issues will not recur in the future. Violations of applicable laws or of our policies and procedures by our Members could subject us to claims, penalties, negative press and other repercussions, including confiscation or suspensions or prohibitions of sales of our products, which could in turn reflect negatively on our business, operations, financial condition, prospects and reputation. It is possible that a court could hold a direct selling company like us civilly or criminally accountable based on vicarious liability because of the actions of our Members.

Due to the scale of our global network, we have in the past had Members with registered addresses in jurisdictions that are targeted by comprehensive country- or territory-wide economic and trade sanctions administered and enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") and the U.S. Department of State which as at the date hereof are the Crimea, Donetsk and Luhansk regions of Ukraine, Cuba, Iran, North Korea and Syria ("**Sanctioned Jurisdictions**"). Our Members from such jurisdictions may have purchased our products from our distributors in non-Sanctioned Jurisdictions. We do not believe that such indirect sales to our Members with registered addresses in Sanctioned Jurisdictions have exposed us to a material risk of liability under the United States law. We have implemented a sanctions policy to prevent member registration by any person located in Sanctioned Jurisdictions and to terminate memberships of former Members with registered addresses in Sanctioned Jurisdictions. Our sanctions policy also prohibits our Members from on-selling our products to Sanctioned Jurisdictions or persons publicly identified on the most current list of Specially Designated Nationals and Blocked Persons published by OFAC ("**Sanctioned Persons**"). However, we cannot guarantee such sales never occurred. Our international business activities may expose us to certain penalties or other risks (such as reputational risks) in the event that our Members were to engage in dealings with Sanctioned Jurisdictions or Sanctioned Persons, and it is possible that such penalties or risks may arise in the future to the extent that the United States or other governments with applicable jurisdiction expand their trade and economic sanctions regimes over our international business activities in any other impactful way.

5. RISK FACTORS (Cont'd)

5.1.3 We rely on external distribution agencies in 21 jurisdictions and have limited control over them

We rely on 12 external distribution agencies in 21 jurisdictions including the Middle East, which is one of our top 10 markets in terms of revenue contribution for the FYE 28 February 2022. Each of these agencies purchases products from us and on-sells such products to our Members and will bear certain local operating expenses. As a percentage of our gross revenue, these external distribution agencies contributed 6.9%, 6.7%, 4.4% and 3.6% for the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022, respectively. While we retain control over the supply of our products, our Member remuneration plan, our IT systems and our intellectual property rights, we rely on the external distribution agencies to run the day-to-day operations of their business, including marketing, inventory management, managing Member bonus payments, obtaining and renewing the relevant licences and permits required to operate their business as well as ensuring compliance with applicable laws and regulations in the respective jurisdictions. The external distribution agencies, including those in the Middle East, also assist us with product registrations.

We have limited control over the customers or jurisdictions which the external distribution agencies may on-sell our products to and there can be no assurance that our external distribution agencies will comply with all applicable rules and regulations in order to conduct their business. Violations of applicable laws or of our policies and procedures by our external distribution agencies could result in civil or criminal penalties and reflect negatively on our business, financial condition, prospects and reputation. We may also rely on these agencies' licences, for example their direct selling marketing licence, to distribute our products in that jurisdiction. As each agency is subject to the requirements of their local jurisdictions regarding the renewal of their respective licences, there can be no assurance that they will be able to renew such licences in a timely manner or at all. There can also be no assurance that these agencies will maintain their relationships with us. Our failure to maintain this existing relationship may have a material adverse effect on our prospects, business, results of operations and financial condition.

We do not currently have direct business dealings with any Sanctioned Jurisdictions or Sanctioned Persons. We have also implemented a sanctions policy and issued a policy memo to our external distribution agencies as part of our sanctions policy directing them not to on-sell our products to distributors in Sanctioned Jurisdictions and/or to Sanctioned Persons. However, there can be no assurance that the external distribution agencies will abide by our policy. Our international business activities may expose us to certain penalties or other risks (such as reputational risks) in the event that our external distribution agencies were to engage in dealings with Sanctioned Jurisdictions or Sanctioned Persons, and it is possible that such penalties or risks may arise in the future to the extent that the United States or other governments with applicable jurisdiction expand their trade and economic sanctions regimes over our international business activities in any other impactful way. It is also possible that dealings by our external distribution agencies with Sanctioned Jurisdictions or Sanctioned Persons may present some risk that we could become targeted with secondary sanctions, which OFAC may impose on non-U.S. persons for providing material support or assistance to certain sanctions targets.

5. RISK FACTORS (Cont'd)

5.1.4 We may not be successful in expanding to new markets or in expanding and strengthening our footprint in existing markets

As at the LPD, our business has a distribution footprint (including our sales branches and distributors) in 48 countries. We have 79 sales branches to distribute goods to our Members and partner with 12 exclusive external distribution agencies as at the LPD. We have over 14.9 million registered Members and over 3.6 million active Members in more than 180 countries as at the LPD. We are constantly exploring the possibility of expanding into additional markets and have plans to expand into five further markets globally, including countries in the Latin American and African regions. We also have plans to expand and strengthen our footprint in existing markets, for example by rolling out a fuller suite of our products in existing but less-mature markets and by introducing new products in line with our Members' demand. In addition, we plan to increase our production capacity to meet the growing demand for our products. We currently operate two R&D facilities, six cultivation facilities and 10 manufacturing facilities across Malaysia, China, India, Indonesia and Mexico, and we have another one cultivation facility and two manufacturing facilities in the pipeline. These additional facilities will include capacities for the cultivation of Ganoderma, Spirulina, Cordyceps, Noni, Roselle and other natural ingredients, and production lines for our FFB, HDS and cosmetics products. For further details on the status of our facilities in the pipeline, see Section 7.13.5 of this Prospectus. Our ability to successfully carry out these expansion plans and to succeed in new markets or expand our footprint in existing markets will depend on several factors, for example:

- our ability to secure necessary governmental approvals or third party consents in a timely manner or at all. See Section 5.1.19 of this Prospectus for further details;
- the strength of our product portfolio and whether our existing and new products are aligned with consumer demand or well accepted by the market. See Section 5.2.3 of this Prospectus for further details;
- our ability to register new products or register existing products in new markets. See Section 5.1.7 of this Prospectus for further details;
- our ability to locate and partner with the appropriate third parties (for example, external distribution agencies, as applicable) in certain of these jurisdictions;
- our ability to manage the difficulties of managing a larger and growing business, operate in new geographical regions or optimise the allocation of resources and operational efficiency;
- our ability to train, motivate and manage an enlarged workforce and to recruit qualified personnel with the necessary technical skills and experience;
- our ability to avoid construction delays or to procure machinery and equipment in a timely manner or at all;
- our ability to acquire real estate property or negotiate lease agreements on acceptable terms; and
- availability of financial resources or of financing at acceptable terms or at all.

5. RISK FACTORS (Cont'd)

Any expansion plans carry the risk of diverting resources and management attention from our existing business. We may also be subject to delays resulting from changes in legislation, governmental bureaucracy or unforeseen or force majeure events, such as the COVID-19 pandemic or the Russia-Ukraine conflict, which could and have resulted in increased and unexpected costs that were not originally included in our budget. Any interruption or delays in the construction or launch of our projects, or increase in costs, could disrupt our business, decrease our anticipated revenue from our business plan, and adversely affect us.

5.1.5 We face certain risks related to the safety, perceived safety and reputation of our products and our Group

While many of the ingredients in our health-oriented supplement and food products are substances for which there is a long history of human consumption, some of these products contain innovative ingredients such as fermented Noni, fermented fruit juice, probiotic fruit juice, mycelium or combinations of ingredients for which there may be limited, or limited documented, long-term experience with human consumption. Moreover, some people may have certain sensitivities or reactions to nutrients commonly found in such foods and may have similar sensitivities or reactions to the ingredients contained in our products. If any of our products cause, or are perceived to cause, adverse side effects, we may face a number of consequences, including, but not limited to injury to, or death of, consumers; a severe decrease in the sales of the relevant products; recalls or withdrawals of the relevant products; revocation of regulatory approvals for the relevant products; stricter and more frequent regulatory inspections of our facilities and products; and the risk of lawsuits and regulatory investigations in respect of the relevant products, which could result in liabilities, fines or penalties. Product recalls are common in our industry. We have in the past had to recall certain products which failed to adhere to standards set by the National Pharmaceutical Regulatory Agency in Malaysia ("**NPRA**"). For example, during 2015 to 2016 we recalled one batch of our cream products from Malaysia, Bahrain and Oman which did not satisfy the aerobic bacteria and fungi count required by the NPRA. In 2020 and 2022, we were required to recall pearl powder products from Malaysia which did not satisfy the specifications for cadmium. In 2021, we also recalled one batch of our bee pollen granule products from Bahrain which did not satisfy certain content specifications by the NPRA. In the event that any of our products are required to be recalled or withdrawn, we have recall procedures in place. While such instances of product recalls did not have a material impact on our Group and we have not encountered any instances of consumer death proven to have resulted from our products, or revocation of regulatory approvals in the past, there can be no assurance that such instances will not occur in the future. Further, while we maintain product liability insurance as part of the insurance policies covering key aspects of our business, product recalls are not covered under our various insurance plans. See Section 7.21 of this Prospectus for further details on our insurance policies.

To ensure the safety and quality of our products, we conduct stability tests for every product with a testing schedule of at least one batch per year and for every instance when there is a change in the product formulation or ingredient. The stability tests are a series of tests to obtain assurance of the stability of a product, namely the maintenance of the specifications of the product packed in its specified packaging material and stored at the established storage condition within the determined time period. Stability is an essential factor of the quality, safety and efficacy of our product. Further, before our products are released for sale, all batches of these products are sent for variable testing, which includes physical testing, microbiological testing and chemical testing, as applicable and/or as required by the local or exporting country laws and regulations. See Section 7.14 of this Prospectus for further details on our quality control measures. Despite such measures, there can be no assurance that that there will not be any incidents which question the safety and reputation of our products.

5. RISK FACTORS (Cont'd)

Adverse associations with our products, whether or not actually true, including with respect to their efficacy or side effects, may materially and adversely affect the reputation of our brands. For example, we faced bad publicity in Peru relating to the Spirulina cereal product in 2018, with certain consumers alleging to have consumed products which did not have the necessary sanitary registrations. The article has since clarified that the product did have the requisite registration. While we have not faced other occurrences which had a material impact on our business operations or financial condition, such adverse publicity may have a negative effect on our ability to attract, motivate and retain Members, and on our prospects, business and results of operations.

In addition to perceptions about the safety and quality of our products, the reputation of our Group is indirectly affected by the public's perception of direct selling companies more generally. Adverse publicity relating to direct selling companies, for example, through incidents of misconduct by parties in the direct selling industry such as false advertising or over-claiming of product efficacy, may damage our reputation even if such parties or incidents have no relation to us, our products or our counterparties, and consequently, adversely affect our prospects, business and results of operations. See Section 5.1.17 of this Prospectus for further details on the factors influencing the reputation of the direct selling industry. With regard to our own distribution network, we have limited control over the conduct of our Members and external distribution agencies. Members may purchase our products from our sales branches or external distribution agencies and sell and/or distribute them to consumers. However, they are prohibited from selling and/or distributing the products in jurisdictions outside the country of purchase, including jurisdictions in which we do not have a presence. In the event our Members sell or distribute our products to such jurisdictions, such Members remain liable and have the responsibility to ensure such sales are not against the relevant local laws and regulations. We do not indemnify our Members should they be found guilty of any wrongdoing. We have not come across any incident of violation of local laws and regulations by our Members in the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and the FPE 31 October 2022. While we require our Members and external distribution agencies to adhere to the terms of our rules and regulations or distributorship agreements, a breach of which may result in a reprimand, suspension or termination of their membership and/or distributorship, we have encountered issues in the past where our Members have overclaimed the efficacy of a product, sold products at a price that is lower than our pricing list, conducted internet sales that are not approved by us or have overstated their income or potential income. There can be no assurance that similar misconduct will not occur in the future, which could result in adverse publicity for our Group, claims, penalties, confiscation or suspensions or prohibitions of sales of our products. See Sections 5.1.2 and 5.1.3 of this Prospectus for further details.

5.1.6 We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products, which may materially and adversely affect our reputation, business and prospects

We may be subject to product liability, personal injury or wrongful death claims or product recalls if the products we sell are deemed or proven to be unsafe, defective or contaminated, or if they are insufficiently or improperly labelled.

5. RISK FACTORS (Cont'd)

Our products are subject to product labelling requirements in the various jurisdictions in which we operate. We are required to provide mandatory precautionary statements on the labels of our PCC products. The local authorities also generally require us to display nutrition and ingredient information labels on our FFB products, and as a matter of practice, we display such information labels on our products even if not required, such as for our HDS products. For example, Peru and Mexico have regulatory requirements to prominently display nutrition logos on the front panel of product packaging if certain nutrition information such as sugar have exceeded a pre-determined threshold. We have a quality control department that is responsible for ensuring that our product packaging meets labelling requirements. However, non-compliance with such requirements may still occur due to human error or inadvertent misinterpretation of the regulatory requirements in the relevant jurisdiction. Failure to label our products properly or sufficiently in the future may lead to product recalls, product liability claims or other regulatory actions in the markets in which our products are distributed.

Any product liability claims brought against us or product recalls, regardless of whether the claims are with merit, could strain our financial resources and divert the time and attention of our management. Where any product liability claims or product recalls relate to our proprietary products, consumer confidence in our brands may decline, and our reputation and sales of our proprietary products may be materially and adversely affected. If any product liability claims against us were to prevail, we may incur substantial monetary liabilities. Further, we may be subject to regulatory fines or criminal liabilities and the licences, permits and approvals that we require for our business operations may be revoked. If any of the foregoing occurs, our business, financial condition and results of operations may be materially and adversely affected. For example, in 2015, the Thai FDA took possession of and prohibited the sale of 13 batches of our Cocozhi products due to their cadmium content. Cadmium can be found occurring naturally in cocoa beans. Our Thai subsidiary has stopped sales and importations of these prohibited products. We received regulatory fines amounting to approximately RM40,000 from the Thai FDA. As at the LPD, we are still in discussions with the Thai authorities on how these prohibited products shall be destroyed.

Our Members or distributors may also negligently or otherwise provide inaccurate or incomplete information about our products, as a result of which consumers may use our products incorrectly. Incorrect use of our products could result in our products being less effective or cause adverse effects that could otherwise have been avoided. Our reputation and the sales of our products could consequently be adversely affected, and we could be exposed to product liability lawsuits or regulatory investigations, action or penalties and we may face additional costs and liabilities as a result. For example, a criminal complaint was filed against certain of our distributors by relatives of a consumer whose death allegedly resulted from the distributors' illegal practice of medicine in selling our products. Although the prosecutor's request to join us as a civilly liable co-defendant was rejected by the court, and the prosecutor has requested dismissal of the complaint (which is pending court approval as at the LPD), negligent or unlawful conduct on the part of our Members or distributors such as giving misleading information about our products could nevertheless adversely impact our reputation and our products and result in us being implicated in litigation or investigations, which if determined adversely against us, could result in civil, criminal or other regulatory or administrative liabilities.

5. RISK FACTORS *(Cont'd)*

5.1.7 We may not be successful in product registration or our product applications may be subject to multiple rounds of review

We are required to obtain product registration in certain jurisdictions in which we operate. For jurisdictions where there are no local product registration requirements, we will generally be required to comply with product labelling requirements for the sale of our products. Filing an application and obtaining product registration for a product is an extensive, lengthy, expensive and uncertain process, and regulatory authorities may delay, limit or deny product registration of a product for many reasons, including, but not limited to, the following:

- regulatory authorities may reject an application if deemed to be incomplete or non-compliant;
- regulatory authorities may disagree with the product category for which the product registration is filed;
- regulatory authorities may not approve of or be unfamiliar with certain specific ingredients used, in particular, ingredients that have not previously been successfully registered in that jurisdiction;
- the regulatory authorities may not approve of the formulation, manufacturing process or facilities for a product, which would require technical correction or changes to be made prior to product registration being granted;
- regulatory authorities may disagree with certain statements made on a product label;
- regulatory authorities may deem that we have failed to demonstrate that a product is safe and effective for its proposed indication; and
- regulatory authorities may abandon or delay the processing or evaluation of a local product registration as a direct or indirect effect of other competing priorities not within our control, for example natural disasters, disease outbreaks or the COVID-19 pandemic.

As we continue to grow and expand our product lines, we will submit product registration applications. As at the LPD, we have made certain applications in our core markets which are still pending registration. Excluding products which are pending renewal and products which do not require registration, we have approximately 246 SKUs that are pending product registration application as at the LPD. We have, in the past, experienced delays in product registration and have not been able to register certain products in certain jurisdictions. Such instances of delayed or unsuccessful applications make up a small percentage of the total number of product registrations being processed for all jurisdictions and have not resulted in a material adverse impact on our business and results of operations. However, there can be no assurance that we will obtain product registration or successfully renew existing product registrations in any jurisdiction in respect of any of our products in the future. For example, the product registration for RG and GL capsules in Peru had expired on 17 August 2022 and as at the LPD, our application for renewal had not been granted by the relevant authority and we are in the process of appeal in relation to the renewal. The sale of RG and GL capsules in Peru contributed to approximately 1.2% and 1.1% of our Group's gross revenue for the FYE 28 February 2022 and FPE 31 October 2022 respectively.

5. RISK FACTORS (Cont'd)

The ease and likelihood of success of product registration varies by region. For example, certain of our natural ingredients including the Ganoderma mushroom or Noni fruit are relatively more common in Asia but are less commonly found in Latin America and the Middle East. As such, regulatory authorities in such jurisdictions may raise additional questions about the appropriate product category to be applied to our products or require additional clinical studies and tests to support our applications for product registration, and there can be no assurance that these products will fulfil these additional requirements.

The relevant regulatory authorities may also grant product registration for fewer or more limited indications or stipulate a shorter shelf life than what we had requested, require the inclusion of safety warnings or impose other conditions that may negatively impact the commercial viability of the product. For example, Peru, Colombia and Mexico require certain safety or advertising warnings or nutritional information labels to be prominently displayed on some of our product packaging and comply with other applicable provisions.

In the case of product registration renewal applications, we may be required to submit such applications to different regulatory authorities from time to time, be subject to additional or more stringent requirements than at the initial registration, be required to reclassify our products or file them under a different category, or be subject to longer review or processing periods for such renewal applications. We have previously been required to do so in compliance with new or changed local regulations. All this may have the effect of delaying a product registration renewal or even its revocation. We have in the past also had to cease the sale of certain products due to changes in local regulations prohibiting ingredients in such products, such as:

- in 2015, the Thai FDA took possession of and prohibited the sale of 13 batches of our Cocoshi products due to their cadmium content. Our Cocoshi products contain cocoa powder which has naturally occurring trace amount of cadmium. We have ceased the sale of these prohibited products in Thailand;
- in 2019, the Thai Ministry of Public Health announced a ban on cosmetics containing plastic microbeads, effective in 2020. We have ceased the sale of our aloe vera facial scrub product containing non-compliant plastic microbeads;
- between 2018 and 2022, the health authorities in Thailand, Saudi Arabia, Oman and the Gulf Cooperation Council announced various bans on products with partially hydrogenated oil. We have ceased the sale of our beverages containing non-dairy creamer with partially hydrogenated oil components in those jurisdictions; and
- the GSO 692 implemented in 2017 in Saudi Arabia prohibited sucrose or any other readily fermentable carbohydrates as an ingredient in toothpaste. Following the ban, we have ceased the sale of Ganozhi Toothpaste which contains sucrose.

If we are not granted product registration or renewal in respect of any product, we will not be able to market and sell the relevant product in the relevant jurisdiction. Further, even if we obtain product registration or renewal for a particular product in a particular jurisdiction, there can be no assurance that the relevant regulatory authority will not revoke it at any time. In the event any of the foregoing occurs, our business and prospects may be materially and adversely affected.

For further details on the internal quality controls and process with respect to our products, see Sections 5.1.5 and 7.14 of this Prospectus.

5. RISK FACTORS (Cont'd)

5.1.8 Our business, operations and results may be materially and adversely impacted by events relating to the COVID-19 pandemic or other disease outbreaks

We have faced and may in the future face disruptions to our business, operations, manufacturing and direct selling activities due to the COVID-19 pandemic or other disease outbreaks. The COVID-19 pandemic had disrupted the global economy and resulted in travel and transportation restrictions; prolonged closures of workplaces, businesses and schools; significant strains on national health systems; general lockdowns and social distancing measures in numerous countries; increased volatility in international capital markets; supply chain disruptions and many other related consequences.

Since the outbreak of the COVID-19 pandemic in 2020, we have had to comply with government directives aimed at controlling the pandemic in the various countries in which we operate, including lockdowns and other restrictions on the movement of people and goods, social distancing and workplace safety measures. As a result of these restrictions, we faced labour shortages, logistical disruptions in the shipment of our products and cessations in our operations which have led to loss in productivity and cost overruns. Further, movement and social distancing restrictions have impacted the ability of our Members to make sales. Such restrictions primarily had an impact on our results of operations from April to June 2020. We have continued to encounter intermittent shipment delays up to the LPD although the situation has gradually improved since the second half of 2020 and has not had a material impact on our operations. For further details on how the COVID-19 pandemic affected our business, see Section 7.23 of this Prospectus.

While we have implemented various precautions, restrictions and measures aimed at safeguarding the health of our employees and the stability of our operations and financial condition at our offices, research, cultivation and manufacturing facilities and other premises (for further details on such measures, see Section 7.23 of this Prospectus), there can be no assurance that our precautions will be sufficient or that we will not encounter COVID-19 or other disease outbreaks in the future. In such an event, we may be required to take measures such as shutting down our facilities, suspending operations, putting our workers in quarantine, conducting health tests on our employees, paying for other medical expenses for our workers and other additional responsive measures. For example, between May to July 2021, we closed certain of our coffee and juice production facilities in Malaysia for a total of 15 days due to employees at such facilities tested positive for COVID-19, as required by the MOH. We may also only be permitted to reopen any such facilities after obtaining approval from the relevant authorities and satisfying all their requirements. In addition, we may incur additional expenses and financial burdens in addressing the COVID-19 pandemic or other disease outbreak, including but not limited to paying for additional support staff and other general crisis management procedures.

The COVID-19 pandemic or other disease outbreaks in any country where our operations, suppliers, Members, stockists or external distribution agencies are based, and any regulatory measures or restrictions taken in response to an outbreak, including lockdowns or any similar restrictions, could severely disrupt the supply of raw materials, labour supply, business operations and distribution networks for our products. Government approvals for routine matters may also be delayed as resources are redirected as a result of the pandemic. We cannot predict the direct and indirect effects of the COVID-19 pandemic and governments' responses to it on our business, results of operations, financial condition and liquidity, which may include:

- the risk that we or our suppliers, Members, stockists and external distribution agencies may be prevented from conducting business activities for an indefinite period of time;

5. RISK FACTORS *(Cont'd)*

- a decline in our Members' sales and distribution activities as a result of lockdowns, social isolation requirements or other restrictions on movement; For example, our revenue decreased by 4.9% from RM1,104.6 million for the FYE 29 February 2020 to RM1,050.2 million for the FYE 28 February 2021 primarily due to movement restrictions imposed in response to COVID-19 by the local governments of our core markets in Latin America, South Asia and Southeast Asia. See Section 12.2.8 of this Prospectus for further details;
- a prolonged disruption to our operations and manufacturing activities, leading to significant loss of business and revenue, and harm to our relationship with our Members; and
- delays to our expansion and construction plans, in particular our plans to establish one new cultivation facility in Ningxia, China, and two new manufacturing facilities, in Ningxia, China and Telangana, India.

We may also experience an increase in transportation costs due to logistical disruptions. In addition, we may face interruptions in our supply chain; impact to our costs or access to capital and funding resources; any material COVID-19-related contingencies; and general economic and social uncertainty, including increases in interest rates, variations in foreign exchange rates, inflation and unemployment and other unforeseen impacts and consequences resulting from the COVID-19 pandemic.

Any of the above disruptions could have a material adverse effect on our business, results of operations and financial condition, which may lead us to be unable to meet the demand of our customers. Any such disruption could also materially harm our reputation and expose us to legal claims. Furthermore, the COVID-19 pandemic may also have the effect of heightening many of the other risks described in this Section of this Prospectus.

5.1.9 **We rely on third party suppliers for raw materials, packaging components and certain finished products**

We purchase raw materials and packaging components for our products, including natural ingredients (such as Ganoderma and Spirulina), raw materials to cultivate mushrooms (such as rubberwood sawdust and rice chaff), ingredients used in the production of our FFB and HDS (such as coffee powder, creamer and sugar), and packaging materials (such as capsules and plastic containers). We also purchase certain finished products comprising, among others, food and beverages (such as tea sachets and Zhi Mint candy), home appliances (such as water filtration systems and kettles) and personal care products (such as soap and hair oil) from third party suppliers. There can be no assurance that our suppliers will continue to or be able to supply their products in the quantities and timeframes required by us or to comply with their supplier agreements with us. A supplier's inability to supply a raw material, packaging component or finished product for any reason, a disruption or interruption in the supply chain or the loss of our material suppliers would affect our ability to manufacture, sell and deliver our products and could significantly increase our costs and affect our business, profitability and reputation. For instance, the Russia-Ukraine conflict could adversely impact our raw materials, energy and transportation costs, as well as certain of our suppliers, global and local macroeconomic conditions, causing further supply chain disruptions. In addition, we are dependent on suppliers for natural ingredients such as Ganoderma and Spirulina, which are susceptible to certain risks related to their cultivation. See Section 5.1.12 of this Prospectus for further details.

5. RISK FACTORS (Cont'd)

In the FYE 28 February 2022, approximately 44% or 103 tonnes of Spirulina powder was sourced from third party suppliers. We may incur additional cost, time and resources to seek alternative supplies on terms that are commercially acceptable to us. In a worst-case scenario, it may be difficult to obtain the raw materials and packaging components that we need at commercially acceptable terms, due to factors over which we have no control, such as climate, agricultural production, economic conditions, geopolitical tensions and transportation and processing costs. Each of these may adversely affect our profit margins if we are unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies in manufacturing and distribution.

In addition, we have limited or no control over the operations of such third party suppliers. There can be no assurance that our suppliers will not have issues regarding working conditions, sustainability, outsourcing of the production chain and improper safety conditions, or that they will not use these irregular practices in order to lower product costs. If our suppliers engage in these practices, our reputation may be harmed and, consequently, our customers' perception of our products may be affected, thereby affecting our results of operations.

5.1.10 We use third party manufacturers to manufacture and are subject to risks inherent in such activities carried out by our third party manufacturers

While 90.9% of our products are manufactured in-house in the FYE 28 February 2022 (based on gross revenue contribution), we use third party manufacturers to manufacture certain of our products, such as home appliances and water filtration systems. Our third party manufacturers face many of the same operational risks that we do. See Section 5.1.11 of this Prospectus for further details. In addition, there can be no assurance that all our third party manufacturers will fulfil their obligations under the agreements into which we enter with them. If any of our third party manufacturers encounters any situation affecting their output, or if any of our third party manufacturers fails to meet their contracted obligations, this could affect our ability to deliver our products to market. Further, we do not have complete control over our third party manufacturers and therefore cannot guarantee that our third party manufacturers are in compliance with all applicable laws or regulations, creating reputational or liability risks to us.

5.1.11 We face certain risks inherent to the research, cultivation and manufacturing process

We operate two R&D facilities, six cultivation facilities and 10 manufacturing facilities, where we develop, cultivate and manufacture a significant portion of natural ingredients and products. The natural ingredients we cultivate include, but are not limited to, Ganoderma, Spirulina, Cordyceps, Roselle, Lion's Mane mushroom, Tiger Milk mushroom, pineapples, aloe vera and Noni.

The output from our cultivation facilities mainly comprises RG, GL and Spirulina. In the FYE 28 February 2022, our Group had sourced approximately 35 tonnes of RG powder and 108 tonnes of GL powder entirely from our cultivation facilities, as well as approximately 132 tonnes and 103 tonnes of Spirulina powder from our cultivation facilities and third party suppliers respectively. Similarly, during the same financial year, our Group had used approximately 39 tonnes of RG powder, 58 tonnes of GL powder and 162 tonnes of Spirulina powder in the production.

In respect of manufacturing output, 90.6% of our direct selling products sold (based on gross revenue contribution) were manufactured in-house during the FYE 28 February 2021. This increased to 90.9% during the FYE 28 February 2022.

5. RISK FACTORS (Cont'd)

We are exposed to certain risks inherent to our research, cultivation and manufacturing activities, including industrial accidents, fires, burglary, malicious damage, labour strikes and other labour or industrial disputes, interruptions to logistics, disruptions to our water supply, power supply, information and/or other systems, problems or breakdowns of key facilities, machinery or equipment, licensing requirements and other regulatory or government issues, environmental actions, as well as natural disasters, extreme weather conditions, disease outbreaks or pandemics, acts of terrorism and other external factors over which we have no control, and which may not be fully covered by insurance. We also use flammable materials, such as plastic packaging, in manufacturing our products, or alcohol for sanitising purposes, in line with our safety protocols. These materials may be stored in bulk in our facilities and premises. Any accidents may expose us to risks related to the total or partial loss of our facilities, depending on the severity of such accidents. Any such disruption or emergency situation may disrupt our research, production and manufacturing processes, affect our production facilities and adversely affect our production schedules. While we have not experienced any other material adverse disruptions in our research, production and manufacturing processes during the financial years and period under review, in September 2020, an electrical fault at one of our facilities resulted in a fire which engulfed one of our warehouses in our manufacturing facility in Kedah, Malaysia. The fire resulted in the loss of all of our inventory in that warehouse amounting to RM11.5 million which was approximately three months stock as well as an increase in our expenses of RM6.2 million due to production outsourcing. We typically maintain inventory levels of raw materials, work-in-progress and finished products of six to nine months, given the long lead time of about two to three months required to ship our products to some of our core markets, such as Latin America. While such inventory loss led to the temporary disruption of supply for certain products, we did not face material delays in shipments of products to our customers or consequently a material impact on our revenue or profit margins. We have relied on short-term arrangements on a purchase order basis with third party and related-party manufacturers to make up for the lost inventory and outsourced our production activities until the reconstruction of the manufacturing facility was completed in February 2022. Our ability to accurately forecast our supply needs is affected by factors beyond our control, and if we fail to manage our inventory effectively, including ensuring that any specific storage conditions that are required, we may face risks such as shortage of supply of our products. To the extent that the losses we suffer are uninsured or uninsurable, our financial condition and results of operations could be materially and adversely affected. See Section 5.1.16 of this Prospectus for further details.

While we have implemented various precautionary measures at our facilities, including installing firefighting equipment such as fire extinguishers and hose reels, fire safety systems, backup water supply, back-up generators, temperature and humidity monitoring systems and closed-circuit television surveillance systems, we cannot guarantee that such measures will be effective in minimising or eliminating such operational disruptions and potential loss and damages.

In addition, in the event of any machinery and equipment breakdown, our production facilities may be interrupted, causing production downtime and delay in the delivery of products to our customers. We may also incur additional cost to repair or replace the affected machinery, equipment and inventory, and may not be able to address such problems or obtain timely replacements. These in turn may materially and adversely affect our research, manufacturing or cultivation facilities as well as our results of operations and financial condition.

5. RISK FACTORS (Cont'd)

5.1.12 We face certain risks related to the cultivation of Ganoderma, Spirulina and other natural ingredients

We cultivate and produce natural ingredients such as Ganoderma, Spirulina, Cordyceps, Roselle, Lion's Mane mushroom, Tiger Milk mushroom, pineapples, aloe vera and Noni, and source other natural ingredients such as Ganoderma and Spirulina from third party suppliers in China. The cultivation and production of these natural ingredients are subject to risks inherent in the agricultural business, including risks of crop failure presented by weather, climate change, natural disasters, insects, infestations, fire, diseases and similar agricultural risks. Weather patterns have an effect on the cultivation and production of our natural ingredients in China and India. In China, Spirulina cultivation stops entirely during the winter (which occurs from November to March of the following year) and can be affected by unusual or rainy weather during the cultivation season (which occurs from April to October). In India, our Spirulina yield is typically lower during the rainy season which occurs from September to December and Ganoderma cultivation typically slows down during the winter season which occurs from December to March of the following year. Further, if our crops are affected by pests or crop disease, which often lead to reduced crop quality, stunted growth or death of the plant, we will have to dispose the applicable portions of these crops and if any applicable government or regulatory agency finds that the quality of our crops is unsuitable for commercialisation, we will be required to destroy those crops, which could have a material adverse effect on our business.

In addition, our natural ingredients are cultivated in specific, controlled environments. For example, Ganoderma mushrooms are cultivated in a controlled environment that requires specific temperatures and uncontaminated water for optimal growth. There can be no assurance that there will be no disruptions to the electricity or water supplies to our cultivation facilities, unusual weather conditions or other unexpected business interruptions that will interrupt our cultivation activities and in turn, materially and adversely affect our business operations. For example, we experienced frequent electricity power cuts in our cultivation facility in Odisha, India as is typical for the area during the summer period, during which we rely on more costly alternative power sources such as diesel for our irrigation and other production activities. There can be no assurance that our cultivation facility will not experience similar power supply shortages in the future. See Section 5.1.11 of this Prospectus for further details.

5.1.13 We face risks related to failures or breaches of our IT systems

We rely on our own IT systems and infrastructure, as well as those of third parties, to support our business and performance. We use a variety of in-house technological solutions to track and analyse data to manage inventory, plan production, prevent overstocking and communicate with our Members. We have a web portal (eWorld) and mobile applications (DXN app and DChat app) where our Members are able to order products, monitor sales and track rewards such as special promotions, their month-to-month bonus information, their ePoints balance and transaction history. We have also integrated the eWorld web portal with our regional websites, such that branches in foreign jurisdictions are able to publish and disseminate marketing content and individual Members can drive sales and engage non-Members by creating their own personal storefront webpages. Our web portal, mobile application and other technological solutions rely on a variety of other technological tools, including online ordering systems, electronic billing and third party cloud solutions. We also use third party software for certain of our IT systems pursuant to contracts, which we renew on an annual basis. See Section 7.15 of this Prospectus for further details.

5. RISK FACTORS (Cont'd)

We have an internal IT security team that plans, monitors and establishes our security plans and infrastructure, including network security, system installation and patching, and IT system strategies. We have also formulated various policies surrounding system security and data backup, as well as conducted testing of our internal IT system recovery plan. Nevertheless, our and our third party service providers' data, IT systems and infrastructure may be vulnerable to various potential risks, including but not limited to incidents originating from legacy or non-integrated systems, or both, as well as fires, natural disasters, power failure, telecommunication failure, terrorist attacks, break-ins, data corruption and other similar events. Other risks and challenges could arise as we upgrade, modernise and standardise our IT systems.

We may also face risks as a result of human error or malfeasance or failure, disruption, cyber incidents or other security breaches of third party systems or infrastructure. As techniques used by cyber criminals change frequently, a failure, disruption, cyber incident or other security breach may go undetected for a long period of time. A failure, disruption, cyber incident or other security breach of our IT systems or infrastructure, or those of our third party service providers, could result in the theft, transfer, unauthorised access to, disclosure, modification, misuse, loss, or destruction of the Company's, employee's, Member's or other third party's data, including sensitive or confidential data, personal information and intellectual property. Furthermore, our ability to protect and monitor the practices of our third party service providers is more limited than our ability to protect and monitor our own IT systems and infrastructure. Efforts and investments to monitor our IT systems and infrastructure are costly, and as cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Further, there can be no assurance that our efforts will prevent a failure, disruption, cyber incident or other security breach of our or our third party service providers' IT systems or infrastructure, or that we will detect or respond timely if there is such a failure, disruption, cyber incident or other security breach. Any such failure, disruption, cyber incident or other security breach could adversely affect our business, including our ability to expand our business, cause damage to our reputation, result in increased costs to address internal data, security, and personnel issues, and result in violations of applicable privacy laws and other laws and external financial obligations such as governmental fines, penalties, or regulatory proceedings. We may also face remediation efforts (liabilities for stolen assets or information, or repairs of system damage, among others), increased cybersecurity protection costs, lost revenues arising from the unauthorised use of proprietary information or the failure to retain or attract Members following a cybersecurity incident, litigation and legal risks, increased insurance premiums, reputational damage affecting our customers' and investors' confidence, as well as damage to our competitiveness, Share price and long-term shareholder value. Any failure by us to adequately protect our IT systems and the confidential data which we hold could have a material adverse effect on our business, financial condition and results of operations.

5. RISK FACTORS (Cont'd)

5.1.14 We face risks related to the unauthorised disclosure of confidential information and compliance with privacy laws

We store highly confidential information on our IT systems, including personal data, financial information, and other types of information related to our business, products and Members, including but not limited to, through our eWorld web portal and DXN app. See Section 7.15 of this Prospectus for further details on our IT systems. We also collect and process a considerable volume of information which is considered, in certain jurisdictions, to be sensitive personal data and is subject to legal regulations. As such, we must ensure that any processing, collection, use, storage, dissemination, transfer and disposal of data for which we are responsible, complies with relevant data protection and privacy laws in each jurisdiction, including the Personal Data Protection Act in Malaysia, the General Data Protection Regulation in Europe and the Personal Data Protection Act in Singapore.

We rely on commercially available systems, software, tools and monitoring to provide secure processing, transmission and storage of confidential customer information, such as credit card details and other personal information. Our facilities and systems, either of our e-commerce platform, as well as those of our third party service providers, may be vulnerable. See Section 5.1.13 of this Prospectus for further details on potential risks related to failures or breaches of our IT systems. If our servers or the servers of the third parties on which our data is stored are the subject of a physical or electronic break-in or other cyber risks, confidential information could be stolen, rendered unavailable, devalued or destroyed. Any security breach involving the misappropriation, loss or other unauthorised disclosure or use of confidential information of our suppliers, Members, external distribution agencies or others, whether by us or a third party, could subject us to civil and criminal penalties, have a negative impact on our reputation or expose us to liability. Further, the perception by our customers that we failed to comply with privacy laws or properly address privacy concerns could materially harm our business and standing with our customers.

5.1.15 We face risks related to the protection of our intellectual property rights

Our future success and ability to compete depend significantly on our ability to protect our current and future brands and to defend our intellectual property rights, including trademarks, patents, industrial designs, domain names, trade secrets and know-how. We have been granted trademark registrations covering our major brands and products in the jurisdictions where such products are principally sold and have filed and expect to continue to file trademark, industrial design and patent applications seeking to protect newly developed brands and products. There can be no assurance that these registrations will be granted with respect to any of our applications. There is also a risk that we could, even if by omission, fail to renew a trademark in a timely manner or that third parties will challenge, and succeed in obtaining the invalidation of any existing or future trademarks issued to, or licensed to us. Monitoring the unauthorised use of intellectual property requires significant efforts, and we cannot be certain that the steps we have taken to protect our portfolio of intellectual property rights will be sufficient or that third parties will not infringe upon or misappropriate our proprietary rights. The improper or unauthorised use of our intellectual property rights, especially trademarks, may decrease the value of our brands, as well as cause a decline in our sales.

There can be no assurance with respect to the rights associated with intellectual property registered in certain countries where we operate. In addition, the laws of certain foreign countries, including many emerging markets, may not completely protect our intellectual property rights. The costs required to protect our patents and trademarks, especially in emerging markets, may be substantial.

5. RISK FACTORS (Cont'd)

While we have not had issues with counterfeiting and imitation of our products to date, there can be no assurance that counterfeiting and imitation will not occur in the future or, if it does occur, that we would be able to detect and address the problem effectively. Any occurrence of counterfeiting or imitation could impact negatively upon our reputation and brand name, lead to loss of consumer confidence in our brand, and, as a consequence, adversely affect our results of operations.

As we actively pursue innovation in the natural ingredients and health-oriented supplements industry and enhance the value of our intellectual property portfolio, we may be involved in litigation to protect our intellectual property or to defend against claims of invalidity or infringement by others. An adverse outcome in litigation or any similar proceedings could adversely affect our business, financial condition and results of operations. In addition, the diversion of management's attention and resources while addressing any intellectual property litigation claim, regardless of whether the claim is valid, could be significant and could materially affect our business, financial condition and results of operations.

5.1.16 Our insurance coverage may be inadequate

While we maintain insurance policies to cover a variety of risks that are relevant to our business needs and operations, and our principal assets (save for certain biological assets), there can be no assurance that any insurance proceeds we receive would be sufficient to cover all insured losses and/or liabilities. See Section 7.21 of this Prospectus for further details on our insurance policies.

In September 2020, an electrical fault at one of our facilities in Kedah, Malaysia resulted in a fire which engulfed one of our warehouses in our manufacturing facility resulting in the property, plant and equipment and inventories of RM17.6 million collectively being written off. We have received the final insurance claim amounting to RM17.1 million with respect to this matter up to 28 February 2022. While we have made claims and received compensation under our insurance policies in the past, there can be no assurance that we will be able to successfully claim for the full amount of the losses suffered or receive the full amount of our claim from the insurer or that our existing insurance policies will be sufficient to cover all of our potential losses or risks associated with our business and operations.

There are certain types of risks that are not covered by our policies, such as war, force majeure and certain business interruptions such as the COVID-19 pandemic. In addition, while our Group holds product liability insurance, such insurance policies may not cover all liabilities, including product liability claims. To the extent that we suffer losses or damages as a result of a risk for which we do not maintain insurance or which is not covered by our insurance policies or where the cost of the losses or damages exceeds our insurance coverage, we will have to bear such costs which would have a material adverse effect on our business, financial condition, and results of operations.

5.1.17 We face certain risks related to the perceived safety and reputation of the direct selling industry

The public's perception of direct selling companies, including the perception of our Company, is dependent upon a number of factors, including:

- incidents that reflect doubt as to the quality, safety or efficacy of natural ingredients used or products manufactured, distributed or sold by the direct selling industry;
- opinions on the direct selling business generally, including perceptions on marketing programs or the attractiveness or viability of the financial opportunities that direct selling companies may provide;

5. RISK FACTORS (Cont'd)

- negative reports, news, scandals or other unfavourable incidents associated with the health-oriented supplements or direct selling industry or health-oriented and dietary supplement products;
- determination by regulatory authorities that such health-oriented and dietary supplement products are detrimental to public health;
- actual or purported failure by direct selling companies or Member-equivalents to comply with applicable laws, rules, and regulations, including those regarding over-claiming product efficacy, other product claims and advertising, good manufacturing practices, marketing regulations and product registration requirements; and
- actual or alleged impropriety, misconduct, or fraudulent activity by any person formerly or currently associated with any direct selling companies or in the direct selling industry.

Adverse publicity concerning any of the foregoing whether or not accurate or resulting in investigation, enforcement, or other legal or regulatory actions or the imposition of fines, penalties, or other sanctions, may not only damage the reputation of the parties involved, but also the direct selling industry in general, and may adversely affect us even if such parties or incidents have no relation to us, our products or our counterparties.

5.1.18 Direct selling companies are subject to numerous laws and our direct selling business model could be deemed as non-compliant with current or newly adopted regulations or laws

The direct selling industry is subject to a number of federal and state regulations. For more information on the relevant laws and regulations governing our Group in our core markets, see Section 7.27 of this Prospectus.

Laws specifically applicable to direct selling companies generally are directed at preventing deceptive or misleading marketing and sales practices, and include laws often referred to as "pyramid" or "chain sales" scheme laws. These anti-pyramid laws are focused on ensuring that product sales ultimately are made to end consumers and that advancement within a sales organisation is based on sales of products and services rather than investments in the organisation, recruitment of other participants, or other non-retail sales-related criteria. The regulatory requirements concerning direct selling programmes do not include "bright line" rules, involve a high level of subjectivity and are subject to judicial interpretation. Our Group is subject to the risk of any changes in these laws or regulations or the enforcement or interpretation of these laws and regulations by the governmental agencies or courts. See also Section 5.1.23 of this Prospectus for further details on risks relating to differences in interpretations of laws or regulations.

There are also additional risks in certain jurisdictions, such as Mexico, Peru, Bolivia and Mongolia, where there are no laws or guidelines governing the direct selling industry or where the application of such laws and guidelines are unclear. The table below sets out the contribution from Mexico, Peru, Bolivia and Mongolia in terms of gross revenue for the financial years/period indicated:

	FYE		FYE		FYE		FPE	
	29 February 2020	% of	28 February 2021	% of	28 February 2022	% of	31 October 2022	% of
	RM	gross	RM	gross	RM	gross	RM	gross
	million	revenue ⁽¹⁾	million	revenue ⁽¹⁾	million	revenue ⁽¹⁾	million	revenue ⁽¹⁾
Mexico	158.1	13.3	166.6	14.2	179.3	13.7	128.6	11.7
Peru	268.1	22.6	252.6	21.6	298.5	22.8	282.7	25.8
Bolivia	143.2	12.1	140.7	12.0	185.5	14.2	148.2	13.5
Mongolia	14.6	1.2	15.0	1.3	18.1	1.4	12.3	1.1

5. RISK FACTORS (Cont'd)

Note:

- (1) *Calculated based on gross revenue from our primary business, namely the sales of health-oriented and wellness consumer products, and not revenue from our other business activities such as laboratory testing services, lifestyle products and operating a café.*

We may face increased compliance costs if authorities in those jurisdictions were to enact or update such laws.

Any direct selling companies that we own or acquire in the future, or any modification to our bonus and compensation plan, could be found to be non-compliant with current or newly adopted laws or regulations in one or more markets, which could prevent us from conducting our business in these markets. For example, Oman passed a law in 2021 prohibiting all pyramidal marketing activities in the country. We believe that our direct selling business in Oman does not fall within such prohibited pyramidal marketing activities, and we have thus far not received any notice from the authorities prohibiting us from operating our business or been subject to any enforcement action. Laws or regulations affecting direct selling companies could harm our prospects, business activities, financial condition and results of operations. The implementation of such regulations may be influenced by public attention directed toward a direct selling company, its products or its direct selling program, such that extensive adverse publicity could result in increased regulatory scrutiny.

5.1.19 We are subject to extensive legal and regulatory requirements in the countries in which we operate and any changes in the relevant laws and regulations may significantly increase our compliance burden

Our products and business activities are regulated by various laws and regulations, including those relating to food products, health-oriented supplements, general consumer protection, product safety, foreign direct investments and direct selling, and we are subject to extensive supervision by government and other agencies in respect of various aspects of our operations, including licensing and certification requirements, product registration requirements, quality and safety standards, periodic renewal and reassessment procedures and the way we conduct the direct selling business.

Foreign investments in our subsidiaries in India, including the Indian Subsidiaries are regulated through the Consolidated Foreign Direct Investment Policy and the FEMA read with the FEMA Rules. The FEMA regulates transactions involving foreign exchange and generally provides that certain transactions cannot be carried out without the general or specific permission of the RBI or the Government of India. There have been certain instances of procedural non-compliance by the Indian Subsidiaries with the applicable foreign investments requirements in the past, including failure to notify or obtain approval from the RBI and other regulatory authorities in India in respect of certain transactions, file annual return on Foreign Liabilities and Assets with the RBI, or undertaking entity user registration with the RBI. We expect to incur rectification costs and monetary penalties of a non-material amount for these instances of non-compliance. While we have regularised some instances of non-compliance, our regularisation applications with the relevant authorities in India to regularise certain instances are still pending, which we expect to be completed within one year from the date of this Prospectus. We will provide further updates on the regularisation process of these non-compliance instances in our annual report. As we continue to grow, there could be further instances of inadvertent non-compliance with the foreign exchange laws in India, which may subject us to regulatory action in India, including monetary penalties. Further, any changes to the regulations issued by the RBI under the FEMA and/or FEMA Rules which impose further restrictions or requirements in respect of foreign investments may increase our compliance burden, cause us to incur additional cost or otherwise adversely affect our business and our financial performance.

5. RISK FACTORS (Cont'd)

Our various facilities are required to comply with certain quality standards as well as any other applicable standards. For example, we are required in Malaysia to obtain CCCs or equivalent for our buildings as official recognition that the buildings are fit for the purpose they were built for and use our facilities in accordance with the category of land use and the express condition stipulated in the land title of our facilities. Failure to obtain CCCs in a timely manner, or to comply with the category of land use or express conditions (or obtain approval to vary such conditions in the land title), may affect our ability to operate at our facilities and expose us to fines and other penalties, including, in the event of failure to obtain approval to change the express condition and the possibility of relocation of our facilities. As at the LPD, while no enforcement action has been taken against us in respect of the CCC and land title-related instances of non-compliance in Malaysia, we are actively undertaking rectification measures in respect of such non-compliance. However, there can be no assurance that the local authorities will not impose fines and/or penalties on our Group in the future.

We are also required to comply with GMP regulations for:

- manufacturing facilities which produce food supplements, pharmaceutical products or cosmetic products in countries which require GMP compliance; or
- manufacturing facilities which export food supplements, pharmaceutical products or cosmetic products to countries that require GMP compliance.

All our manufacturing facilities are GMP compliant save for our virgin coconut oil manufacturing facility in South Kalimantan, Indonesia, our tea products manufacturing facility in Anxi, China and our fortified beverages manufacturing facility in Tlaxcala, Mexico which do not require GMP compliance. Failure to comply with such practices may have a material and adverse effect on our ability to manufacture and in turn, sell and/or distribute certain of our products, which may materially and adversely affect our business operations. We also maintain various certifications on a voluntary basis, including but not limited to Halal certification, ISO standards and HACCP principles. We are subject to periodic inspections by the relevant certification agencies. If we are unable to obtain or renew such certifications in a timely manner, or at all, our products may lose their commercial value or brand value, affecting our sales and distribution, which may materially and adversely affect our business operations. For example, in 2021, our TGA certification from the Department of Health, Australia lapsed as the TGA was unable to schedule an on-site inspection of our facilities in Malaysia due to the COVID-19 pandemic. While this has not caused a material impact on our business, the TGA certificate is a supporting document for certain other product licence applications and renewals, including a food supplement product licence in Canada. As at the LPD, we have obtained our renewed TGA certificate, which was issued on 24 March 2023 and will expire on 17 November 2025. See Section 5.1.8 of this Prospectus for further details on the potential impact of COVID-19 pandemic on our business and results of operations.

5. RISK FACTORS (Cont'd)

In addition, we are required to possess various approvals, permits or licences to manufacture, market and sell our products. Further details of our major licences, permits and approval are set out in Section 7.22 of this Prospectus. See Section 5.1.18 of this Prospectus for further details on direct selling licences that we are required to obtain and maintain. These approvals, licences and permits need to be reviewed on a periodic basis or reassessed by the relevant regulatory authorities. We may not be able to renew such licences with the authorities, particularly if the authorities choose to impose new terms or conditions which we may be unable to fulfil in future. We may also be subject to periodic inspections, examinations, inquiries or audits by government agencies, and an adverse outcome from any such inspection, examination, inquiry or audit may result in the loss or non-renewal of permits, licences or certifications required for our business operations. In certain jurisdictions, failure to comply with these rules could result in the seizure of our products, significant penalties or claims and even criminal liability. Further, our licences from the authorities may even be revoked or suspended prior to the expiration. If we or other third parties such as our external distribution agencies are unable to obtain or renew such approvals, permits or licences in a timely manner, or at all, we and/or external distribution agencies may not be able to manufacture, sell and/or distribute the relevant products in the relevant jurisdiction and our business operations in such jurisdictions may be materially disrupted.

We incur ongoing costs and obligations associated with compliance with the relevant laws, regulations and standards, and failure to comply with these laws, regulations and standards could result in additional costs for corrective measures and/or subject us to penalties or restrictions on our business operations. We have had to react to changes in applicable laws and regulations in the past and future changes to such laws and regulations could require extensive changes to our business operations or give rise to increased compliance costs or material liabilities, which would have a material and adverse effect on our business, results of operations and financial condition. If we are unable to adapt our business strategies and operations accordingly, our business may be materially and adversely affected.

5.1.20 We are subject to political, legal, tax, regulatory, social and economic risks of doing business in the countries in which we operate

Our business operates on a global scale. As a result, we are subject to the laws and regulations of various jurisdictions, some of which may impose limitations on our operations.

For example, Indonesian regulations require that our production facility located in Indonesia must prioritise the use of local raw materials and/or auxiliary materials. Mexican regulations promote local sugar supply by imposing various restrictions for imported sugar, which increases the regulators' scrutiny on our business and operations as we use imported sugar. We are subject to withholding tax requirements in certain countries such as Indonesia and the Philippines. In India, two of our subsidiaries are currently unable to remit profits to Malaysia due to errors in the registration of shareholding of our Indian subsidiaries with the RBI, though such subsidiaries are not restricted from declaring dividends. We have filed the regularisation applications with the relevant authorities in India to regularise these errors in the registration of shareholding of our Indian subsidiaries with the RBI, which we expect to be completed within one year from the date of this Prospectus.

5. RISK FACTORS (Cont'd)

Further, any adverse development in the political, legal, tax, regulatory, social or economic environment in the countries in which we operate could adversely affect our results of operations and prospects. These developments may include, but are not limited to, changes in political leadership, nationalisation, economic or political instability, bureaucratic delays, changes in macro-economic conditions, changes in diplomatic or trade relationships (including any sanctions, restrictions and other responses), price and capital controls, inflation, fluctuations in interest rates, constraints in commercial trades and payables, imposition of import and economic restrictions, sudden restrictive changes to government policies, introduction of new taxes on goods and services and introduction of new laws, as well as demonstrations, riots, local civil unrest, coups and war. In particular, in February 2022, armed conflict escalated between Russia and Ukraine. The United States government and other governments in jurisdictions in which we operate have imposed severe sanctions and export controls against Russia and Russian interests, and have threatened additional sanctions and controls. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, greater regional instability, geopolitical shifts and other adverse effects on macroeconomic conditions, currency exchange rates, supply chains and financial markets, which may in turn have adverse effects on our business.

A foreign government might also ban, halt or severely restrict our business, including our primary method of direct selling. These developments may result in the termination of contracts and/or disrupt our business operations in the relevant country. See Section 5.1.18 of this Prospectus for further details on the potential impact of changes in laws. If we are unable to address these matters in a satisfactory manner or adhere to or successfully implement processes in response to changing regulatory requirements, our business, costs and/or reputation may be adversely affected. We cannot predict with certainty the outcome or the impact that pending or future legislative and regulatory changes may have on our business in the future.

In addition, our labour costs may increase for various reasons, such as changes in the labour laws in the countries in which we operate. Potential disputes, adverse relations, and increases in labour costs could result in work stoppages or other events that could disrupt our business operations, which could materially and adversely affect our business and results of operations. Social or civil disturbances, terrorist attacks, hostilities and other acts of violence or war may also occur in the countries in which we operate and adversely affect, directly or indirectly, our business operations in these countries and our financial performance. The occurrence of any of these events may result in a loss of business confidence, potentially lead to an economic downturn and have an adverse effect on our business, results of operations, financial condition, and prospects.

5.1.21 We operate in numerous jurisdictions and are subject to changes in taxation rates, audits and investigations from time to time. These may result in additional tax liabilities, fines or penalties and/or tax proceedings which could have a material adverse effect on our results of operations and financial condition

We are subject to direct and indirect taxes as well as transfer pricing regulations in numerous jurisdictions. We calculate and provide for such taxes in each jurisdiction where we operate. The amount of tax we pay is subject to our interpretation of applicable tax laws of the jurisdictions where we file taxes.

5. RISK FACTORS (Cont'd)

We have taken and will continue to take positions based on our interpretation of tax laws, but tax accounting often involves complex matters and judgement is required in determining the provision for taxes and other tax liabilities of our Group. Although we rely on generally available interpretations of applicable tax laws and regulations, including interpretations made by the relevant tax authorities and courts of law where available, and believe that we have complied with all applicable tax laws, there can be no assurance that the relevant tax authorities or courts of law will not depart from the generally available interpretations of applicable tax laws and regulations on which we rely, and assess us with additional tax liabilities.

From time to time, we or our subsidiaries may be subject to routine or special tax and audit processes and investigations by tax authorities in relation to taxes in connection with our operations. Such audits and investigations may require the production of certain documents which may no longer be available because of the length of time since such documents were executed or prepared.

In addition, there have been instances where tax authorities have disagreed, and may in the future disagree, with our judgements. Our judgements of the likely outcomes of these tax audits to determine the appropriateness of our tax liabilities might not be sustained, and the amounts that are ultimately paid could be different from the amounts previously recorded. Any adverse finding resulting from such audits and investigations may lead to administrative proceedings and the assessment of additional tax liabilities or result in fines or penalties which could in turn increase our Group's costs of operations or our Group's effective tax rate and have a negative effect on our business, financial condition and results of operations.

There are certain ongoing tax disputes between several of our subsidiaries and the tax authorities of the jurisdictions in which we operate, including, among others, disputes over whether our subsidiary's expenses qualify as deductible expenses for tax computation purposes; our subsidiary's eligibility for tax deductions; the tariff to be paid for the import of our products; and the classification of products for the purposes of excise duty rates and GST rates. For instance, DXN Mexico has an ongoing income tax dispute with the Ministry of Finance of Mexico City, on behalf of the Tax Administration Service Mexico (Servicio de Administración Tributaria), where the Ministry of Finance of Mexico City took the view that certain of DXN Mexico's expenses were non-deductible and that there was an omission of taxable income in respect of the reversal of excess provision. DXN Manufacturing India has an ongoing dispute with the Customs Excise and Service Tax Appellate Tribunal ("**CESTAT**") in India over additional excise duty payable in respect of RG and GL capsules, with the CESTAT claiming that DXN Manufacturing India was applying incorrect excise duty rates for products deemed classified under the category of "health food supplements". Daxen Agritech has an ongoing custom tariff dispute with the Commissioner of Customs, New Delhi ("**Indian Customs**"), over additional custom duty payable in respect of the import of RG and GL capsules, with the Indian Customs claiming that Daxen Agritech was applying incorrect custom duty rates for products deemed classified under the category of "food". Additionally, DXN Marketing India has an ongoing GST dispute with the GST Intelligence in Belagavi, India ("**GST Intelligence**"), where the GST Intelligence took the view that DXN Marketing India was applying incorrect GST rates for the classification of RG and GL powder capsules, Spirulina tablets and Neeli hair oil.

We have made accounting provisions of RM58.6 million from the FYE 28 February 2018 up to the LPD. The accounting provisions made do not have a material impact on our Group's profitability as shown below, however, it may not be adequate if the actual tax liabilities imposed by the relevant authorities are higher.

5. RISK FACTORS (Cont'd)

	FYE 29 February 2020	FYE 28 February 2021	FYE 28 February 2022	From 1 March 2022 up to the LPD
	RM'000	RM'000	RM'000	RM'000
Provisions made	6,511	18,218	3,944	24,429
Profit for the year	255,248	200,884	245,444	N/A
% of provisions made to profit for the year	2.6	9.1	1.6	N/A

The net tax exposure deemed as a high probability arising from these disputes, after taking into account the accounting provisions made is RM5.0 million.

While we have not faced such instances in the past, we may, in particular, also face disputes with local tax authorities on the judgement of transfer pricing arising out of our intragroup transactions. Our intragroup relationships are subject to complex transfer pricing regulations administered by tax authorities in various jurisdictions. It is our policy that arrangements between companies within our Group, such as the intragroup provision of services and financing, are carried out on an arm's length basis. However, the relevant tax authorities may disagree with the positions taken by our Group generally or its determinations as to the value of assets sold or acquired or income and expenses attributable to specific jurisdictions. There can be no assurance that we will succeed in defending similar disputes in the future, or that we will not incur additional tax liabilities of such amounts as to have a material adverse effect on our business, financial condition and results of operations.

Our effective tax rate in the future could also be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities and changes in tax laws. Tax rates in jurisdictions where we operate may change as a result of macroeconomic, political or other factors. Increases in the tax rate in any of the jurisdictions in which we operate could have a negative impact on our profitability.

In addition, changes in tax laws, treaties or regulations, or their interpretation or enforcement, may be unpredictable, particularly in less developed markets, and could become more stringent which could materially adversely affect our tax position. Any of these occurrences could have a material adverse effect on our business, results of operations and financial condition.

5.1.22 We are subject to environmental laws and regulations and face compliance costs and risks

Our production facilities are located in several countries, including Malaysia, China, India, Indonesia and Mexico and we are subject to the relevant environmental laws and regulations with respect to our operations. These laws and regulations require us to adopt measures and controls in respect of wastewater discharge, emissions of air pollutants, waste disposal and management, occupational health and safety and management of hazardous substances. We have adopted measures to comply with such requirements, and in addition to these measures, we have voluntarily implemented further steps and policies to reduce our environmental impact. However, there is no assurance that these measures will be sufficient in the future. For further details on the environmental laws and regulations we are subject to, see Sections 7.27 and 7.30.2 of this Prospectus.

5. RISK FACTORS (Cont'd)

As at the LPD, our subsidiary, Anxi Gande Foluohua is exposed to potential liabilities in respect of non-compliance with environmental laws and regulations, for failing to obtain the required environmental approvals for the construction and usage of its facilities, putting the constructions into use before passing the requisite environmental inspection, and failing to conduct the environmental impact assessment procedure on its production facilities. DXN Corporation Ningxia had on 17 May 2022 entered into a share sale agreement to dispose of its entire equity interest in Florin Fujian (which wholly-owns Anxi Gande Foluohua), where following completion, Anxi Gande Foluohua will cease to be a subsidiary of our Group. The disposal has not been completed as at the LPD. In the event the disposal is aborted, Anxi Gande Foluohua will have to undertake the rectification measures as set out in Section 7.28.2 of this Prospectus to rectify the instances of non-compliance. In addition, as at the LPD, DXN Corporation Ningxia has also failed to complete an environmental check and acceptance for the construction and use of an existing factory building. While DXN Corporation Ningxia has obtained permission to continue production at such factory building while the environmental check is ongoing, there is no assurance that such check and acceptance will be completed and granted by the relevant authorities.

While we have not had other instances of violation of environmental laws or regulations in the past which were material to our Group, there is no assurance that such violations would not arise in the future and expose us to fines or other penalties, which could have a material and adverse impact on our business, results of operations, prospects and reputation. Moreover, environmental laws and regulations tend to be complex and frequently revised and the interpretation of such laws and regulations is constantly changing, resulting in uncertainty and making it difficult to predict the effect of such laws and regulations on our business and operations. Environmental laws and regulations are becoming increasingly stringent globally and this may result in increased costs of compliance for us, including costs of obtaining and maintaining compliance with required licences. We may not be able to pass on such costs to customers, which may have a material effect on our profitability.

5.1.23 We may be involved in legal proceedings that, if adversely adjudicated or settled, could adversely affect us

In the course of our business, we may, from time to time, become involved in disputes with various parties (including our employees, suppliers, distributors, Members and other customers) in relation to, among others, contractual interpretation, employee or employment claims, claims related to our products or advertising, product liability and infringement of intellectual property rights, product registration applications or renewals, which may lead to litigation or other proceedings.

In addition, we may have disagreements with regulatory bodies in the course of our operations or may be investigated by regulatory bodies, which may subject us to administrative proceedings, unfavourable orders, directives, decrees or sanctions such as fines or other penalties.

Such disputes, investigations, or other proceedings could in turn result in costs and negative publicity to us, regardless of the outcome. We may be forced to dedicate time and attention to defend against these claims, which could prevent us from concentrating on our business. Depending on the result, certain lawsuits, investigations or other proceedings may be concluded or settled on terms unfavourable to us, result in restrictions to our operations and adversely affect our business, financial condition and results of operations. Any attempts to resolve outstanding disputes may also be protracted and complaints that assert some form of wrongdoing, regardless of the factual basis for the assertions being made, may further lead to investigations by regulators.

5. RISK FACTORS (Cont'd)

For example, a winding-up petition was filed by the Securities and Exchange Commission of Pakistan ("**SECP**") against our subsidiary, DXN Pakistan, in 2018 for unauthorised multi-level marketing through its offices and/or service centres in Islamabad, Peshawar, Lahore and Karachi as well as through DXN Pakistan's website. The SECP first issued a show cause notice to DXN Pakistan in 2016, further to which DXN Pakistan defended allegations that it had carried out unlawful or fraudulent activities. In 2017, DXN Pakistan attended a hearing at the SECP's request to explain its operations.

Subsequent to its investigations, the SECP issued a public warning and an impugned order ("**Order**") against DXN Pakistan in 2018, on the basis that DXN Pakistan was carrying out unauthorised multi-level marketing activities. The Order authorised the SECP to file a winding-up petition against DXN Pakistan before the High Court of Islamabad. The High Court of Islamabad subsequently suspended the SECP from enforcing the Order against DXN Pakistan until the next hearing date on 6 June 2023, in order for DXN Pakistan to address the arguments raised by the SECP. In respect of these proceedings, we believe that even if the Order is enforced, the winding-up of DXN Pakistan's operations in Pakistan is not expected to have a material impact on our business, financial condition and results of operations. Our sales from Pakistan only contributed RM4.7 million or 0.4% of the gross revenue of our Group of RM1,305.9 million for the FYE 28 February 2022 and we have a total of 11,288 active Members in Pakistan, representing approximately 0.3% of our total active Members as at the LPD. See Section 7.6 of this Prospectus for further details on our total active Members.

Any similar disputes, even without foundation, may be expensive to defend or respond to, and could divert our management's attention, disrupt our day-to-day operations and negatively affect our relationships with our suppliers, customers and distributors and our reputation in the industry or require our Group to change our business practices, which may materially and adversely affect our business, financial condition, results of operations and prospects.

5.1.24 We face foreign currency fluctuations risk

We are exposed to risks associated with exchange rate fluctuations, particularly with respect to EUR, USD and RM.

Our exports, which consist of sales to external distribution agencies and our subsidiaries, are primarily denominated in USD and EUR. Sales to our Members occur in local currencies before they are converted into USD and EUR and repatriated to Malaysia. 25.8%, 11.7%, 13.5%, 10.2%, 7.0%, 4.7% and 4.1% of our total sales for the FPE 31 October 2022 are denominated in PEN, MXN, BOB, INR, RM, USD and EUR, respectively. Our purchases are denominated mainly in RM and USD and our operating expenses are denominated mainly in RM. 46.7% and 16.0% of our total purchases for the FPE 31 October 2022 are denominated in RM and USD, respectively. To the extent that our sales, purchases and operating expenses are not naturally matched in the same currency and there are timing differences between invoicing and collections/payment, we will be exposed to any adverse fluctuations of local currencies against USD and EUR.

5. RISK FACTORS (Cont'd)

In December 2016, Bank Negara Malaysia ("**BNM**") implemented an export conversion rule requiring exporters to convert at least 75% of export proceeds into RM. As such, we were only able to retain up to 25% of our export proceeds in foreign currencies. In March 2021, BNM removed the export conversion rule effective April 2021. Following which, we are able to manage currency conversion to RM more flexibly according to our cashflow needs or exchange rate favourability. There can be no assurance that the government or central bank in the jurisdictions where we operate will not impose these or other foreign exchange controls in the future. The imposition of such controls may lead to increased exposure of the economy to potential risks and vulnerability of developments in the international markets and thus may adversely affect our business, financial condition and results of operations, the value of our Shares and the ability of our shareholders to liquidate their Shares.

5.1.25 Leakage of cash payments made at our branches may adversely affect our revenues and financial condition

Our revenues derived from payments made at our sales branches are dependent on the integrity of our payment collection management systems, including the collection of cash, and may be reduced through incidences of theft, fraud, violations or technical failures of our payment collection management systems or processes with respect to cash collection. While these payment collection management processes are part of our policies on which we require our branch managers and persons in charge to undergo training, given that many of our customers make payments in cash at our sales branches, if cash collection is not properly monitored or if there are cash collection errors, such leakage may result in a reduction of our revenues from sales branches. Any significant failure by us to control leakage in payment collection systems could have a material adverse effect on our results of operations.

5.1.26 We rely on key personnel and the loss of any of our Directors and Key Senior Management and/or our inability to attract, retain and train key personnel may adversely affect our business, financial condition and results of operations

Our success depends, in part, upon the abilities, performance and continued efforts of our Directors and Key Senior Management and on our ability to retain our key personnel. The loss of any of our Directors, Key Senior Management or key personnel could materially and adversely affect our performance and we may not be able to replace them with individuals that possess equivalent experience and expertise in a timely manner.

Our success also depends, in part, on our continuing ability to identify, hire, attract, train, develop and retain other highly qualified personnel. Key personnel may leave us for a variety of reasons and the impact of these departures is difficult to predict, which may hinder the implementation of our strategic plans and adversely affect us. Such turnover also creates a risk of business processes not being sustained if the turnover occurs with inadequate knowledge transfer. Competition for these key employees can be intense and our ability to hire, attract and retain them depends on our ability to provide competitive compensation. Our failure to do so could materially and adversely affect our business, including the execution of our global business strategy.

5. RISK FACTORS (Cont'd)

5.1.27 We are controlled by our substantial shareholders whose interests may not always align with the interests of our other shareholders

Immediately following the completion of our IPO, our substantial shareholders will own in aggregate 81.3% of our enlarged issued Shares assuming the Over-allotment Option is not exercised. Accordingly, our substantial shareholders will still be able to exercise significant influence over the outcome of matters requiring the vote of our shareholders, including voting on appointments of our Directors, and consequently may be able to influence the composition of our Board. The interest of our substantial shareholders may differ from the interests of our other shareholders. For example, DLSJ has direct interest in LSJ Biotech, a company in India having a similar trade as that of our Group, and Zaman Biotech, a company which is a customer to our Group, although our Board is of the view that such interest does not give rise to any existing or potential conflict of interest situation, or has been mitigated. See Section 11.1 of this Prospectus for further details.

Our substantial shareholders could also have significant influence in determining the outcome of corporate transactions or other matters submitted to our shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions to the extent that they are not required to abstain from voting (and procuring persons connected to them to abstain from voting) in respect of such transactions and corporate actions. Our substantial shareholders are also able to prevent or cause a change in control in our Company.

5.2 RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

5.2.1 The health-oriented and wellness consumer products industry is characterised by rapid change and advances in technology or other developments which could negatively affect our business

The health-oriented and wellness consumer products industry is characterised by rapid change and the constant emergence of new products. Advances in technology or other developments may negatively affect the competitiveness of our products or materially and adversely affect the viability of our business model. For example, new scientific evidence may disprove or dispute the safety or efficacy of our products or assert that our products cause previously unknown adverse side effects. Additionally, our competitors may also develop or acquire manufacturing techniques or technologies that allow them to create new and disruptive products which render our products less competitive. To compete effectively, we invest significant resources in R&D so as to keep pace with technological and scientific changes, integrate new technology into our products, and create new and relevant product categories. If we are unable to adapt to changing technologies or market conditions by modifying our product portfolio or business strategies accordingly, our business and prospects could be materially and adversely affected.

5. RISK FACTORS (Cont'd)

5.2.2 The health-oriented and wellness consumer products industry is highly competitive and we may not be able to compete successfully with our competitors

We operate in a highly competitive industry. The health-oriented and wellness consumer products industry is highly competitive as there are a number of companies in the jurisdictions that we operate in. According to Frost & Sullivan, the direct selling market of FFB, HDS, and PCC products is highly fragmented, comprising both small localised and large multinational companies with different product offerings and geographical presence. In this fragmented market, we have positioned ourselves with innovative differentiated products which are manufactured in-house with a level of capital expenditure similar to that of comparable direct selling companies. There can be no assurance that our current or potential competitors will not offer products comparable or superior to those we offer or adapt more quickly than we do to the evolving industry trends or changing market requirements. If our advertising, promotional and marketing strategies do not succeed and if we are unable to offer new products to meet the market demands, we may be adversely affected. If our end consumers believe that our competitors' products are more attractive, our sales, profitability and results of operations may be adversely affected. There can be no assurance that we will be able to compete effectively or cost-efficiently against current and future competitors. Increased competition may result in reduced prices and gross margins, and loss of market share, any of which could have a material adverse impact on our business and results of operations.

Moreover, some of our competitors have been in business longer than we have and may have substantially greater financial, marketing and other resources than us. Our competitors may be able to devote greater resources than us to invest in marketing and business development. Our competitors may also be acquired by, receive investments from, or enter into other commercial relationships with larger, better-established and better-financed companies in certain lines of business. As such, we may be materially adversely affected to the extent we are unable to compete successfully with our competitors.

5.2.3 Changes in consumer preferences may adversely affect our business, financial condition and results of operations

We operate in an industry that is subject to rapid and unpredictable changes in consumer demand and trends. Consumer preferences and trends may change due to a variety of factors, including factors beyond our control, such as new market trends, changes in the characteristics and ingredients of products, changes in demographic trends, negative publicity from lawsuits against us or our peers, or a weak economy in one or more of the markets in which we operate. Such changes may adversely affect the demand for our products and in turn, materially and adversely affect our business and growth prospects. In addition, consumers may switch to the products of our competitors, such that the demand for products in our segment as a whole could decline. See Section 5.2.2 of this Prospectus for further details. If we are unable to anticipate changes in consumer preferences and trends, or successfully create new products to cater to such changes and preferences or we are not able to respond to restrictions on our business due to customs, norms and policies in the various jurisdictions in which we operate, our business, financial condition and results of operations could be materially adversely affected.

In addition, consumer purchasing habits, including reducing purchases of health-oriented supplements generally, or reducing purchases from representatives through direct selling by buying health-oriented and related products in other channels such as retail, could reduce our sales, impact our ability to execute our global business strategy or have a material adverse effect on our business, financial condition, results of operations and prospects.

5. RISK FACTORS *(Cont'd)*

5.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

5.3.1 The offering of our Shares may not result in an active and liquid market for our Shares

There can be no assurance as to the liquidity of the market that may develop for our Shares, the ability of shareholders to sell our Shares or the prices at which shareholders would be able to sell our Shares. Neither we nor our Promoter have an obligation to make a market for our Shares or, if such a market does develop, to sustain it. In addition, there can be no assurance that the trading price of our Shares will reflect our operations and financial condition, our growth prospects or the growth prospects of the industry in which we operate.

5.3.2 Our Share price and trading volume may be volatile

The market price of our Shares could be affected by numerous factors, including the following:

- general market, political and economic conditions;
- trading liquidity of our Shares;
- differences in our actual financial and operating results and those expected by investors and analysts;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed shares in general or shares of companies comparable to ours;
- perceived prospects of our business and the industry in which we operate;
- adverse media reports regarding us or our shareholders;
- changes in government policy, legislation or regulation; and
- general operational and business risks.

In addition, many of the risks described in this Section could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Final Retail Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that has affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations that were not always related to the operating performance of such companies. There can be no assurance that the price and trading of our Shares will not be subject to similar fluctuations.

5.3.3 The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following our Listing, we will have in issue 4,985,000,000 Shares, of which up to 932,675,000 Shares, representing up to approximately 18.7% of our enlarged issued Shares, will be held by investors participating in our IPO, and not less than approximately 68.0% will be held by our Promoter via its direct and indirect interests in our Company, assuming the Over-allotment Option is not exercised. Our Shares sold in our IPO will be tradable on the Main Market of Bursa Securities without restriction following our Listing. Our IPO Shares may also be sold outside the United States, subject to the restrictions of Regulation S.

5. RISK FACTORS *(Cont'd)*

In addition, our Promoter could dispose of some or all of our Shares that it holds after the moratorium period pursuant to its own investment objectives. If our Promoter sells, or is perceived as intending to sell, a substantial amount of our Shares that it holds, the market price for our Shares could be adversely affected.

5.3.4 There may be a delay in, or termination of, our Listing

The occurrence of certain events, including the following, may cause a delay in, or termination of, our Listing:

- the Joint Managing Underwriters' or the Joint Underwriters' exercise of their rights under the Retail Underwriting Agreement, or the Joint Global Coordinators' exercise of their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;
- our inability to meet the minimum public shareholding spread requirement of having at least 15.0% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing as approved by Bursa Securities (See Section 2.1.3 of this Prospectus for further details); or
- the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

Where prior to the issuance and allotment or transfer of our IPO Shares:

- the SC issues a stop order under Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we and the Selling Shareholders shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- our Listing is aborted other than pursuant to a stop order by the SC under Section 245(7)(a) of the CMSA, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment or transfer of our IPO Shares and the proceeds from our Public Issue form part of our share capital:

- the SC issues a stop order under Section 245(1) of the CMSA, any issue of our Issue Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (b) a solvency statement from the directors.

5. RISK FACTORS *(Cont'd)*

5.3.5 We may not be able to pay dividends

As part of our Board's guidance on dividends, we aim to declare a certain portion of our retained earnings for the year, subject to the approval of our Board and to any applicable law and contractual obligations, as dividends, provided that such distribution will not be detrimental to our Group's cash requirements or to any plans approved by our Board. See Section 12.4 of this Prospectus for further details of our dividend policy. We propose to pay dividends after setting aside the necessary funds for capital expenditure and working capital and taking into account applicable restrictive covenants under our financing documents such that any declaration of dividends shall not exceed our distributable profits. We believe that we have sufficient working capital for the next 12 months from the date of this Prospectus, based on our cash generated from our operating activities, cash and bank balances, credit facilities and the gross proceeds of approximately RM121.6 million that we expect to raise from our Public Issue. However, there can be no assurance that our working capital will be sufficient or that we will be able to make dividend payments in the future. Even if we are able to pay dividends, our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends or to pay smaller dividends that we currently propose. Further, if we incur new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends. If we do not pay dividends, or we pay dividends at levels lower than anticipated by investors, the market price of our Shares may be negatively affected and the value of your investment in our Shares may be reduced.

Our Company is a holding company and substantially all of our operations are conducted through our subsidiaries, joint venture and associate. Accordingly, dividends and other distributions received from our subsidiaries, joint venture and associate are our Company's principal source of income. Our Company, subsidiaries, joint venture or associate may also enter into financing agreements which could further limit our ability to pay dividends, and we may incur expenses or liabilities that would reduce or eliminate the cash or profit available for the distribution of dividends.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditure as well as our ability to make interest and principal repayments on any borrowings that we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all.

5.3.6 This Prospectus contains forward-looking statements which may not be accurate

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including without limitation to those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements are made based on assumptions that we believe to be reasonable as at the date of this Prospectus. Forward-looking statements can be identified by the use of forward-looking terminologies, such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions, and include all statements that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, achievements, or industry results expressed or implied by such forward-looking statements.

5. RISK FACTORS *(Cont'd)*

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and government initiatives.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

6.1.1 History and background

Our Company was incorporated in Malaysia under the Companies Act 1965 on 11 October 1995 as a private limited company under the name of Magcure Marketing Sdn Bhd and is deemed registered under the Act. On 3 August 1998, our Company changed its name from Magcure Marketing Sdn Bhd to DXN Holding Sdn Bhd and subsequently changed its name to DXN Holdings Sdn Bhd on 21 June 2002. Our Company was converted into a public limited company on 16 July 2002.

Our Group is a global health-oriented and wellness direct selling group of companies. The history of our Group's business can be traced back to when DSLJ, who in his efforts to promote the potential health benefits of Ganoderma, also known as Lingzhi or Reishi, established DXN Marketing in Kedah, Malaysia which commenced operations in 1995. Under his stewardship, our Group expanded its presence from being solely in the Malaysian market into international markets.

The principal activities of our Company are investment holding and provision of management services. As at the LPD, we have 77 subsidiaries across 41 countries, which are principally involved in the sales of health-oriented and wellness consumer products through a direct selling model. Our Group's direct selling network consists of our Members (including stockists) and external distribution agencies who exclusively carry our products to on-sell and distribute to other Members and end-consumers. Our Group's other business activities that primarily serve to support our core business include conducting laboratory testing services for third parties, offering of lifestyle products and operating a café. The principal activities of our subsidiaries are set out in Section 6.3 of this Prospectus.

Our top 10 markets in terms of revenue for the FYE 28 February 2022 are Peru, Bolivia, Mexico, India, the Philippines, Malaysia, Morocco, certain countries in the Middle East, the United States and Thailand. Our Group has sales branches in these top 10 markets except for the Middle East, where our Group uses an external distribution agency structure.

Our Company was listed on the Main Board of the Kuala Lumpur Stock Exchange on 30 September 2003 but was delisted on 27 December 2011 following the completion of the voluntary conditional take-over offer by Deras Capital Sdn. Bhd. (now known as LSJ Global), DXN Group Sdn. Bhd., Temasek Sejati Sdn. Bhd., DLBY and Lim Yew Lin (collectively, "**Joint Offerors**").

6.1.2 The Privatisation

On 5 September 2011, the Joint Offerors made a voluntary conditional take-over offer to acquire all the remaining Shares (excluding treasury shares) which were not already owned by the Joint Offerors ("**Privatisation Shares**") for a cash offer price of RM1.75 per Privatisation Share ("**Offer Price**") ("**Offer**").

Based on the 224,982,300 Shares in issue at the time of the Offer (excluding treasury shares), the illustrative market capitalisation of our Company was RM393.7 million based on the Offer Price.

6. INFORMATION ON OUR GROUP (Cont'd)

As disclosed in the document dated 26 September 2011 in relation to the Offer (“**Offer Document**”), notwithstanding that our Group was recording steady growth in terms of revenue and profits in the past financial years prior to the Offer, our Group remained cautious of our prospects in the near term in view of the then volatile and uncertain global economy, competitive market environment and rising cost of doing business which adversely affected our business. Efforts to sustain and transform the businesses of our Group based on our business structure at the point of the Offer proved challenging. To address these challenges, the Joint Offerors considered to undertake the necessary restructuring, reorganisation and rationalisation exercises which the Joint Offerors believed that there would be more flexibility to achieve these objectives if our Company was a non-listed company.

Accordingly, the Joint Offerors offered the then shareholders of our Company the opportunity to exit at a premium while not subjecting them to the associated risks of our restructuring, reorganisation and rationalisation exercises planned by the Joint Offerors.

The Offer Price represented:

- (i) a premium of RM0.32 or 22.4% to the last transacted price as at 2 September 2011, being the last full trading day for our Shares prior to the date of announcement of the Offer (“**Last Trading Day**”); and
- (ii) a premium ranging from 25.9% to 32.6% to the five-day, one-month, three-month and six-month weighted average market price of our Shares up to and including the Last Trading Day.

As stated in the independent advice circular dated 6 October 2011 in relation to the Offer (“**IAC**”), the Offer Price represented a PER of 9.5 times based on our consolidated PATAMI for the FYE 28 February 2011 which was above the range of PERs of selected comparable companies as set out in the IAC of between 4.7 times to 8.4 times and the traded PER of our Company for the past 12 months up to and including the Last Trading Day. In addition, the Offer Price represented an EV/EBITDA of 6.2 times which was within the range of EV/EBITDAs of the selected comparable companies as set out in the IAC of between 2.9 times and 7.6 times.

The Offer Price also represented a premium of RM1.12 or 277.8% to our previous IPO price of RM0.63.

The Offer closed on 25 November 2011 and was validly accepted by the holders of the Privatisation Shares of not less than nine-tenth in the nominal value of the Privatisation Shares (excluding the DXN Shares already held by persons acting in concert with the Joint Offerors in relation to the Offer). On 1 December 2011, the Joint Offerors posted the notice of compulsory acquisition to the dissenting shareholders of our Company pursuant to Section 222 of the CMSA, stating their intention to compulsorily acquire the remaining Privatisation Shares for which valid acceptances had not been received on 25 November 2011 on the same terms of the Offer as set out in the Offer Document. Subsequently on 27 December 2011, our Company was delisted from the Main Market of Bursa Securities.

On 12 April 2017, Gano Global entered into a share purchase agreement to invest in 25.7% equity interest in our Company while LSJ Global continues to hold the remaining 74.3% equity interest in our Company, where 26.0% equity interest and 0.3% equity interest in our Company are held on trust for DLSJ and DLBL respectively.

6. INFORMATION ON OUR GROUP (Cont'd)

6.1.3 Significant developments since the Privatisation

Since the Privatisation, we have undertaken several initiatives to restructure and grow our business as follows:

(i) Focus on the business of selling health-oriented and wellness consumer products

Prior to the Privatisation, our Group was primarily involved in the selling of health-oriented and wellness consumer products, and property development. Our revenue for these segments for the FYE 28 February 2011, based on the latest available audited consolidated financial statements of our Group prior to the Privatisation, was as follows:

Revenue segment	FYE 28 February 2011	
	RM'000	%
Sales of health-oriented and wellness consumer products	255,196	91.4
Property development	21,094	7.5
Others ⁽¹⁾	3,049	1.1
Total	279,339	100.0

Note:

(1) *Comprising operations related to travel agent and tour operator, IT consultancy and advisory, manufacture and sale of biodiesel related products, investment holding and provision of management services.*

Post the Privatisation, our Group concentrated our resources on the sales of health-oriented and wellness products, thus allowing our Group to conserve cash from other business segments and further strengthen our business of selling health-oriented and wellness consumer products as detailed in items (ii), (iii) and (iv) below. For the FYE 28 February 2022, our gross revenue from the sales of health-oriented and wellness consumer products increased by RM1.0 billion or 403.7% to RM1.3 billion from RM255.2 million for the FYE 28 February 2011, and contributed 98.4% of the gross revenue of our Group.

(ii) Expansion into existing and new markets

We continued to expand our business in health-oriented and wellness consumer products in our existing 35 markets and further expanded our operations into 14 new markets, namely Greece, Bolivia, Bulgaria, Germany, Italy, Spain, Panama, Ecuador, Turkey, Morocco, Uzbekistan, Nigeria, Mauritania and Poland.

6. INFORMATION ON OUR GROUP (Cont'd)

The gross revenue of our top 10 markets in respect of the sales of health-oriented and wellness consumer products for the FYE 28 February 2022 as compared to the FYE 28 February 2011 was as follows:

	FYE 28 February	
	2011	2022
	RM'000	RM'000
Malaysia	29,713	87,133
Peru	7,076	298,550
Bolivia	-	185,464
Mexico	52,579	179,281
India	21,989	141,972
Philippines	80,340	95,373
Morocco	-	52,985
Middle East	17,032	33,883
United States	6,777	33,851
Thailand	13,409	18,497
Other countries	26,281	158,488
Total	255,196	1,285,477

Based on the table above:

- (a) gross revenue contribution from the top 10 markets registered an increase of RM898.1 million or 392.3% from RM228.9 million for the FYE 28 February 2011 to RM1.1 billion for the FYE 28 February 2022 primarily due to the increase in gross revenue contribution from Peru, Mexico and India, and also gross revenue contribution from Bolivia.

Our Group commenced operations in Bolivia and Morocco in March 2012 and April 2019 respectively. Since then, the Bolivian and Moroccan markets have grown to become among the top 10 markets of our Group, contributing RM185.5 million or 14.4% and RM52.9 million or 4.1% respectively to the gross revenue of our Group from the sales of health-oriented and wellness consumer products for the FYE 28 February 2022; and

- (b) gross revenue contribution from the other markets registered an increase of RM132.2 million or 503.1% from RM26.3 million for the FYE 28 February 2011 to RM158.5 million for the FYE 28 February 2022. The gross revenue contribution from new markets amounted to RM68.1 million or 5.3% of the gross revenue of our Group from the sales of health-oriented and wellness consumer products for the FYE 28 February 2022.

As a result of the foregoing, our Group's profit for the year increased by RM203.6 million or 486.8% from RM41.8 million for the FYE 28 February 2011 to RM245.4 million for the FYE 28 February 2022.

(iii) Investments in production facilities

Since the Privatisation and up to and including the LPD, we have made additional investments of approximately RM193.1 million in the following existing production facilities:

- (a) RM113.0 million for the expansion of the research facility, cultivation facility and two manufacturing facilities in Kedah, Malaysia, and two manufacturing facilities in Pondicherry, India and West Java, Indonesia respectively that were part of our Group at the time of the Privatisation;

6. INFORMATION ON OUR GROUP (Cont'd)

- (b) RM33.2 million for the construction and subsequent expansion of a research facility to conduct research related to FFB, edible fungi, Spirulina and fermentation, a cultivation facility to cultivate Spirulina powder and a manufacturing facility to manufacture FFB and Spirulina tablets in Ningxia, China;
- (c) RM24.2 million for the acquisition of Florin Fujian and subsequent expansion of its cultivation facility to cultivate tea trees and manufacturing facility to manufacture tea products in Anxi, China;
- (d) RM4.9 million for the construction and subsequent expansion of a cultivation facility in Pondicherry, India to cultivate Spirulina and Noni, and a cultivation facility in Odisha, India to cultivate Ganoderma, Lion's Mane mushroom and Cordyceps; and
- (e) RM17.8 million for the construction and subsequent expansion of three manufacturing facilities in:
 - (i) Himachal Pradesh, India to manufacture RG and GL capsules, and fortified beverages;
 - (ii) Tlaxcala, Mexico to manufacture fortified beverages; and
 - (iii) South Kalimantan, Indonesia to manufacture virgin coconut oil.

We plan to increase our production capacity to meet the growing demand for our products. As at the LPD, we have made investments of approximately RM293.1 million in the following new production facilities:

- (a) RM179.1 million for the construction of a cultivation facility and manufacturing facility in Telangana, India to cultivate Ganoderma and Spirulina, and produce fortified beverages, food supplements and cosmetics. The construction of the GMP-certified factory for the production of supplements in the manufacturing facility has been completed. The construction of the cultivation facility is in phases, part of which has been completed and we have since commenced cultivation of Spirulina, RG and GL. We expect to complete the construction of the remaining phase of the cultivation facility and the factories for the production of coffee, juice, cosmetics and toiletries in the manufacturing facility in the second quarter of 2023. The total estimated cost of the cultivation facility and manufacturing facility in Telangana, India is RM209.1 million;
- (b) RM0.8 million for the acquisition of Esen Lifesciences that owns one facility in Pondicherry, India and RM0.2 million to set up the production line to manufacture Spirulina cereal and Cordyceps cereal products. The setup of this facility has been completed with a total cost of RM1.0 million;
- (c) RM91.8 million for the construction of a cultivation facility and manufacturing facility in Ningxia, China to cultivate Spirulina, Lion's Mane mycelium, Cordyceps mycelium and other mycelia of edible fungi, and produce carbonated beverage products, as well as to serve as a distribution centre for our products. The construction of both facilities has been completed and we expect to commence operations after obtaining the CCC equivalent for these facilities in the second quarter of 2023. The total estimated cost of the cultivation facility and manufacturing facility in Ningxia, China is RM99.9 million; and

6. INFORMATION ON OUR GROUP (Cont'd)

- (d) RM21.2 million for the construction of a manufacturing facility in Tlaxcala, Mexico ("**Mexico Factory No. 2**") to produce FFB, including premixed coffee, premixed cocoa and juices, and food supplements products, including capsules and tablets. We have completed the construction of this facility and the set up of the Mexico Factory No. 2 coffee production, and we expect to complete the set up of the food supplement and juice production in the third quarter of 2023. The total estimated cost of Mexico Factory No. 2 is RM27.7 million.

As at the LPD, we operate two research facilities, six cultivation facilities and 10 manufacturing facilities across Malaysia, China, India, Indonesia and Mexico.

A summary of the development of the production facilities of our Group since the Privatisation is as follows:

2011	As at the LPD
Existing facilities	
Research facility	
1. One research facility in Kedah, Malaysia	1. One research facility in Kedah, Malaysia 2. One research facility in Ningxia, China
Cultivation facility	
1. One cultivation facility in Kedah, Malaysia	1. One cultivation facility in Kedah, Malaysia 2. One cultivation facility in Anxi, China 3. One cultivation facility in Ningxia, China 4. One cultivation facility in Odisha, India 5. Two cultivation facilities in Pondicherry and Telangana ⁽¹⁾ , India
Manufacturing facility⁽²⁾	
1. Two manufacturing facilities in Kedah, Malaysia 2. One manufacturing facility in West Java, Indonesia 3. One manufacturing facility in Pondicherry, India	1. Two manufacturing facilities in Kedah, Malaysia 2. One manufacturing facility in West Java, Indonesia 3. Two manufacturing facilities in Pondicherry, India 4. One manufacturing facility in Himachal Pradesh, India 5. One manufacturing facility in Anxi, China 6. One manufacturing facility in Ningxia, China 7. Two manufacturing facilities in Tlaxcala, Mexico ⁽³⁾
In the pipeline	
Cultivation facility	
	1. One cultivation facility in Ningxia, China ⁽⁴⁾
Manufacturing facility	
	1. One manufacturing facility in Ningxia, China ⁽⁴⁾ 2. One manufacturing facility in Telangana, India ⁽⁵⁾

Notes:

- (1) The construction of the cultivation facility in Telangana, India is in phases, part of which has been completed and we have since commenced the cultivation of Spirulina, RG and GL. We expect to complete the construction of the remaining phase of this facility in the second quarter of 2023.
- (2) Our manufacturing facility in South Kalimantan, Indonesia ceased operations on 15 December 2022.

6. INFORMATION ON OUR GROUP (Cont'd)

- (3) *Coffee production at the Mexico Factory No. 2 has been in operation since the third quarter of 2022. The food supplement and juice production are estimated to be in operation by the third quarter of 2023.*
- (4) *The construction of these facilities is completed and we expect to commence operations after obtaining the CCC equivalent for these facilities in the second quarter of 2023.*
- (5) *The construction of the GMP-certified factory for the production of supplements in the manufacturing facility in Telangana, India has been completed. We expect to complete the construction of the factories for the production of coffee, juice, cosmetics and toiletries in the manufacturing facility in the second quarter of 2023.*

(iv) Investments in other business activities to support our core business

Since the Privatisation and up to and including the LPD, we have invested approximately RM107.1 million in the following business activities to support our core business in terms of production, marketing or services to our Members:

- (a) RM1.5 million for the DXN Cafe outlets that provide a platform for interactions between our Members and also serve as an avenue for our Members to engage with their customers.

In 2017, we launched the first DXN Cafe outlet at our Stargate branch in Kedah, Malaysia;

- (b) RM103.2 million for the construction of DXN Cyberville, a wellness and retreat centre with apartments in Cyberjaya, Malaysia that offers our Members a space to receive Ganotherapy and other natural health treatments using our products which commenced in 2019.

We have completed the first phase of construction for the three-storey wellness and retreat centre, which includes the DXN experiential gallery and training rooms for accommodating over 1,500 visitors. Construction of the second phase of the wellness and retreat centre was completed on 10 November 2022. As at the LPD, we are in the process of obtaining the CCC for the second phase pending inspection of lifts by the DOSH.

The total estimated cost of DXN Cyberville is RM108.9 million; and

- (c) RM2.4 million for the acquisition of Amazing Discovery which owns Boulder Valley, a lifestyle resort in Penang, Malaysia that consists of tented accommodations and space for small parties and events.

(v) Disposal of non-core businesses

Since the Privatisation, we have disposed of the following non-core businesses to focus our resources on our core business:

- (a) in the FYE 28 February 2013, we disposed of DCT Tours which provides flights and hotel booking services as well as inbound and outbound tour packages with fair value of identifiable NA of RM850,070 for a total cash consideration of RM950,000, registering a gain on disposal of RM99,930; and

6. INFORMATION ON OUR GROUP (Cont'd)

- (b) in the FYE 28 February 2021, we disposed of LSJ Land and its subsidiaries, Yiked, Richmond Sapphire and Bio Synergy Engineering that are involved in property development and property investment and LSJ Plantation that is involved in forest plantation, timber logging and related forestry support services with an aggregate fair value of identifiable NA of RM45.4 million for a total cash consideration of RM47.1 million, registering a gain on disposal of RM1.7 million.

As at the LPD, all our current subsidiaries, associate and joint venture are principally involved in our Group's core business or in support of our core business save for our subsidiaries which are currently dormant, DXN Materials which is involved in property holding, Box Park Management which is involved in management of real estate companies and DNC Food Industries which is involved in the business of manufacturing and trading of spices and curry powder.

6. INFORMATION ON OUR GROUP (Cont'd)

6.1.4 The listing of our Company

Based on the initiatives undertaken since the Privatisation, we and our Promoter are of the view that it is timely to introduce our Company to the Malaysian equity market via our IPO on the back of the growth in our revenue and profitability since the FYE 28 February 2011, being the latest financial year in respect of publicly available audited consolidated financial statements of our Group prior to the Privatisation.

The key financial data of our Group from the FYE 28 February 2011 to the FYE 28 February 2022 are summarised in the table below:

	Prior to the Privatisation		Post Privatisation										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	279,339	268,556	269,121	311,692	353,102	476,158	634,654	793,260	907,222	1,104,608	1,050,205	1,242,856	
Results from operating activities	55,394	59,558	55,007	78,443	79,018	90,920	145,729	188,562	315,360	344,958	282,832	362,792	
PBT	54,604	59,087	54,429	77,114	77,192	89,546	144,578	190,325	319,975	347,839	287,267	362,918	
Profit for the year	41,826	45,511	42,557	56,773	57,741	64,102	97,557	128,311	218,867	255,248	200,884	245,444	
PATAMI	41,463	44,663	41,708	55,672	56,841	62,319	93,113	122,123	209,973	241,671	191,572	242,922	
NA attributable to the owners of our Company	215,400	235,551	227,458	144,373	184,948	224,120	307,713	381,899	484,906	675,335	581,170	760,739	

6. INFORMATION ON OUR GROUP (Cont'd)

For illustration purposes, we have compared our PER to the selected companies set out in the IMR Report as included in Section 8 of this Prospectus (“**IMR Peers**”). The key selection criteria for the IMR Peers are as follows:

- (i) presence in three main product categories of our Group, namely FFB, HDS and PCC; and
- (ii) presence in more than 20 countries.

Name of company ⁽¹⁾	Country of listing	Principal activities	Market capitalisation as at the LPD	Adjusted PER as at the LPD ⁽¹⁾⁽²⁾
Herbalife Nutrition Ltd	United States	Sells weight management, targeted nutrition, energy, sports and fitness, and outer nutrition products to and through a network of independent members	USD1,589.6 million	6.7 times
USANA Health Sciences Inc	United States	Develop and manufacture high quality science-based nutritional and personal care products that are sold internationally through a network marketing system, which is a form of direct selling	USD1,213.6 million	23.3 times
Nu Skin Enterprise Inc	United States	Develop and distribute premium quality, innovative personal care products and wellness products that are sold worldwide under the Nu Skin, Pharmanex and ageLOC brands and a small number of other products and services	USD1,944.3 million	18.9 times

Notes:

- (1) Based on earnings per share as disclosed in the latest available annual report.
- (2) The PER of the IMR Peers have been adjusted using the following relative factor as there are differences between the macroeconomic factors of the markets where the IMR Peers are listed and the Malaysian market which include, but not limited to, interest rate, inflation, unemployment rate and gross domestic product:

$$\frac{\text{PER of the company} \times \text{PER of S\&P 500 index}}{\text{PER of FBM Kuala Lumpur Composite Index}}$$

Our PER based on our audited consolidated PATAMI of RM242.9 million for the FYE 28 February 2022 is 15.6 times.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.1.5 Share capital

Our issued share capital is RM106,033,360, comprising 4,825,000,000 Shares as at the date of this Prospectus. Our Company does not have any treasury shares as at the LPD.

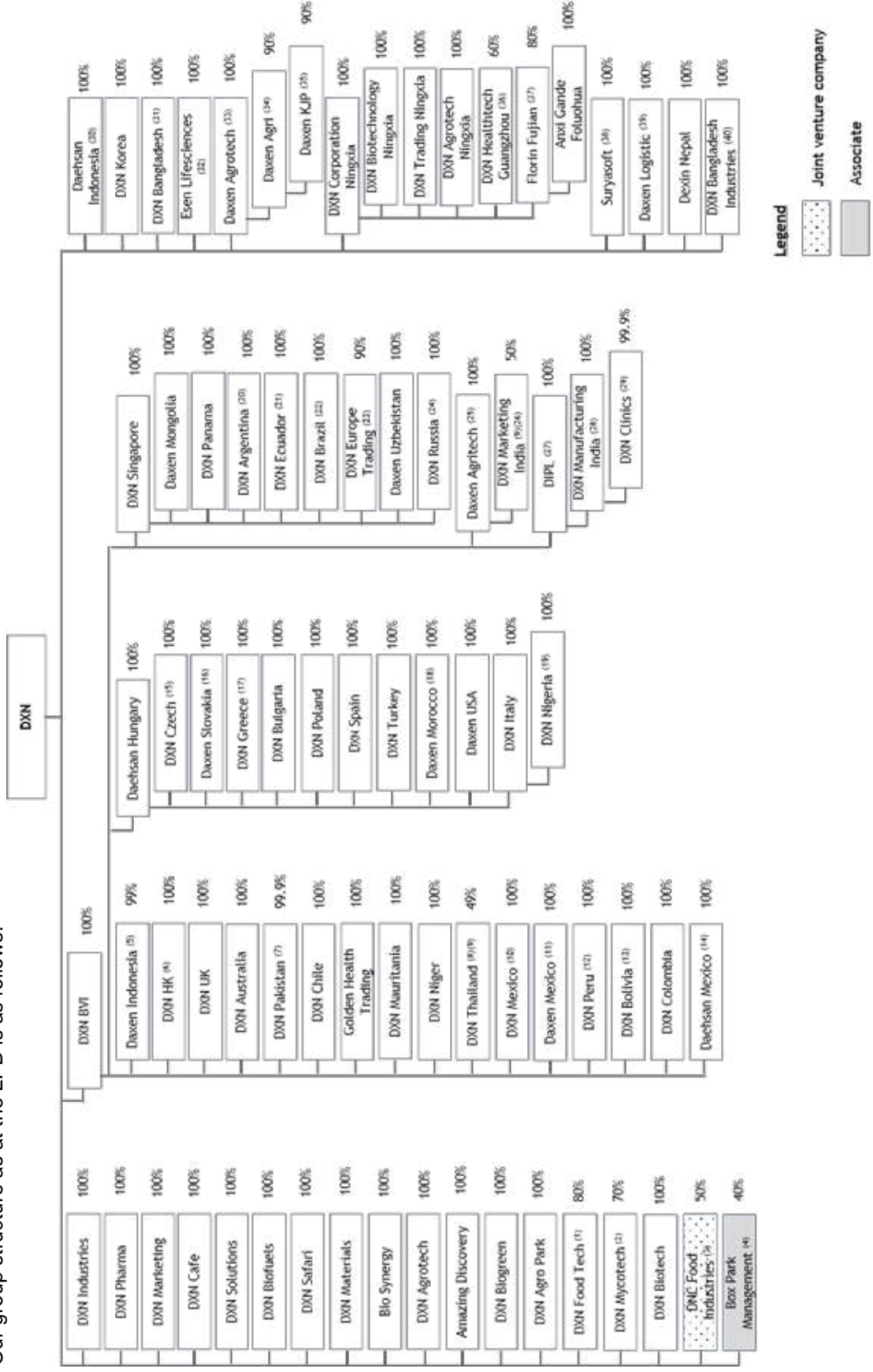
Save as disclosed below, there have been no changes in our issued share capital during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD:

<u>Date of allotment/ Bonus Issue</u>	<u>No. of Shares allotted</u>	<u>No. of cumulative Shares</u>	<u>Cumulative issued share capital (RM)</u>
13 April 2023	4,584,236,000	4,825,000,000	106,033,360

6. INFORMATION ON OUR GROUP (Cont'd)

6.2 OUR GROUP STRUCTURE

Our group structure as at the LPD is as follows:



Legend
 [Dotted Box] Joint venture company
 [Solid Grey Box] Associate

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) *The remaining 20.0% equity interest in DXN Food Tech is held by Leong Why Sheng, the nephew of DLBL.*
- (2) *The remaining 30.0% equity interest in DXN Mycotech is held by Norikmazaton Binti Mohd Zali.*
- (3) *DNC Food Industries is our joint venture company. The remaining 50.0% equity interest in DNC Food Industries is held by CSC Food Industries Sdn. Bhd.*
- (4) *The remaining 60.0% equity interest in Box Park Management is held by Aman Infrastructure Development Sdn. Bhd.*
- (5) *The remaining 1.0% equity interest in Daxen Indonesia is held by Novita Kristin Djunaedi, the director of Daxen Indonesia.*
- (6) *DXN BVI holds 99.9% equity interest in DXN HK while our Company holds the remaining equity interest in DXN HK which is less than 0.1%.*
- (7) *DXN BVI holds 99.9% equity interest in DXN Pakistan while DLBY and Lim Yew Lin hold the remaining equity interest in DXN Pakistan which is less than 0.1%.*
- (8) *The remaining 51.0% equity interest in DXN Thailand is held by Anong Phoungtong and Nongluck Wongworm with shareholdings of 26.0% and 25.0% respectively.*
- (9) *Our Company regards DXN Thailand and DXN Marketing India as subsidiaries by virtue of having board control and being the single largest shareholder in these companies. The remaining voting rights in these entities are held by individual investors and there is no indication that the other shareholders will exercise their votes collectively.*
- (10) *DXN BVI holds 99.9% equity interest in DXN Mexico while our Company holds the remaining equity interest in DXN Mexico which is less than 0.1%.*
- (11) *DXN BVI and our Company hold 99.0% and 1.0% equity interests respectively in Daxen Mexico.*
- (12) *DXN BVI and our Company hold 98.9% and 1.1% equity interests respectively in DXN Peru.*
- (13) *DXN BVI and DXN Peru hold 99.9% and 0.1% equity interests respectively in DXN Bolivia.*
- (14) *DXN BVI holds 99.9% equity interest in Daehsan Mexico while our Company holds the remaining equity interest in Daehsan Mexico which is less than 0.1%.*
- (15) *Daehsan Hungary and DXN Peru hold 96.0% and 4.0% equity interests respectively in DXN Czech.*
- (16) *Daehsan Hungary and DXN Peru hold 97.5% and 2.5% equity interests respectively in Daxen Slovakia.*
- (17) *Daehsan Hungary holds 99.3% equity interest in DXN Greece while DXN Peru holds the remaining equity interest in DXN Greece which is less than 0.7%.*
- (18) *Daehsan Hungary and Daxen Slovakia hold 99.0% and 1.0% equity interests respectively in Daxen Morocco.*
- (19) *DXN Italy and DIPL hold 99.0% and 1.0% equity interests respectively in DXN Nigeria.*
- (20) *DXN Singapore and our Company hold 95.0% and 5.0% equity interests respectively in DXN Argentina.*

6. INFORMATION ON OUR GROUP (Cont'd)

- (21) DNX Singapore holds 99.9% equity interest in DNX Ecuador while DNX Bolivia holds the remaining equity interest in DNX Ecuador which is less than 0.1%.
- (22) DNX Singapore holds 99.99% equity interest in DNX Brazil while DNX Peru holds the remaining equity interest in DNX Brazil which is less than 0.01%.
- (23) The remaining 10.0% equity interest in DNX Europe Trading is held by Cheng Hwa Lee, the cousin of DLSJ.
- (24) DNX Singapore and our Company hold 99.0% and 1.0% equity interests respectively in DNX Russia.
- (25) DNX BVI and our Company hold 99.0% and 1.0% equity interests respectively in Daxen Agritech.
- (26) The remaining 50.0% equity interest in DNX Marketing India is held by Jacob Antony and Jipna Jijith with shareholdings of 24.5% and 25.5% respectively.
- (27) DIPL, which is incorporated in Labuan, Malaysia, has a branch office located in the Philippines.
- (28) DIPL holds 99.9% equity interest in DNX Manufacturing India while DNX BVI holds the remaining equity interest in DNX Manufacturing India which is less than 0.1%.
- (29) The remaining equity interest in DNX Clinics which is less than 0.1% is held by TH Strategic Investment Pvt Ltd.
- (30) Our Company holds 99.9% equity interest in Daehsan Indonesia while DNX BVI holds the remaining equity interest in Daehsan Indonesia which is less than 0.01%.
- (31) Our Company and DNX BVI hold 99.0% and 1.0% equity interests respectively in DNX Bangladesh.
- (32) Our Company holds 99.9% in Esen Lifesciences while DNX Manufacturing India holds the remaining equity interest in Esen Lifesciences which is less than 0.1%.
- (33) Our Company and DNX BVI hold 90.0% and 10.0% equity interests respectively in Daxen Agrotech.
- (34) The remaining 10.0% equity interest in Daxen Agri is held by PT Kirana Investama Nusantara.
- (35) The remaining 10.0% equity interest in Daxen KJP is held by PT KJP Cipta Desa Sejahtera.
- (36) The remaining 40.0% equity interest in DNX Healthtech Guangzhou is held by Lin Jiming and Zhang Jingjun with shareholdings of 27.3% and 12.7% respectively.
- (37) The remaining 20.0% equity interest in Florin Fujian is held by Fujian Anxi Jinjiang Source Tea Technology Co., Ltd.
- (38) Our Company and DNX BVI hold 99.0% and 1.0% equity interest respectively in Suryasoft.
- (39) The entire 100.0% equity interest in Daxen Logistic is held on trust by the shareholders of Daxen Logistic for our Company.
- (40) Our Company holds 99.8% in DNX Bangladesh Industries while DNX BVI holds the remaining equity interest of 0.2%.

Unless specified above, the remaining equity interest not held by our Group in our subsidiaries, associate and joint venture are held by unrelated third parties.

6. INFORMATION ON OUR GROUP (Cont'd)

6.3 OUR SUBSIDIARIES, ASSOCIATE AND JOINT VENTURE

Our subsidiaries, associate and joint venture as at the LPD are as follows:

Name / (Registration number)	Date and country of incorporation	Share capital	Our effective equity interest (%)	Principal activities
Subsidiaries of DXN				
Amazing Discovery (201101033209 (961344-H))	23 September 2011 Malaysia	RM12,500,000	100.0	Operating a glamping resort, namely Boulder Valley
Bio Synergy (20130103877 (1068606-W))	31 October 2013 Malaysia	RM1,000,000	100.0	R&D, analytical lab tests, experimental work in relation to pharmaceutical and biological products and trading of cosmetics and chemical materials
Daehsan Indonesia (8120002702741)	18 July 1997 Indonesia	IDR11,000,000,000	100.0	Direct selling business
Daxen Agrotech (8120004722003)	11 July 2018 Indonesia	IDR10,800,000,000	100.0	Dormant ⁽⁵⁾
Daxen Logistic (202017810069)	24 June 2020 United States	USD10,000	100.0	Marketing and logistic networking
Dexin Nepal (303738/079/080)	15 December 2022 Nepal	NPR100,000,000	100.0	Dormant ⁽¹⁾
DXN Agro Park (200701020435 (778451-W))	26 June 2007 Malaysia	RM100,000	100.0	Operating a village complex, namely Ayer Hangat Village Langkawi
DXN Agrotech (201401018553 (1094640-X))	22 May 2014 Malaysia	RM5,000,000	100.0	Agricultural and forest plantation, processing of virgin palm oil, operating of a marine sanctuary and provision of tour activities
DXN Bangladesh (C-157803/2019)	11 December 2019 Bangladesh	BDT84,886,400	100.0	Manufacture, marketing, sales and distribution of health food, non-alcoholic drinks and associated products
DXN Bangladesh Industries (C-181617/2022)	9 June 2022 Bangladesh	BDT4,300,000	100.0	Dormant ⁽²⁾
DXN Biofuels (200601000937 (720684-D))	12 January 2006 Malaysia	RM10,000,000	100.0	Designing, constructing, owning and operating a biodiesel processing plant, including the processing, manufacturing, selling, distributing and trading of biodiesel products and other related businesses

6. INFORMATION ON OUR GROUP (Cont'd)

Name / (Registration number)	Date and country of incorporation	Share capital	Our effective equity interest (%)	Principal activities
DXN Biogreen (201901029647 (1338976-M))	20 August 2019 Malaysia	RM100	100.0	R&D in aquaponics farming, cultivation, processing and trading of agricultural and horticultural crops and plants
DXN Biotech (200401029723 (668231-V))	5 October 2004 Malaysia	RM1,000,000	100.0	R&D and experimental work in relation to biotechnology, bio-chemical and agricultural products and trading of agricultural products
DXN BVI (490988)	11 April 2002 British Virgin Islands	USD2,500	100.0	Investment holding and provision of management services
DXN Cafe (200501033645 (715786-K))	23 November 2005 Malaysia	RM1,000,000	100.0	Operating a café
DXN Corporation Ningxia (91640000MA75W 9T24K)	14 December 2015 China	RMB400,000,000	100.0	Investment holding, R&D and experimental works in relation to biotechnology. Processing and trading of F&B
DXN Food Tech (201301013119 (1042957-X))	18 April 2013 Malaysia	RM10,000	80.0	Confectionery and biscuits manufacturer
DXN Industries (199601038378 (410731-D))	20 November 1996 Malaysia	RM500,000	100.0	Manufacture and distribution of health food supplements and other products
DXN Korea (808-88-00722)	1 August 2017 Korea	KRW300,000,000	100.0	Dormant ⁽⁵⁾
DXN Marketing (199301029165 (283904-P))	11 December 1993 Malaysia	RM2,000,000	100.0	Sales of health supplements and other products on direct sales basis
DXN Materials (200101006050 (541806-A))	14 March 2001 Malaysia	RM200,000	100.0	Property holding
DXN Mycotech (201401011829 (1087906-D))	7 April 2014 Malaysia	RM100,000	70.0	Property investment
DXN Pharma (199601038339 (410692-K))	20 November 1996 Malaysia	RM4,000,000	100.0	Manufacture of health food supplements and other products
DXN Safari (200501028231 (710366-A))	20 September 2005 Malaysia	RM10,000,000	100.0	Plantation and cultivation of rubber trees and cash crops

6. INFORMATION ON OUR GROUP (Cont'd)

Name / (Registration number)	Date and country of incorporation	Share capital	Our effective equity interest (%)	Principal activities
DXN Solutions (199701009105 (424601-A))	25 March 1997 Malaysia	RM350,000	100.0	IT adviser and consultant and trading in computer hardware and software equipment
Esen Lifesciences (U24100PY2013PT C008466)	13 March 2013 India	INR500,000	100.0	Dormant. On 15 March 2023, it commenced operation in manufacturing of health food supplements, Spirulina cereal and Cordyceps cereal products.
Suryasoft (2501220047088)	29 April 2005 Indonesia	IDR 10,000,000,000	100.0	Provision of IT services including IT system, IT consultancy, customised software development, customised software system and others
Subsidiary of Daxen Agrotech				
Daxen Agri (8120000901648)	25 July 2018 Indonesia	IDR3,600,000,000	90.0	Dormant ⁽⁵⁾
Subsidiary of Daxen Agri				
Daxen KJP (8120318082947)	15 October 2018 Indonesia	IDR3,825,000,000	81.0	Manufacturing of virgin coconut oil. It ceased operations on 15 December 2022
Subsidiaries of DXN BVI				
Daehsan Hungary (01-09-919366)	20 May 2009 Hungary	EUR12,000	100.0	Investment holding, trading and distribution of F&B, food supplements and consumer products
Daehsan Mexico (492170)	5 March 2013 Mexico	MXN50,000	100.0	Under liquidation
Daxen Agritech (U01111HP2009PT C031246)	24 November 2009 India	INR10,000,000	100.0	Manufacturing of health food, traditional medicine, all kinds of confectioneries and other food products and carry on the business of agro farming in the field of mushrooms
Daxen Indonesia (8120003701684)	5 August 1998 Indonesia	IDR15,950,000,000	99.0	Manufacturing of traditional medicines, cosmetics and beverages
Daxen Mexico (40489)	16 December 2008 Mexico	MXN50,000	100.0	Provision of human resource services. It ceased operations during the FYE 28 February 2022

6. INFORMATION ON OUR GROUP (Cont'd)

Name / (Registration number)	Date and country of incorporation	Share capital	Our effective equity interest (%)	Principal activities
DIPL ⁽³⁾ (LL01899)	8 March 1999 Labuan, Malaysia	USD15,010	100.0	Investment holding and trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Australia (ACN 087 278 831)	23 April 1999 Australia	AUD100	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Bolivia (180790027)	19 January 2011 Bolivia	BOB100,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Chile (76.071.295-7)	13 August 2009 Chile	CLP50,000,000	100.0	Dormant ⁽⁵⁾
DXN Colombia (02211073)	3 May 2012 Colombia	COP250,000,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN HK (626746)	17 October 1997 Hong Kong	HKD5,000,000	100.0	Direct selling health care products
DXN Mauritania 103508/GU/24517/ 1781)	20 May 2019 Mauritania	MRU9,000,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Mexico (378834)	31 October 2002 Mexico	MXN2,151,600	100.0	Manufacturing and distribution of F&B, food supplements and consumer products
DXN Niger (NE/NIM/01/2019/B 15/00010)	15 August 2019 Niger	XOF20,000,000	100.0	Dormant ⁽⁵⁾
DXN Pakistan (00000013017/200 60707)	11 July 2006 Pakistan	PKR3,000,000	99.9	Trading and distribution of F&B, food supplements and consumer products
DXN Peru (12317584)	8 May 2009 Peru	PEN9,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Singapore (199701418D)	5 March 1997 Singapore	SGD2	100.0	Direct sales and trading in health products and provision of related services and investment holding

6. INFORMATION ON OUR GROUP (Cont'd)

Name / (Registration number)	Date and country of incorporation	Share capital	Our effective equity interest (%)	Principal activities
DXN Thailand (0105541039052)	25 June 1998 Thailand	THB20,000,000	49.0 ⁽⁴⁾	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN UK (04454617)	5 June 2002 United Kingdom	GBP1,000	100.0	Dormant ⁽⁵⁾
Golden Health Trading (1575881)	21 March 2011 Hong Kong	HKD10,000	100.0	Provision of marketing consultancy services and general trading
Subsidiaries of Daehsan Hungary				
Daxen Morocco (369957)	17 February 2017 Morocco	MAD1,000,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
Daxen Slovakia (46 410 163)	4 November 2011 Slovakia	EUR30,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
Daxen USA (C2381741)	4 October 2001 United States	USD291,500	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Bulgaria (202031644)	21 April 2012 Bulgaria	BGN1,170,000	100.0	Dormant ⁽⁵⁾
DXN Czech (29389178)	8 November 2011 Czech Republic	CZK500,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Greece (116734904000)	11 July 2011 Greece	EUR4,500	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Italy (RM 1375274)	12 June 2013 Italy	EUR10,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Poland (0000426992)	16 July 2012 Poland	PLN5,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis

6. INFORMATION ON OUR GROUP (Cont'd)

Name / (Registration number)	Date and country of incorporation	Share capital	Our effective equity interest (%)	Principal activities
DXN Spain (B30877195)	1 August 2013 Spain	EUR3,006	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Turkey (984190-0)	22 July 2015 Turkey	TRY100,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
Subsidiary of DXN Italy				
DXN Nigeria (RC1343396)	20 June 2016 Nigeria	NGN10,000,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
Subsidiary of Daxen Agritech				
DXN Marketing India (U15490TN2014PT C095516)	18 March 2014 India	INR200,000	50.0 ⁽⁴⁾	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
Subsidiary of DIPL				
DXN Manufacturing India (U24233PY2001PT C001607)	30 July 2001 India	INR516,069,740	100.0	Manufacturing of health food, traditional medicine, all kinds of confectioneries and other food products
Subsidiary of DXN Manufacturing India				
DXN Clinics (U85300PY2019PT C008365)	8 January 2019 India	INR100,000	99.9	Consultation and treatment services with Ganotherapy
Subsidiaries of DXN Singapore				
Daxen Mongolia (5189217)	28 December 2007 Mongolia	MNT179,728,200	100.0	Trading and distribution of F&B, food supplements and consumer products
Daxen Uzbekistan (768253)	7 October 2019 Uzbekistan	UZS1,414,950,000	100.0	Importation and distribution of F&B, food supplements and consumer products
DXN Argentina (1843480)	12 May 2011 Argentina	ARS17,394,120	100.0	Dormant ⁽⁶⁾
DXN Brazil (24.104.344/0001- 09)	2 February 2016 Brazil	BRL900,000	100.0	Dormant ⁽⁵⁾

6. INFORMATION ON OUR GROUP (Cont'd)

Name / (Registration number)	Date and country of incorporation	Share capital	Our effective equity interest (%)	Principal activities
DXN Ecuador (1792376211001)	17 April 2012 Ecuador	USD1,520,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Europe Trading (HRB 189395 B)	5 September 2017 Germany	EUR25,000	90.0	Under liquidation
DXN Panama (2505291-1- 819612)	25 November 2013 Panama	USD 10,000	100.0	Trading and distribution of F&B, food supplements and consumer products on direct sales basis
DXN Russia (1190327005582)	19 April 2019 Russia	RUB20,000	100.0	Dormant ⁽⁵⁾
Subsidiaries of DXN Corporation Ningxia				
DXN Agrotech Ningxia (91640200MA7604 1TXU)	20 March 2017 China	RMB85,000,000	100.0	Research, cultivation, manufacture and trading of mushroom and Spirulina
DXN Biotechnology Ningxia (916400003221733 0X8)	2 July 2015 China	RMB10,010,000	100.0	Dormant
DXN Healthtech Guangzhou (914401845915460 12R)	29 March 2012 China	RMB5,000,000	60.0	Dormant
DXN Trading Ningxia (91640000MA75W 50458)	3 November 2015 China	RMB1,000,000	100.0	Trading and distribution of F&B, food supplements, cosmetics and consumer products
Florin Fujian (91350524MA2YBL DX1C)	20 June 2017 China	RMB50,000,000	80.0 ⁽⁷⁾	Investment holding
Subsidiary of Florin Fujian				
Anxi Gande Foluohua (91350524MA2YM 8UG5H)	12 October 2017 China	RMB36,000,000	80.0 ⁽⁷⁾	Tea plantation, processing, R&D, wholesale trading and retailing of tea, pre-packaged F&B and other products
Associate company of DXN				
Box Park Management (201701046010 (1260186-W))	15 December 2017 Malaysia	RM100	40.0	Venture into business of management of real estate on a fee or contract basis

6. INFORMATION ON OUR GROUP (Cont'd)

Name / (Registration number)	Date and country of incorporation	Share capital	Our effective equity interest (%)	Principal activities
Joint venture company of DXN				
DNC Food Industries (201801010332 (1272347-M))	15 March 2018 Malaysia	RM100	50.0	Venture into business of manufacture and trading of spices and curry powder

Notes:

- (1) *Dexin Nepal intends to commence operations to produce, manufacture, process, sell and distribute F&B, homecare products and home appliances.*
- (2) *DXN Bangladesh Industries intends to commence operations to produce, manufacture and process F&B, homecare products and home appliances.*
- (3) *DIPL has a branch office in the Philippines.*
- (4) *Our Company regards DXN Thailand and DXN Marketing India as subsidiaries by virtue of having board control and being the single largest shareholder in these companies. The remaining voting rights in these entities are held by individual investors and there is no indication that the other shareholders will exercise their votes collectively.*
- (5) *There are no immediate plans for this dormant subsidiary.*
- (6) *We intend to commence operations in direct selling for this dormant subsidiary.*
- (7) *As at the LPD, the registered capital of Florin Fujian subscribed by DXN Corporation Ningxia is RMB40,000,000 (equivalent to 80.0% of the total registered capital) while the paid up capital of Florin Fujian by DXN Corporation Ningxia is RMB39,902,066 (equivalent to 82.8% of the total paid up capital).*

6. INFORMATION ON OUR GROUP (Cont'd)

The details of our material subsidiaries as at the LPD are as follows:

6.3.1 DXN Marketing

DXN Marketing was incorporated in Malaysia under the Companies Act 1965 on 11 December 1993 and is deemed registered under the Act as a private limited company under the name of Petronar Service (M) Sdn Bhd. It assumed its present name on 19 August 1995.

DXN Marketing is principally engaged in the sales of health supplements and other products on direct sales basis. The principal place of business of DXN Marketing is at Wisma DXN, 213 Lebuhraya Sultan Abdul Halim, 05400 Alor Setar, Kedah, Malaysia.

The issued share capital of DXN Marketing is RM2,000,000 comprising 2,000,000 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of DXN Marketing during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Cumulative issued share capital (RM)</u>
15 July 2019	1,500,000	Cash	2,000,000

DXN Marketing is a wholly owned subsidiary of our Company. As at the LPD, DXN Marketing does not have any subsidiary, associate or joint venture.

6.3.2 DXN Industries

DXN Industries was incorporated in Malaysia under the Companies Act 1965 on 20 November 1996 and is deemed registered under the Act as a private limited company under its present name.

DXN Industries is principally engaged in the manufacture and distribution of health food supplements and other products. The principal place of business of DXN Industries is at Lot 757, Jalan Bukit Wang, Kampung Padang Panjang, Mukim Malau, 06000 Jitra, Kedah, Malaysia.

The issued share capital of DXN Industries is RM500,000 comprising 500,000 ordinary shares. There has been no change in the issued share capital of DXN Industries during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

DXN Industries is a wholly owned subsidiary of our Company. As at the LPD, DXN Industries does not have any subsidiary, associate or joint venture.

6.3.3 DXN Pharma

DXN Pharma was incorporated in Malaysia under the Companies Act 1965 on 20 November 1996 and is deemed registered under the Act as a private limited company under its present name.

DXN Pharma is principally engaged in the manufacture of health food supplements and other products. The principal place of business of DXN Pharma is at Lot 757, Jalan Bukit Wang, Kampung Padang Panjang, Mukim Malau, 06000 Jitra, Kedah, Malaysia.

The issued share capital of DXN Pharma is RM4,000,000 comprising 4,000,000 ordinary shares. There has been no change in the issued share capital of DXN Pharma during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

DXN Pharma is a wholly owned subsidiary of our Company. As at the LPD, DXN Pharma does not have any subsidiary, associate or joint venture.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.3.4 DXN Biotech

DXN Biotech was incorporated in Malaysia under the Companies Act 1965 on 5 October 2004 and deemed registered under the Act as a private limited company under the name of Auto Ridge Sdn Bhd. It assumed its present name on 16 September 2015.

DXN Biotech is principally engaged in R&D and experimental work in relation to biotechnology, bio-chemical and agricultural products and trading of agricultural products. The principal place of business of DXN Biotech is at Lot 757, Jalan Bukit Wang, Kampung Padang Panjang, Mukim Malau, 06000 Jitra, Kedah, Malaysia.

The issued share capital of DXN Biotech is RM1,000,000 comprising 1,000,000 ordinary shares. There has been no change in the issued share capital of DXN Biotech during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

DXN Biotech is a wholly owned subsidiary of our Company. As at the LPD, DXN Biotech does not have any subsidiary, associate or joint venture.

6.3.5 DIPL

DIPL was incorporated in Labuan, Malaysia under the Offshore Companies Act 1990 on 8 March 1999 as a private limited company under its present name.

DIPL is principally engaged in investment holding and trading and distribution of F&B, food supplements and consumer products on direct sales basis. The principal place of business of DIPL is at Tiara Labuan, Jalan Tanjung Batu, 87000 Federal Territory of Labuan, Malaysia.

The issued share capital of DIPL is USD15,010 comprising 15,010 ordinary shares. There has been no change in the issued share capital of DIPL during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

DIPL is a wholly owned subsidiary of DXN BVI. Save for DXN Manufacturing India which is a direct subsidiary of DIPL, DXN Clinics which is an indirect subsidiary of DIPL, and DIPL Philippines Branch which is a branch office of DIPL, as at the LPD, DIPL does not have any subsidiary, associate or joint venture.

6.3.6 DXN Peru

DXN Peru was incorporated in Peru under Ley General de Sociedades (General Corporations Law), Law No. 26887, by means of public deed dated May 8th, 2009 as a private limited company under its present name, and registered in Electronic File No. 12317584 of the Lima Corporations Registry.

DXN Peru is principally engaged in trading and distribution of F&B, food supplements and consumer products on direct sales basis. The principal place of business of DXN Peru is at Av. Angamos Oeste 547, Miraflores. Lima, Peru.

The issued share capital of DXN Peru is PEN9,000 comprising 90 ordinary shares. There has been no change in the issued share capital of DXN Peru during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, the shareholders of DXN Peru and their respective shareholding are as follows:

Shareholder	No. of ordinary shares	%
DXN BVI	89	98.9
DXN	1	1.1

As at the LPD, DXN Peru does not have any subsidiary, associate or joint venture.

6.3.7 DXN Mexico

DXN Mexico was incorporated in Mexico under public deed 11,199 dated as of 31 October 2002 executed by Juan José Thomas Moreno, head of the notary public 7 of Tijuana, Baja California duly subscribed at the public registry of commerce of Tijuana, Baja California with the commercial electronic folio number 27587 as a business corporation under its present name.

DXN Mexico is principally engaged in manufacturing and distribution of F&B, food supplements and consumer products. The principal place of business of DXN Mexico is at Londres 47 Lobby, 1° floor y 4° floor, Juárez, Cuauhtemoc, Zip Code 06600, Mexico City, Mexico.

The issued share capital of DXN Mexico is MXN2,151,600 comprising 43,032 ordinary shares. There has been no change in the issued share capital of DXN Mexico during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

As at the LPD, the shareholders of DXN Mexico and their respective shareholding are as follows:

Shareholder	No. of ordinary shares	%
DXN BVI	43,031	99.9
DXN	1	*

Note:

* *Negligible*

As at the LPD, DXN Mexico does not have any subsidiary, associate or joint venture.

6.3.8 DXN Marketing India

DXN Marketing India was incorporated in India under the Companies Act 2013 on 18 March 2014 as a private limited company under the name of DXN India Private Limited which was subsequently changed to its present name on 28 March 2014.

DXN Marketing India is principally engaged in trading and distribution of F&B, food supplements and consumer products on direct sales basis. The principal place of business of DXN Marketing India is at 69 (Old No 29) Eldams Road, Teynampet, Chennai, Tamil Nadu – 600018 India.

The issued share capital of DXN Marketing India is INR200,000 comprising 20,000 ordinary shares. There has been no change in the issued share capital of DXN Marketing India during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, the shareholders of DXN Marketing India and their respective shareholding are as follows:

Shareholder	No. of ordinary shares	%
Daxen Agritech	10,000	50.0
Jacob Antony	4,900	24.5
Jipna Jijith	5,100	25.5

DXN regards DXN Marketing India as a subsidiary of Daxen Agritech by virtue of having board control and being the single largest shareholder in this company. The remaining voting rights are held by individual investors and there is no indication that the other shareholders of DXN Marketing India will exercise their votes collectively.

As at the LPD, DXN Marketing India does not have any subsidiary, associate or joint venture.

6.3.9 DXN Bolivia

DXN Bolivia was incorporated in Bolivia under Public Deed No. 94/2011 on 19 January 2011 as a limited liability company under its present name.

DXN Bolivia is principally engaged in trading and distribution of F&B, food supplements and consumer products on direct sales basis. The principal place of business of DXN Bolivia is at Landivar Avenue, No. 432, West area, Santa Cruz de la Sierra, Bolivia.

The issued share capital of DXN Bolivia is BOB100,000 comprising 1,000 ordinary shares. There has been no change in the issued share capital of DXN Bolivia during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

As at the LPD, the shareholders of DXN Bolivia and their respective shareholding are as follows:

Shareholder	No. of ordinary shares	%
DXN BVI	999	99.9
DXN Peru	1	*

Note:

* *Negligible*

As at the LPD, DXN Bolivia does not have any subsidiary, associate or joint venture.

6.3.10 Daxen USA

Daxen USA was incorporated in the United States as a California corporation under California Corporations Code Section 200 on 4 October 2001 under its present name.

Daxen USA is principally engaged in trading and distribution of F&B, food supplements and consumer products on direct sales basis. The principal place of business of Daxen USA is at 565 Brea Canyon Road Suite B, Walnut, CA 91789, United States.

The issued share capital of Daxen USA is USD291,500 comprising 291,500 ordinary shares. There has been no change in the issued share capital of Daxen USA during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

Daxen USA is a wholly owned subsidiary of Daehsan Hungary. As at the LPD, Daxen USA does not have any subsidiary, associate or joint venture.

6. INFORMATION ON OUR GROUP (Cont'd)

6.3.11 DXN Thailand

DXN Thailand was incorporated in Thailand under the Thai Civil and Commercial Code on 25 June 1998 as a limited company under its present name.

DXN Thailand is principally engaged in the trading and distribution of F&B, food supplements and consumer products on direct sales basis. The registered head office of DXN Thailand is at No. 54, BB Building 12th Floor, Room No. 1202, Sukhumvit 21 Road (Asoke), Klongtoey Nuea Sub-district, Wattana District, Bangkok 10110.

The issued share capital of DXN Thailand is THB20,000,000 comprising 200,000 ordinary shares. There has been no change in the issued share capital of DXN Thailand during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

As at the LPD, the shareholders of DXN Thailand and their respective shareholding are as follows:

Shareholder	No. of ordinary shares	%
DXN BVI	98,000	49.0
Anong Phoungtong	52,000	26.0
Nongluck Wongworn	50,000	25.0

Our Company regards DXN Thailand as a subsidiary of DXN BVI by virtue of having board control and being the single largest shareholder in this company. The remaining voting rights are held by individual investors and there is no indication that the other shareholders of DXN Thailand will exercise their votes collectively. As at the LPD, DXN Thailand does not have any subsidiary, associate or joint venture.

6.3.12 DXN Colombia

DXN Colombia was incorporated in Colombia by means of a private document dated 3 May 2012 and registered with the Mercantile Registry managed by the Chamber of Commerce of Bogotá on 7 May 2012 as a Simplified Shares Corporation (*Sociedad por Acciones Simplificada* – S.A.S.) under its present name.

DXN Colombia is principally engaged in trading and distribution of F&B, food supplements and consumer products on direct sales basis. The principal place of business of DXN Colombia is at Avenida Carrera 19 No. 108-11, Bogotá, D.C., Colombia.

The issued share capital of DXN Colombia is COP250,000,000 comprising 250 ordinary shares. There has been no change in the issued share capital of DXN Colombia during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

DXN Colombia is a wholly owned subsidiary of DXN BVI. As at the LPD, DXN Colombia does not have any subsidiary, associate or joint venture.

6.3.13 Daxen Mongolia

Daxen Mongolia was incorporated in Mongolia under the Company Law of Mongolia and other applicable laws of Mongolia on 28 December 2007 as a foreign invested limited liability company under its present name.

Daxen Mongolia is principally engaged in trading and distribution of F&B, food supplements and consumer products. The principal place of business of Daxen Mongolia is at 4th floor, Diamond office building – 29, 13th khoroolol, 18th khoroo, Bayanzurkh district, Ulaanbaatar, Mongolia.

6. INFORMATION ON OUR GROUP (Cont'd)

The issued share capital of Daxen Mongolia is MNT179,728,200 comprising 150,000 ordinary shares. There has been no change in the issued share capital of Daxen Mongolia during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

Daxen Mongolia is a wholly owned subsidiary of DXN Singapore. As at the LPD, Daxen Mongolia does not have any subsidiary, associate or joint venture.

6.3.14 Daehsan Indonesia

Daehsan Indonesia was incorporated in the Republic of Indonesia under Deed No. 227 dated 18 July 1997 drawn before B.R.AY. Mahyastoeti Notonagoro, S.H., a Notary in Jakarta, which has been approved by MOLHR Decree No. 02-1293.HT.01.01.TH'98 dated 2 March 1998 as a private limited company under its present name.

Daehsan Indonesia is principally engaged in direct selling business. The principal place of business of Daehsan Indonesia is at Gedung Indra Sentral Cempaka Putih, Unit A, B, C, D, Jl. Letjen Suprpto No. 60, Jakarta, 10520, Indonesia.

The issued share capital of Daehsan Indonesia is IDR11,000,000,000 comprising 22,000 ordinary shares. There has been no change in the issued share capital of Daehsan Indonesia during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

As at the LPD, the shareholders of Daehsan Indonesia and their respective shareholding are as follows:

Shareholder	No. of ordinary shares	%
DXN	21,999	99.9
DXN BVI	1	0.01

As at the LPD, Daehsan Indonesia does not have any subsidiary, associate or joint venture.

6.3.15 Daxen Morocco

Daxen Morocco was incorporated in Morocco under Dahir n ° 1-97-49 of 5 Chaoual 1417 (February 13, 1997) promulgating law n ° 5-96 on 17 February 2017 as a private limited company under its present name.

Daxen Morocco is principally engaged in trading and distribution of F&B, food supplements and consumer products on direct sales basis. The principal place of business of Daxen Morocco is at Angle Ambassadeur Ben Aïcha et Rue Sido, Casablanca, Morocco.

The issued share capital of Daxen Morocco is MAD1,000,000 comprising 10,000 ordinary shares. There has been no change in the issued share capital of Daxen Morocco during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, the shareholders of Daxen Morocco and their respective shareholding are as follows:

Shareholder	No. of ordinary shares	%
Daehsan Hungary	9,900	99.0
Daxen Slovakia	100	1.0

As at the LPD, Daxen Morocco does not have any subsidiary, associate or joint venture.

6.3.16 Daxen Agritech

Daxen Agritech was incorporated in India under the Companies Act 1956 on 24 November 2009 as a private limited company under its present name.

Daxen Agritech is principally engaged in manufacturing of health food, traditional medicine, all kinds of confectioneries and other food products and carry on the business of agro farming in the field of mushrooms. The principal place of business of Daxen Agritech is at Plot No. 120, DIC Industrial Area, Baddi District, Solan, Himachal Pradesh, India – 173205.

The issued share capital of Daxen Agritech is INR10,000,000 comprising 1,000,000 ordinary shares. There has been no change in the issued share capital of Daxen Agritech during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

As at the LPD, the shareholders of Daxen Agritech and their respective shareholding are as follows:

Shareholder	No. of ordinary shares	%
DXN BVI	990,000	99.0
DXN	10,000	1.0

Save for DXN Marketing India which is a direct subsidiary, as at the LPD, Daxen Agritech does not have any subsidiary, associate or joint venture.

6.3.17 Anxi Gande Foluohua

Anxi Gande Foluohua was incorporated in China under PRC Company Law on 12 October 2017 as a private limited company under its present name.

Anxi Gande Foluohua is principally engaged in tea plantation, processing, R&D, wholesale trading and retailing of tea, pre-packaged F&B and other products. The principal place of business of Anxi Gande Foluohua is at No. 99, Fuxiyang, Huaidong Village, Gande Town, Anxi County, Quanzhou City, Fujian Province, China.

The registered capital of Anxi Gande Foluohua is RMB36,000,000. As at the LPD, the registered capital has been fully paid up. There has been no change in the registered capital of Anxi Gande Foluohua during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

Anxi Gande Foluohua is a wholly owned subsidiary of Florin Fujian, which in turn is 80.0% owned by our Company. As at the LPD, Anxi Gande Foluohua does not have any subsidiary, associate or joint venture.

6. INFORMATION ON OUR GROUP (Cont'd)

6.3.18 DXN Corporation Ningxia

DXN Corporation Ningxia was incorporated in China under PRC Company Law on 14 December 2015 as a private limited company under its present name.

DXN Corporation Ningxia is principally engaged in investment holding, R&D and experimental works in relation to biotechnology, processing and trading of F&B. The principal place of business of DXN Corporation Ningxia is at No.11, Ziqiang Road, Shizuishan High-tech Industrial Development Zone, Dawukou District, Shizuishan City, Ningxia, China.

The registered capital of DXN Corporation Ningxia is RMB400,000,000. As at the LPD, the total paid up capital of DXN Corporation Ningxia is RMB312,503,247.02. Save as disclosed below, there has been no change in the registered capital of DXN Corporation Ningxia during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD:

<u>Date</u>	<u>Registered capital (RMB)</u>
14 August 2019	200,000,000
12 August 2021	400,000,000

DXN Corporation Ningxia is a wholly owned subsidiary of our Company. As at the LPD, the direct subsidiaries of DXN Corporation Ningxia are DXN Agrotech Ningxia, DXN Biotechnology Ningxia, DXN Healthtech Guangzhou, Florin Fujian and DXN Trading Ningxia, details of which are set out in this Section 6.3 of this Prospectus. Save for the above, DXN Corporation Ningxia does not have any subsidiary, associate or joint venture as at the LPD.

6.3.19 DXN Agrotech Ningxia

DXN Agrotech Ningxia was incorporated in China under PRC Company Law on 20 March 2017 as a private limited company under its present name.

DXN Agrotech Ningxia is principally engaged in research, cultivation, manufacture and trading of mushroom and Spirulina. The principal place of business of DXN Agrotech Ningxia is at east of Longma Road, south of Binhu Road, west of Yushantan Street and north of the office building of Zaoxiang Village Committee, Xinghai Town, Dawukou District, Shizuishan City, Ningxia, China.

The registered capital of DXN Agrotech Ningxia is RMB85,000,000. As at the LPD, the registered capital has been fully paid up. Save as disclosed below, there has been no change in the registered capital of DXN Agrotech Ningxia during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD:

<u>Date</u>	<u>Registered capital (RMB)</u>
11 August 2021	85,000,000

DXN Agrotech Ningxia is a wholly owned subsidiary of DXN Corporation Ningxia. As at the LPD, DXN Agrotech Ningxia does not have any subsidiary, associate or joint venture.

6.3.20 Daxen Indonesia

Daxen Indonesia was incorporated in the Republic of Indonesia under Deed No. 11 dated 5 August 1998 made before Purbandari S.H., Notary Candidate in Jakarta as the substitute of Haji Abdul Kadir Usman, Notary in Jakarta which has been approved by the MOLHR pursuant to its Decree No. C2-28018 HT.01.01.Th.98. dated 14 December 1998 as a limited liability company under its present name.

6. INFORMATION ON OUR GROUP (Cont'd)

Daxen Indonesia is principally engaged in the manufacturing of traditional medicines, cosmetics and beverages. The principal place of business of Daxen Indonesia is at Indra Sentral Building Unit A-D Fl 5, Jl. Letjen Suprpto No. 60, Central Jakarta, Indonesia.

The issued share capital of Daxen Indonesia is IDR15,950,000,000 comprising 1,100 ordinary shares. There has been no change in the issued share capital of Daxen Indonesia during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD.

As at the LPD, the shareholders of Daxen Indonesia and their respective shareholding are as follows:

Shareholder	No. of ordinary shares	%
DXN BVI	1,089	99.0
Novita Kristin Djunaedi	11	1.0

As at the LPD, Daxen Indonesia does not have any subsidiary, associate or joint venture.

6.3.21 DXN Manufacturing India

DXN Manufacturing India was incorporated in India under the Companies Act, 1956 on 30 July 2001 as a private limited company under the name of DXN Herbal Manufacturing (India) Private Limited which was subsequently changed to DXN Manufacturing (India) Private Limited on 28 October 2015.

DXN Manufacturing India is principally engaged in manufacturing of health food, traditional medicine, all kinds of confectioneries and other food products. The principal place of business of DXN Manufacturing India is at R.S. No. 141/4 & 142/5, Whirlpool Road, Thiruvandhar Koil, Mannadipet Commune Pondy-102, Pondicherry, India - 605102.

The issued share capital of DXN Manufacturing India is INR516,069,740 comprising 51,606,974 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of DXN Manufacturing India during the period covered by the historical financial information as disclosed in this Prospectus and up to the LPD:

Date of allotment / transfer	No. of ordinary shares	Consideration	Cumulative issued share capital (INR)
15 September 2020	50,960,000	Cash	INR516,069,740

As at the LPD, the shareholders of DXN Manufacturing India and their respective shareholding are as follows:

Shareholder	No. of ordinary shares	%
DIPL	51,606,973	99.9
DXN BVI	1	*

Note:

* *Negligible*

Save for DXN Clinics which is a direct subsidiary, as at the LPD, DXN Manufacturing India does not have any subsidiary, associate or joint venture.

6. INFORMATION ON OUR GROUP *(Cont'd)*

As at the LPD, our Group does not have any outstanding warrants, options, convertible securities or uncalled capital.

None of our Shares and share capital in our subsidiaries were issued and allotted at a discount or have any special terms or instalment payment terms. Save for DXN Corporation Ningxia and Florin Fujian, our issued Shares and the issued shares of our subsidiaries are fully paid-up.

As at the LPD, neither our Company nor our subsidiaries are involved in any bankruptcy, receivership or similar proceedings.

During the last financial year and up to the LPD, there were no:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by our Company in respect of other companies' securities.

7. BUSINESS OVERVIEW

7.1 Overview

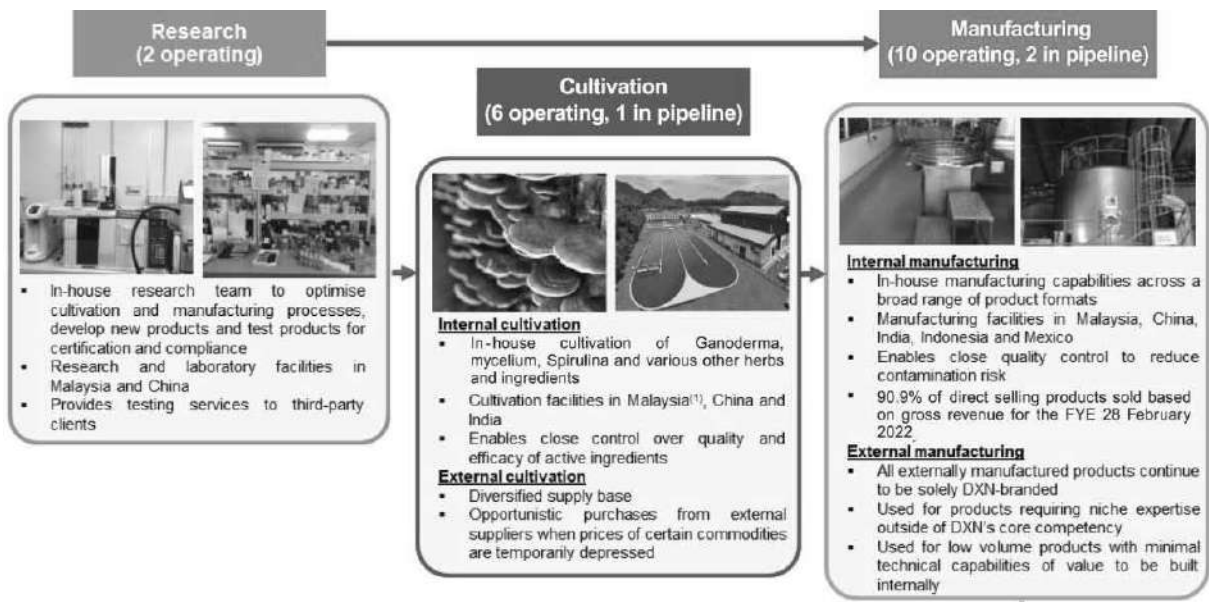
We are a global health-oriented and wellness direct selling company. We have a portfolio of 327 stock keeping units (“SKUs”) of health-oriented and wellness consumer products that we manufacture in-house and a distribution footprint (including our sales branches and distributors) in 48 countries as at the LPD. We have 79 sales branches to distribute goods to our Members and we partner with 12 exclusive external distribution agencies as at the LPD. We have over 14.9 million registered Members and over 3.6 million active Members (as defined below) in more than 180 countries as at the LPD. We were ranked among the top 10 players based on total sales in the direct selling industry in Peru and Bolivia in 2022 according to Frost & Sullivan.

DLSJ established DXN Marketing in Kedah, Malaysia, which commenced operations in 1995. DLSJ’s mission was to promote the benefits of Ganoderma on human health. Ganoderma, also known as Lingzhi or Reishi, is a type of mushroom that we believe has a long history of being used in traditional medicines and herbal traditions in China, Japan and other Asian countries. Today, we have expanded the range of natural ingredients that we use to produce products such as Ganoderma, Spirulina, Cordyceps, Roselle, Beggarticks, Lion’s Mane mushroom, Tiger Milk mushroom, pineapples, aloe vera and Noni.

Our portfolio of health-oriented and wellness consumer products consists of FFB, HDS, PCC and other goods. We also have other business offerings in third party laboratory-testing, lifestyle products, and F&B, which accounted for 1.6% of our gross revenue for the FYE 28 February 2022. Based on total retail sales of FFB via direct selling, we ranked among the top three players in Bolivia and Peru and among the top five players in the Philippines in 2022, according to Frost & Sullivan. In the same year, we were also ranked among the top 10 players based on retail sales of HDS via direct selling in the Philippines according to Frost & Sullivan.

We operate a vertically integrated supply chain with in-house research, cultivation and manufacturing functions. We carry out our research through an in-house team of about 81 research staff across two research facilities in Malaysia and China. We also operate six cultivation facilities and 10 manufacturing facilities across Malaysia, China, India, Indonesia and Mexico. We also have a cultivation facility and two manufacturing facilities in the pipeline which we expect to complete by the second quarter of 2023. We use our research facilities to develop new products and to study and improve our cultivation and manufacturing techniques; our cultivation facilities to produce Ganoderma, Spirulina and various other herbs and ingredients; and our manufacturing facilities to manufacture our finished capsules, tablets, powdered beverages and liquid beverages. In the FYE 28 February 2022, approximately 90.9% of our direct selling products sold (based on gross revenue contribution) were manufactured in-house, with tight control over the production process.

7. BUSINESS OVERVIEW (Cont'd)



Product category

Diverse product portfolio consisting of 327⁽²⁾ SKUs of FFB, HDS, PCC and other products.

FFB	HDS	PCC	Other products
<p>Revenue : 65.2%⁽³⁾</p> <p>Lingzhi Coffee 3-in-1 Cocozhi</p> <p>Spirulina Cereal Morinzyme</p>	<p>Revenue : 24.4%⁽³⁾</p> <p>RG / GL Spirulina</p> <p>Andro-G Cordyceps</p>	<p>Revenue : 6.5%⁽³⁾</p> <p>Ganozhi Toothpaste Ganozhi Shampoo</p> <p>Ganozhi Soap Gano Massage Oil</p>	<p>Revenue : 2.3%⁽³⁾</p> <p>Our portfolio also includes a range of other products including diesel fuel additives, fruit and vegetable washing liquid, laundry detergent, kettles, air purifiers, home water filtration system, starter kits and promotional packages.</p> <p>Energy Plus Water System Laundry Detergent - Dyna Clean</p>

Distribution

Sales branches	External distribution agencies	Stockists	Members
<ul style="list-style-type: none"> 79 sales branches⁽²⁾ Sales branches keep sufficient buffer stocks of at least three months and not more than six months of sales volume to avoid stockout situation for any product 	<ul style="list-style-type: none"> 12 external distribution agencies⁽²⁾ Exclusively carries our products to on - sell and distribute our products to other Members and / or end consumers May have their own sales branches which are not managed by us 	<ul style="list-style-type: none"> Members, who are appointed as stockists, operate service centres, which can on-sell our products to Members Facilitate physical distribution in areas without local branches by reselling our products to other Members without a mark-up 	<ul style="list-style-type: none"> Over 3.6 million active Members⁽²⁾ No joining or membership fees Members purchase and distribute products within their personal network, and can conduct sales online and host personal e-commerce shopfronts on our website and mobile application

Notes:

- (1) Save for the mycelium cultivation facility, we have vacated and ceased operations at the Kedah cultivation facilities pending the issuance of CCC or equivalent to the facilities.
- (2) As at the LPD.
- (3) Based on the gross revenue for the FYE 28 February 2022.

7. BUSINESS OVERVIEW (Cont'd)

By conducting a significant part of our entire process in-house, from research and cultivation to processing raw materials, manufacturing, marketing and distribution, we are able to control our product quality and have the flexibility to develop and test new products. This structure also promotes integration and collaboration between our various teams and drives synergies in production reliability and efficiency. Our production facilities are also strategically located in various geographical locations which allows us to support our core markets by lowering risks of supply chain disruptions and regulatory compliance issues (such as meeting licensing requirements or meeting locally manufactured product requirements to be able to import certain products) and operating as a natural currency hedge.

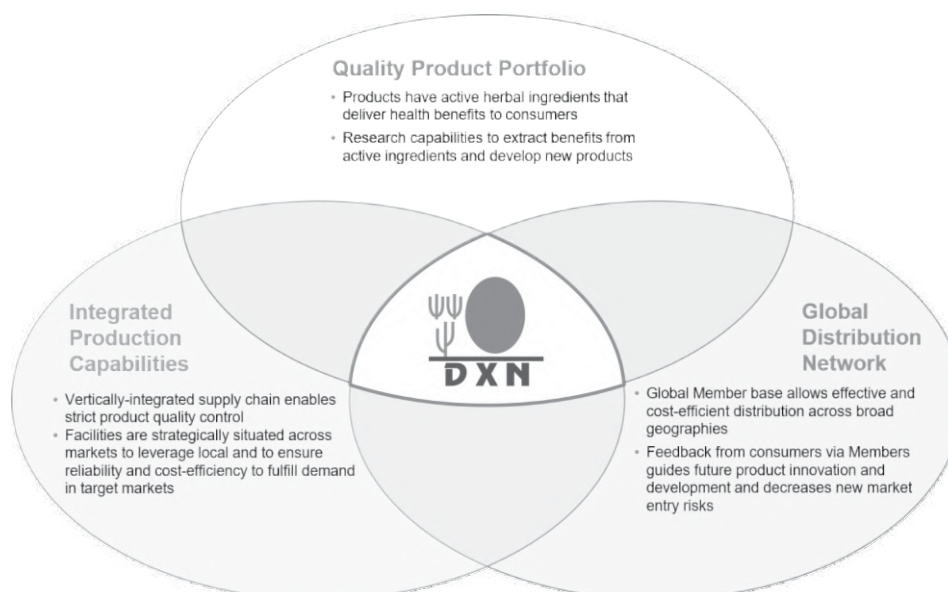
Our products are distributed through either our direct selling network or sales branches. Our direct selling network comprises over 3.6 million active Members (defined as Members who have purchased a product and any newly registered Members in the preceding and current calendar year, based on the cut-off date of 31 December for any particular year) and 12 external distribution agencies who exclusively carry our products to on-sell and distribute to other Members and end-consumers as at the LPD. Members purchase and distribute our products within their personal network and serve as both consumers and distributors of our products. Sales can occur online, through personal e-commerce shopfronts for our Members hosted on our website or via the DXN app. Some Members who are stockists also operate service centres, which distribute products to other Members.

We also have 79 sales branches as at the LPD which act partially as distribution centres of our products to our Members. The direct selling distribution model has helped to contribute to our growth since 1993 from a local Malaysian company to a multinational company with a distribution footprint (including our branches and distributors) in 48 countries, and registered Members in more than 180 countries as at the LPD.

Our bonus payments to our Members are based on their worldwide sales as opposed to on a country-by-country basis. By providing a single, global "One World One Market" platform for our Members and applying the same business model and product branding worldwide, we are able to help our Members to conduct their direct selling efforts and grow their international sales. Other distinguishing features of our direct selling business include educating our Members about Ganotherapy and Sunya. We also provide training to our Members on our products, our culture, our marketing plan and on how to conduct business opportunity meetings. New distributors also undergo training on these key elements of the business. Our IT platforms, consisting of Member support tools such as the e-World website, DXN app, DChat app and internal management tools relating to online billing, enterprise resource planning, laboratory management, human resource management, accounting and centralised processing, support our ecosystem and are also key to our business operations.

We have built a health-focused business platform anchored by almost three decades of institutional learning and a corporate culture constructed around the vision of DLSJ. We believe that our business expansion has been a result of our quality product portfolio, integrated production capabilities and global distribution network as illustrated below:

7. BUSINESS OVERVIEW (Cont'd)



We have a track record of developing our business model and products in more mature markets, and subsequently applying and duplicating our business model in upcoming markets. Our core markets are Peru, Bolivia, Mexico, India, the Philippines, Malaysia, Morocco, certain countries in the Middle East, the United States and Thailand and these top 10 markets (by revenue) contributed to 86.3% of our gross revenue for the FYE 28 February 2022. Our revenue for the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022 was RM1,104.6 million, RM1,050.2 million, RM1,242.9 million and RM1,043.2 million respectively. In particular, Peru, Bolivia, Mexico, India and the Philippines contributed largely to our FFB products revenue, with 82.3% of our total FFB revenue for the FYE 28 February 2022. Meanwhile, Malaysia, India, the Philippines, Morocco and Mexico contributed largely to our HDS products revenue, with 62.0% of our total HDS revenue for the FYE 28 February 2022. For the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022, our profit for the year or period (as the case may be) was RM255.2 million, RM200.9 million, RM245.4 million and RM188.6 million, respectively.

7.2 Competitive Strengths

Our competitive strengths are:

7.2.1 Strong presence in Bolivia and Peru for direct selling of health-oriented and wellness products and a diversified exposure to high-growth markets

The health-oriented and wellness sector within the direct selling industry is growing fast in the global markets on the back of increasing propensity to self-medicate and adopt preventive solutions among consumers. According to Frost & Sullivan, the direct selling markets of FFB, HDS and PCC products are forecasted to grow at a CAGR of 10.1%, 3.6% and 2.0% respectively between 2022 and 2026. The global rollout and uptake of COVID-19 vaccines in 2021 and 2022 has contributed to the re-opening of businesses and normalisation of production and distribution of consumer products in certain countries.

7. BUSINESS OVERVIEW (Cont'd)

We operate a direct selling platform within the growing health-oriented and wellness sector with a wide product portfolio range of FFB, HDS and PCC products which use active natural ingredients such as Ganoderma, Spirulina and Cordyceps. According to Frost & Sullivan, the use of natural herbal ingredients with medicinal value by the traditional and complementary medicine industry has received encouraging responses around the world. Our exposure in global markets is diversified across various geographical regions such as Latin America, North America, Europe, Southeast Asia, Central Asia, South Asia, Middle East, Africa and Oceania. Our presence in core markets including Peru, Bolivia, Mexico, India, the Philippines, Malaysia, Morocco, certain countries in the Middle East, the United States and Thailand has contributed to 86.3% of our gross revenue for the FYE 28 February 2022. Despite the impact of the pandemic, revenue in some of our core markets such as Peru, Mexico, Bolivia, the Philippines and the United States has grown resiliently from the FYE 29 February 2020 to the FYE 28 February 2022 with a CAGR of 5.5%, 6.5%, 13.8%, 1.9% and 3.8% respectively.

Country	Market Size Growth CAGR 2022E-2026F (%) ⁽¹⁾⁽²⁾			DXN's Market Share in 2020 (%) ⁽¹⁾		DXN's Market Share in 2022E (%) ⁽¹⁾	
	FFB	HDS	PCC	FFB	HDS	FFB	HDS
Peru	6.9	8.6	7.1	27	3	33	3
Mexico	4.1	4.9	3.4	9	1	9	1
India	14.6	8.2	5.0	11	5	10	3
Bolivia	8.9	7.6	7.3	33	3	36	2
Philippines	7.2	6.0	3.9	15	7	16	6
Malaysia	12.6	14.0	10.1	4	3	3	3
United States	6.1	2.7	3.4	<1	<1	<1	<1
Thailand	9.3	10.3	7.7	1	1	<1	1
Morocco	10.1	11.0	6.7	1	2	20	16

Notes:

- (1) Based on the IMR Report in Section 8 of this Prospectus. The estimated market share for the Middle East is not available due to the lack of the market data on the total retail sales value.
- (2) Based on retail sales via direct selling for respective product categories.

We are well-positioned across diverse high-growth geographies with a strong customer value proposition centred on the health benefits of our products. Although the barriers to entry as an operator in our industry only require regulatory approval, the sustenance of a strong competitive position in the industry is dependent on other key factors including integrated production facilities, global network, quality products, IT solutions and scalability of the platform. We have achieved a high level of standard in these areas, which are further elaborated in Sections 7.2.2, 7.2.3 and 7.2.5 of this Prospectus. According to Frost & Sullivan, we were ranked among the top three in high growth markets such as Peru and Bolivia in 2022, based on total retail sales of FFB via direct selling, with a market share of 33% and 36% respectively. Our innovative, in-house manufactured and unique products, with capital expenditure similar to that of comparable publicly listed direct selling companies with manufacturing capabilities have enabled us to remain competitive in the current high growth markets as we continue to expand further into other such geographies.

7. BUSINESS OVERVIEW (Cont'd)

According to Frost & Sullivan, our revenue CAGR of 6.1% between the FYE 29 February 2020 and the FYE 28 February 2022 is higher than the average revenue CAGR of selected major direct selling players with in-house manufacturing capabilities, which was at -6.7% between the FYE 31 December 2020 and the FYE 31 December 2022. We have a dedicated mobile application for our Members to communicate and a unified compensation model and bonus structure. Besides that, we have also achieved a high number of certifications and awards collectively as well as having a number of cultivation and manufacturing facilities among our selected peers. For further details on our competitive landscape, see Section 8 of this Prospectus.

We have been the recipient of numerous awards across the regions that we operate in such as “Brand of the Year Award” under the “Herbal Food Supplement” category from the Federation of Pakistan Chambers of Commerce & Industry in 2017 and “Industry Excellence Award” from the National Pharmaceutical Control Bureau of the MOH in 2012. In addition, we have also received key accreditations in the scope of quality management system, environmental management system as well as cultivation and production of Ganoderma, Spirulina and Cordyceps from well-recognised organisations such as ISO, GMP, HACCP, TGA and Ministry of Agriculture and Agro-Based Industry Malaysia (now Ministry of Agriculture and Food Security). For further details on our awards and key accreditations, see Sections 7.32 and 7.33 of this Prospectus.

7.2.2 Business platform with a broad product portfolio and integrated production facilities

The growth in demand in the health-oriented and wellness sector within direct selling is attributed to a changing consumer preference towards quality products with health benefits, while the supply side is driven by factors such as product innovation and integrated manufacturing. Building on our initial expertise in Ganoderma, we have expanded our product offerings to a diversified portfolio of health-oriented and wellness consumer products across a range of natural health ingredients. Out of the 327 SKUs we manufacture in-house as at the LPD, FFB products such as Lingzhi Black Coffee, Lingzhi Coffee 3-in-1, Cocozhi, Spirulina Cereal, Vita Café and Cordyceps Coffee 3-in-1 are our largest revenue contributors and have contributed approximately 65.2% of our gross revenue for the FYE 28 February 2022. These consumable foods with attributable health benefits for daily consumption are sold at affordable price levels to generate repeated sales. Our strategy to balance between product differentiation and price sensitivity has enabled us to position our Group to generate a high volume of sales coupled with a good profit margin.

We exclusively sell our own-branded products. Based on gross revenue contribution, approximately 90.9% of direct-selling products sold in the FYE 28 February 2022 were manufactured in-house to maintain control over the quality of products offered to consumers. While we continuously aim to consistently improve upon our product formulations through R&D based upon nutrition science, several of our best-selling products that have been in existence for many years have strongly contributed to our top-line growth. For example, we have revamped and relaunched our beverage products with non-dairy creamer that does not contain partially hydrogenated oil (“PHO”) between 2020 and 2022. PHO contains trans-fat which can raise cholesterol levels and subsequently result in health complications. Within our core product portfolio, HDS products such as Spirulina tablets, RG capsules and GL capsules have contributed approximately 24.4% of our gross revenue for the FYE 28 February 2022, while PCC products such as Ganozhi Toothpaste, Gano Massage Oil and Ganozhi Soap have contributed to approximately 6.5% of our gross revenue during the same period.

7. BUSINESS OVERVIEW (Cont'd)

We use active natural ingredients such as Ganoderma and Spirulina in a significant portion of our product offerings containing no artificial preservatives or colouring. Ganoderma contains natural constituents that we believe improve body functions and has antioxidant properties with benefits including anticancer effects and blood glucose regulation, among others. Meanwhile, we believe that the health benefits of Spirulina include the ability to modulate immune functions and exhibit anti-inflammatory properties by inhibiting the release of histamine by mast cells. In an example of our utilisation of these natural ingredients to produce quality products, we use Spirulina to produce FFB products such as Spirulina cereal, as well as HDS products such as Spirulina tablets in various packaging sizes. Our broad portfolio of products is able to cater for the diverse consumption patterns in various markets and are selectively rolled out in response to consumer demand, competitive landscape and regulatory constraints. While our business began by offering HDS products, our response to consumer demand for more accessibility and affordability has resulted in the development of our product offerings across the price spectrum, catering to consumers across a broad range of income levels. For further details on our products, see Section 7.7 of this Prospectus.

The integration of multiple activities across the supply chain allows for better control of our operations and ensures that our production output is able to keep up with the growing demand, both in terms of quantity and quality. We have established a vertically-integrated business with a majority-owned production chain from research to cultivation to manufacturing, allowing strict quality control at every step of the process to maintain high standards of safety and excellence. Our execution and production processes have been recognised by various local and global certifications and industry awards over the years and have enabled us to maintain consistently high gross profit margins of above 80.0% from the FYE 29 February 2020 to the FYE 28 February 2022. Our facilities are strategically situated in locations based on unique advantages with regard to land, labour and climate factors and their proximity to key markets to leverage on local resources and to drive synergies in ensuring production reliability and cost-efficiency of fulfilling demand in all markets.

With an increased R&D expenditure of 37.0% between the FYE 29 February 2020 and the FYE 28 February 2022, the core biotechnological strength of our R&D efforts include tissue culture, eco-farming, nano fermentation, centrifuge filtration and cold dehydration. These biotechnologies are important to preserve the natural active ingredients in its original form to ensure product efficacy and enable us to create the uniqueness of our best-selling products. Furthermore, through our R&D, we introduced 26 new products in 2020, 10 new products in 2021 and 22 new products in 2022. Our research functions are fully carried out in-house with about 81 research staff as at the LPD across two research facilities in Malaysia and China. Our main research facility located in Malaysia is registered with the GMP+ Registered Laboratory program (GMP+ B11) of the GMP+ Feed Certification Scheme and is responsible for developing new products, optimising yield at the adjacent cultivation facility and handling product testing for the adjacent manufacturing facilities, while our research facility in China primarily develops products and raw materials such as honey candy, probiotic drinks and Lion's Mane mushroom powder.

7. BUSINESS OVERVIEW (Cont'd)

In addition, we operate six cultivation facilities spread across Malaysia, India and China for the cultivation of Spirulina, Cordyceps, Lion's Mane mushroom, Noni, Roselle and Ganoderma. Commercial cultivation of Spirulina needs to be done in places with tropical or subtropical climates, as the growth demands sunshine throughout the year and depends on other factors such as wind, rain and variation in temperature. For mushroom cultivation, a controlled environment with a temperature range of 24-30 degrees Celsius is an important criterion. Our cultivation facilities in China include Spirulina cultivation in Ningxia and a tea plantation in Anxi, which benefit from export incentives from the Chinese Government to supply Spirulina powder to Malaysia for further processing. Our China operations enjoy cost advantages such as inland freight subsidies for export companies which are provided based on quarterly exportation, preferential policies on property tax for newly established small enterprises and export tax rebates based on products and quantities exported.

Furthermore, we operate 10 manufacturing facilities in Malaysia, China, India, Indonesia and Mexico. With approximately 90.9% of our direct-selling products sold being manufactured in-house based on gross revenue contribution for the FYE 28 February 2022, we are able to ensure demand surges can be met, as supply bottlenecks that result in our Members having insufficient stock for sale can severely disrupt our growth momentum and undermine our Members' confidence in our network. Production lines are able to switch between different products within one to four hours, demonstrating the flexibility of our manufacturing capabilities.

Our integrated cultivation functions have enabled us to produce a production output of 108 tonnes of GL, 35 tonnes of RG and 132 tonnes of Spirulina for the FYE 28 February 2022. We believe that we are one of the pioneers in Malaysia since 1993 in stacking individual cultivation bags in a vertical layout during production, which is now an industry-wide practice for Ganoderma cultivation. The quality of our cultivation practices have been recognised through accreditation and certifications such as the Organic European Union ("EU") Certificate since 2017, USDA's NOP Control Union Certification in 2017, ISO 14001 certifications since 2000 as well as myOrganic Malaysia Certificate since 2007.

The barriers to entry on the supply side are high due to economies of scale, integrated manufacturing processes and technological advancement in cultivation and production. As a vertically-integrated business, we are able to develop and cultivate our key ingredients internally and limit reliance on suppliers of natural ingredients. Through increased penetration in new and existing markets, we are able to achieve economies of scale and enjoy cost advantages, which are further supplemented by our distribution model. Our established operations in this industry are further supported by our core biotechnological strength in R&D, which has allowed us to continue producing a diverse and evolving portfolio of quality products. In addition, it is easier for integrated players with vast localised operations to comply with regulatory requirements. For example, the state government of Telangana, India extends various incentives to encourage the establishment of new industrial enterprises. Telangana is also a large producer of raw materials that we require for our cultivation and manufacturing processes, including Ganoderma and Spirulina. This makes it easier for us to achieve regulatory compliance as we source from local resources, rather than import these materials from outside of India. Furthermore, to meet the standard of quality for products, any compliance with the ISO, HACCP and GMP are taken into consideration for regulatory approvals. In Pondicherry, India, regulatory approvals we obtain are from two separate parties, namely Food Safety and Standards Authority of India ("FSSAI") and Ministry of AYUSH (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy). Achieving regulatory compliance is made easier as our vast localised operations are performed independently in separate production areas. Our expansion of localised production has allowed us to navigate and reduce regulatory barriers which has also benefited regional