

7. BUSINESS OVERVIEW (Cont'd)

markets as well given higher levels of regulatory harmonisation within regions. For further details on our production facilities, see Section 7.13 of this Prospectus.

7.2.3 Expansive global distribution network and sustainable direct selling strategies

According to Frost & Sullivan, the global market of direct selling is forecasted to reach USD183.3 billion by 2026. This growth will be driven by various factors including the expanding base of independent sales representatives, which reached 128.2 million people in 2021. 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 sales 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. As at the LPD, our products are exclusively distributed through our global direct selling network of over 14.9 million registered Members, of which over 3.6 million are active Members, and 79 sales branches and 12 external distribution agencies, providing an efficient and cost-effective way to reach consumers worldwide. The strength of our network is reflected in the continued growth in our Members from approximately 10.6 million in 2020 to approximately 14.3 million in 2022, representing a CAGR of 16.5%, driven by the effectiveness of our direct selling model.

As the focus of our direct selling model is to drive consumer sales, we have structured our "One World One Market" compensation plan to primarily reward sales, as opposed to peer companies who may prioritise recruitment, as we do not charge our Members any upfront or annual fees. Our compensation plan comprises four components: retail profits, personal group bonuses, leadership and development bonuses, and incentives, which include a one-time mobile phone incentive, cash travel incentive and annual travel seminar incentive. We ensure there is no delay in bonus payments as these components provide flexibility for our Members to achieve their desirable income levels based on the efforts they have invested. Furthermore, membership, which can be registered in any country except those under sanctions as at the date hereof, is applicable and valid worldwide, allowing our Members to enjoy the bonuses from their downlines who purchase our products in any part of the world. During the COVID-19 pandemic, there were no changes made to the structure of our Members' benefits and bonus incentives. Instead, we granted additional promotional campaigns during the height of the pandemic to support our Members in the form of product discounts. A global promotional campaign was launched in May 2020, giving a 10.0% discount on all products for qualified Members to redeem over a period of one year starting from 1 June 2020.

The direct selling model we employ is a mutually beneficial distribution channel for all of our stakeholders. We have a cost-effective product distribution approach with minimal recurring operating expenses required as there are no physical storefronts except for service centres, which are being operated by our Members at their own cost. This has enabled us to grow in a sustainable manner given the low capital expenditure required and strong demand visibility, while boosting consumer confidence through brand ambassadors trusted within their personal networks. With no joining or membership fees imposed, it provides an opportunity for our Members to earn income. The average sales for each of our active Members across Latin America, Asia Pacific and the United States has seen a steady growth with a CAGR of as much as 21.1% in Peru, 6.9% in Thailand and 5.6% in the United States respectively between 2020 and 2022. In the corresponding period, the average compensation per active Member has also increased proportionately with a CAGR of as much as 19.2% in Peru, 5.6% in Thailand and 2.2% in the United States.

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The flexibility of our distribution model allows our Members, who are customers who may also serve as distributors of our products, to tailor the level of sales engagement to their personal consumption and financial needs. For our end-customers, the model provides convenient access to our products and after-sales customer service through our Members, which is made easier through personal e-commerce shopfronts for our Members hosted on our website. Customers also have the option to become a Member to access products at distributor prices set by us. We maximise our resources towards providing the distributors leadership support in retailing, recruitment and retaining distributors. All levels of our organisation are engaged in conducting marketing activities and training programs targeted to generate retail sales with product knowledge, expand our Members' network with recruitment skills, and retain our leaders through promotions, which come along with incremental income. A small portion of the distribution income is allocated for these marketing activities. To further support our distributors from a production standpoint, sales branches are required by our Company's policy to keep sufficient buffer stocks of at least three months and not more than six months of sales volume, which help to offset any sudden demand surges and avoid any stockout situation for any product. From a sales standpoint, we have 79 sales branches as at the LPD, equipped with adequate sales and marketing staff to support the global Members' demand for our products including customer service enquiries.

Having developed a sustainable strategy based on a compensation plan that does not require an upfront membership fee and incentivise sales to customers rather than inventory loading, we are able to attract new Members and expand our distribution network sustainably. Further, we have transparent marketing plans with clear incentives and career-path structures to motivate our Members to be actively promoting and selling our products. These practices allow us to attract, engage and retain Members and differentiate us from other direct selling companies. For further details on our distribution network, see Section 7.6 of this Prospectus.

7.2.4 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. Since the commencement of our operations 28 years ago, we have expanded our distribution footprint (including our sales branches and distributors) across 48 countries and sales in more than 180 countries as at the LPD including recent market entries in the past five years, namely Poland, Mauritania, Morocco, Uzbekistan and Nigeria. While sales within our local markets may fluctuate due to competitive pressure, economic conditions, political or pandemic or for other reasons, our geographical diversification helps to mitigate our financial exposure to any particular market. Our revenue is based on product sales to our Members and earnings for most of our Members are driven by sales of products. Furthermore, bonuses are only received by stockists upon sale to our Members and end consumers, and not for purchasing stock.

We have a highly scalable business model as our distribution channel as well as operating procedures, management functions, and automated information systems which can be easily replicated for any expansion into existing and new markets.

From the FYE 29 February 2020 to the FYE 28 February 2022, our revenue increased by a CAGR of 6.1% from RM1,104.6 million to RM1,242.9 million, our EBITDA increased by a CAGR of 4.1% from RM370.1 million to RM401.4 million, but our profit for the year decreased by a CAGR of 1.9% from RM255.2 million to RM245.4 million.

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From the FPE 31 October 2021 to the FPE 31 October 2022, our revenue increased by 31.5% from RM793.2 million to RM1,043.2 million, our EBITDA increased by 25.2% from RM261.0 million to RM326.9 million, and our profit for the period increased by 17.4% from RM160.7 million to RM188.6 million.

Our Group has demonstrated an ability to consistently convert profitability into operating cash flow generation. Through our end-to-end control of the supply chain and rigorous pricing discipline, we are able to achieve attractive operating margins:

	FYE 28/29 February			FPE 31 October
	2020	2021	2022	2022
EBITDA margin (%) ⁽¹⁾	33.5	29.9	32.3	31.3
Operating cash flow to EBITDA (%) ⁽²⁾	83.1	79.8	64.8	61.1

Notes:

(1) Calculated as EBITDA divided by revenue. EBITDA is calculated as profit for the year/period plus (i) tax expense; (ii) finance costs; and (iii) depreciation and amortisation, less (iv) interest income.

(2) Calculated as net cash from operating activities divided by EBITDA.

Our cost-effective direct selling model enables us to scale our business with minimal capital expenditure for distribution network and setup costs attributed to sales branches and service centres. The minimal physical infrastructure requirements enable quick scaling up of presence in new regional or international markets. We do not require a company-employed sales force to market or sell our products as our Members are both consumers and distributors within their networks and bear the majority of our consumer marketing expenses.

Our low fixed cost base for distribution network allows for testing of more markets with less sunk cost and provides an easier market exit if our entry is unsuccessful. Our direct selling model has also enabled us to grow in a sustainable manner given a strong demand visibility via our Members' feedback. Our Members are both consumers and distributors within their networks. As consumers, Member growth directly reflects the underlying demand for the product, meanwhile as distributors, Members are closest to the end-consumers and are best placed to assess product demand. Natural migration of our Members across borders further enables us to grow our business internationally through cost-free testing of new markets, providing critical market information to guide decisions on opening local offices. For further details on our financial performance, see Section 12 of this Prospectus.

7.2.5 Robust technology ecosystem to support global operations

As we are a global health-oriented and wellness platform, our management has focused on our IT solutions as we continue to expand our presence worldwide. Our global ecosystem of IT infrastructures is broadly integrated via Application Programming Interfaces to allow a seamless transfer and syncing of key data across systems. 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 license fees and minimal cost for a global roll-out, we own the source codes and blueprints for all our existing software application including key platforms such as the e-World website, DXN app, DChat app, personal websites, OBS, ERP, ACIS and CPS.

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e-World is an easy-to-use online portal, curated for: (a) Members to manage their activities such as purchases, earnings and marketing content; (b) non-Members to engage with the brand through registration and marketing content; and (c) local sales branches to publish and disseminate marketing materials. Launched in September 2015, our e-World website has experienced continued increase in unique visits and usage, with a CAGR of approximately 17.0% based on the monthly unique visitors between 1 January 2021 and 31 December 2022. Between 1 January 2022 to 31 December 2022, our e-World website had over 900,000 unique visitors per month, with an average page per visit engagement rate of approximately 25 pages. Since 2018, the number of new Members on our e-World platform has increased at a CAGR of 20.9% to 1.9 million new Members in 2022.

DXN-branded personal websites were launched in Europe in December 2017, Turkey in March 2019 and the United States in April 2019 to enable our Members' initiatives towards recruitment, sales and marketing. As part of our marketing strategy to cater for our Members' preference for online marketing and creating awareness, our Members from 80 countries (including 35 countries where we do not currently have a presence) as at the LPD are able to set up personal websites on our eight regional websites. The personal websites set up by our Members in the 45 countries where we have a distribution footprint (including our sales branches and distributors) can be used by our Members to engage, recruit and sell products to their end-customers, whereas the personal websites set up by our Members in the 35 countries where we do not currently have a presence are meant for creating awareness of our brand in these countries. Our regional websites and Members' personal websites are managed by persons-in-charge of our sales branches and distributors ("PICs"). Our PICs maintain the content presented on our regional websites, such as information on local training events, business opportunities and marketing plans specific to the countries which they manage, which the personal websites of our Members may then import. They are also responsible for procuring local language translations for content on the regional websites, which our Members import to their personal websites. As at the LPD, about 198,780 Members have set up these personal websites. To set up their personal websites on e-World, Members must first apply via e-World and must agree to a website user agreement which sets out the requirements and terms and conditions that Members must comply with. We engage in Member recruitment globally through personal websites, which are hosted on our regional websites.

Our OBS and ERP systems underpin the day-to-day functioning of our global production network. The OBS supports local management teams in operational management and has already been rolled out across all markets, whereas the ERP supports production management teams in supply chain management. Besides that, our CPS and ACIS systems enable our management to oversee a global operations base and to track sales and earnings for our Members. The CPS ensures accurate and timely calculation of Member tiers and earnings, meanwhile the ACIS digitises finance processes to improve on the reliability and productivity of our financial management.

The launch of ePoints in 2015 has helped our business to save on bank transfer fees and improve our working capital position. Member incentives and bonuses are paid out in ePoints in most countries, with the total FYE 28 February 2022 Member payout in ePoints amounting to RM277.0 million for the top 10 geographical markets (excluding the United States and the Middle East). The United States uses an eBonus system that is in line with the U.S. tax regulation, while bonuses for Members in the Middle East are included upfront in our distribution price to the external distribution agency who operates in that region, who will then distribute Member payouts in cash rather than ePoints. We intend to migrate the eBonus system to the ePoints system in the United States once we are able to comply with the local tax regulatory requirements.

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Member payouts can come in the form of cash or product purchases (based on distributor prices). The accessibility of our ePoints platform enables our Members to treat their ePoints credit as cash for product purchases or cash withdrawals, the latter of which is only allowed upon our prior approval. ePoints can only be utilised by a Member in the country where the ePoints are earned. However, upon request by a Member, we can assist the Member to convert his/her ePoints earned in one country to ePoints in another country for utilisation of the Member's ePoints in that other country, subject to compliance with local rules and regulations. For further details on our IT, see Section 7.15 of this Prospectus.

7.2.6 Experienced founder-led management

Our founder-led Key Senior Management has successfully grown our business from a local Malaysian company to a multinational company. 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.

Our business is well-supported by a strong team of seven Key Senior Management with an average of 22 years of industry experience. Most of our Key Senior Management have each been with either our Company or Group for at least 15 years and possess qualifications in their respective field of expertise. Leveraging on their experience and understanding of the health-oriented and wellness sector as well as local demographics in locations where we operate, our Key Senior Management has successfully developed strategies to drive growth through market entries into new high-growth geographies and market share gains.

DLSJ's vision, philosophy and concepts have been institutionalised and integrated into our Company and whose experience in the industry is pivotal to the continued expansion and performance of our Group. We have also put in place succession planning strategies for our Key Senior Management, which are continually re-evaluated to ensure that our business continues to run smoothly if any important personnel are unavailable. Overseen by our Nomination Committee, our succession plan has been developed to facilitate the smooth transition of responsibility over time. Part of our Nomination Committee's responsibility is to lead the succession planning and appointment of our Directors, and oversee the development of a diverse pipeline for Board and Key Senior Management succession, including our future Chairman, Chief Executive Officer and Executive Directors. As part of our strategy to develop potential successors, on the job training is conducted by the incumbent and annual performance appraisal is carried out based on the relevant key performance indicators.

We are committed to increasing our employees' capabilities by providing them professional development trainings such as U.S. FDA Food Safety Modernization Act's Preventive Controls Qualified Individual for Human Food and Certified Environmental Professionals. Moreover, our staff are trained on occupational safety and health administration to meet the requirements of manufacturing certificates and relevant personnel are also trained in method validation and quantification of measurement uncertainty in microbiology testing.

From an environmental, social and governance ("ESG") perspective, we have partnered with the Inter-Governmental Institution for the use of micro algae Spirulina against malnutrition ("IIMSAM"), which is an Autonomous Entity within Article Five of the Convention for co-operation in scientific research and humanitarian use of micro-alga spirulina as food, to launch the "One Dollar One Child" campaign to improve malnutrition in children and provide vital aid for life sustainability in underprivileged communities worldwide during the COVID-19 pandemic. Our partnership with IIMSAM is in support of United Nation Decade of Action 2020 – 2030 and United Nation Sustainable Development Goals 2 (zero hunger) and 17 (partnerships for the goals). While we had ended our partnership with IIMSAM in August 2022, we continued to distribute free Spirulina to

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underprivileged children under the “One Dollar One Child” programme. In response to the COVID-19 crisis in India, we also donated oxygen concentrators, masks and personal protective equipment kits to provide aid for the people of India. In developing economies, we provide our Members a platform to earn additional income to supplement their current wages. Through our transparent and fair earning structure, there is no minimum purchase or annual fee imposed on our Members. From an environmental aspect, we have initiatives to minimise wastage across our supply chain such as using Ganoderma stalk and mycelium, which are commonly discarded by manufacturers, for some of our products.

7.3 Future Plans and Strategies

We intend to pursue the following strategies to grow our business:

7.3.1 Visible pathway to grow in new and existing markets

Our well-tested blueprint for market entry has been honed over decades of experience in establishing our distribution footprint in 48 countries as at the LPD. Historically, we have taken between 24 to 36 months to enter a new market. Selected markets have been identified on the basis of being in proximity to high-growth existing markets, which will be expected to spread into neighbouring territories given the organic growth of Members and movement of Members across borders within neighbouring regions.

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. As a rule of thumb, if there are monthly sales of USD50,000 and 500 active Members, with a positive trend for growth in that particular market, we will consider to initiate company incorporation or appoint an external distribution agency, prior to product registration.

We consider several factors when deciding between a subsidiary incorporation model and the appointment of an external distribution agency in a new market, including the following:

- regulatory restrictions on foreign direct investments and foreign ownership of companies;
- foreign exchange controls and restrictions on the repatriation of profits or dividends for foreign investors; and
- general economic and political conditions.

We generally appoint external distribution agencies in jurisdictions which have strict or unfavourable restrictions on foreign direct investments and foreign ownership, foreign exchange controls and restrictions on the repatriation of profits or dividends for foreign investors.

Our normal practice is to kick start our operations in a high potential market of a particular geographical region and gradually expand into the neighbouring countries thereafter. For instance, we began our operations in Latin America and Africa by setting up our first sales branches in Mexico and Morocco respectively.

Our expansion into new markets and further penetration into existing markets are funded by internally generated funds, utilising our Group's cash flows to reinvest into the business. From the LPD up to the FYE 29 February 2024, we plan to expand into five additional markets globally, including countries in the Latin American and African regions.

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Country	Expected launch	Expansion model	Members as at the LPD		Current status
			Total	Active	
Argentina	2023/2024	Subsidiary	36,935	26.4%	<ul style="list-style-type: none"> The company has been registered Product registration in progress for some products
Brazil	2023/2024	Subsidiary	5,380	13.4%	<ul style="list-style-type: none"> The company has been registered In the process of appointing a new consultant for product registration
Niger	2023/2024	Subsidiary	815	45.3%	<ul style="list-style-type: none"> The company has been registered Product registration in progress
Algeria	2023/2024	Agency	34,230	58.0%	<ul style="list-style-type: none"> The company of the agency has been registered Product registration in progress
Ghana	2023/2024	Subsidiary	3,006	34.5%	<ul style="list-style-type: none"> In progress of liaising with the authorities on the requirements for formation of a company

Our planned market entries are sustained by the low capital expenditure requirement of our direct selling model, which is ideal for a high-growth global health-oriented and wellness consumer goods platform like ours, and by following market momentum demonstrated by our Members selling into markets that we have not established local sales branches yet. The total set up cost to expand into a new market ranges from RM2.0 million to RM3.0 million which mainly comprises the company's incorporation, product registration, office setup and initial start-up sales inventory. The roll-out of our product suite will be based on Member demand, competitive landscape, product availability and regulatory approvals. Through our "One World One Market" approach, we aim to create a single global network for all Members with transferable membership across geographies, offering individuals the opportunity to embark on an international career and business enterprise, and to be part of a large multinational organisation.

We will also continue to commit our resources to drive further penetration in the existing markets in Latin America, the Middle East, South Asia and Europe. Our penetration strategies in existing markets include launching new products and setting up new production facilities, sales branches or service centres in strategic locations, which include the appointment of temporary stockists, mobile stockists or sales branch agents at remote areas to expand our coverage within these existing markets. Additionally, we intend to conduct promotional exercises for the recruitment of new Members and support our leaders in hosting activities at open areas to generate awareness on our offerings. Furthermore, we are committed to allocating an annual budget equivalent to 2% to 4% of our revenue for marketing activities, including continuous training programs to build brand awareness of our Group as well as the basics of networking marketing.

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7.3.2 Catering to changing consumer needs and enhancing Member engagement

Development of new health-oriented and wellness products

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. In line with our strength of producing FFB products, we have launched tea products fortified with Lion's Mane in China in 2022 such as Lion's Mane Oolong Tea, Lion's Mane Black Tea and Oolong Tea powder, and also exporting the Lion's Mane tea series and the tea products fortified with Ganoderma such as Lingzhi Oolong Tea and Lingzhi Black Tea to Malaysia. As like our other cultivation farms, these initiatives are aimed at serving the business internally, in terms of vertical integration, to support the demand of the direct selling industry or the conventional tea market in China.

Meanwhile, in our research and laboratory facility in Ningxia, China, cultivation research is being conducted with a focus on plantation of corn, Chinese cherry and paddy. The cultivation of corn and paddy is mainly to serve as raw material for our mycelium products and has begun since March 2022. The planting and cultivation of Chinese cherry in Ningxia, China is on a small scale for R&D purposes only.

Lifestyle offerings

Drawing from our expertise in health and wellness, our lifestyle products are strategic offerings for us to engage our Members, who can opt to pay a subscription fee via ePoints to enjoy a wide range of leisure and lifestyle options including motivational speaking, product introduction, conferences and recognition, including an annual travel seminar incentive which cost RM14.2 million, RM10.9 million and RM4.4 million for the FYE 29 February 2020, FYE 28 February 2021 and FYE 28 February 2022 respectively. With the investment towards the construction of our wellness and retreat centre, namely DXN Cyberville, we are able to offer our Members a recreational space to receive Ganotherapy and other natural health treatments using our products, an experiential Ganoderma harvesting experience and introduction to our food projects. It is a three-storey wellness and retreat centre that includes a 10-storey apartment and a two-storey recreational space, as well as a global cyber hub with sales branch office, stockist sales counter and convention hall. 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. In addition, we acquired shares in Amazing Discovery, which owns Boulder Valley, a lifestyle resort in Penang, Malaysia, that consists of tented accommodations and space for small parties and events. Utilising synergies between our nutritional products and lifestyle facilities, we are able to reduce the cost of our Members' annual incentive trips.

As our Member network continues to mature and consume more than just the health-oriented and wellness products, we intend to foster sustainable projects which positively impact the surrounding community from a social aspect such as the cultivation and introduction of local herbs for consumption or application. Supplemented by our experience in health and wellness, we intend to integrate farms containing various indigenous or local plants and herbs in our future wellness and retreat centres.

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7.3.3 Continued expansion of our vertically-integrated global supply chain

Our global growth has been underpinned by our vertically-integrated global production network. 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.

In line with demand growth, we intend to scale up our production capacity to maintain our in-house cultivation and manufacturing proportions. We aim to insource more cultivation in order to have an increasing control over ingredient quality. In addition, to ensure supply chain reliability to keep up with demand growth, we intend to expand our localised production facilities and optimise our global supply chain to improve cost efficiency attributed to reduced transportation costs, lower import duties and beneficial tax incentives. Localised production is able to benefit neighbouring markets given higher levels of regulatory harmonisation within regions. With increased access to local facilities for Member networks in key markets, the expansion of our production can improve Member and customer confidence in our brand and products. For instance, we have a manufacturing facility in Pondicherry, India that has been completed in the fourth quarter of 2022 and is primarily used to manufacture Spirulina cereal and Cordyceps cereal products. This facility will help meet the fast growing demand in India and nearby countries.

We also have a new manufacturing facility in Tlaxcala, Mexico, i.e. the Mexico Factory No. 2. We have completed the construction of this facility and the setup of the coffee production which has been in operation since the third quarter of 2022. We expect to complete the setup of the food supplement and juice production in the third quarter of 2023. This new manufacturing facility should both enable the production of new products and double the production capacity of our existing manufacturing facility in Tlaxcala, Mexico. This facility is constructed on existing land several kilometres from our existing manufacturing facility in Tlaxcala, Mexico that has production lines for FFB, including premixed coffee, premixed cocoa and juices, and will have production lines for food supplement products, including capsules and tablets. It is intended to serve the Mexico and Latin America markets, so as to reduce ordering and delivery time from Malaysia and save costs.

Our planned projects in the pipeline include two new manufacturing facilities and a new cultivation facility, with capacity expansion for existing outputs. The two new manufacturing facilities will be located in Telangana, India, and Ningxia, China. The new cultivation facility will be located in Ningxia, China. The project costs are expected to be financed by our internally generated funds.

For the new manufacturing facility in Telangana, India, we acquired 46.9 acres of land in Siddipet, India in 2018 to build a 17.7-acre manufacturing facility for the production of coffee, juice, supplements, cosmetics and toiletries. This facility is intended to produce a full range of products for India and nearby countries, reducing ordering and delivery time from Malaysia and helping us to save costs. Construction for the GMP-certified factory for the production of supplements in this manufacturing facility has been completed, with the factories for the production of coffee, juice, cosmetics and toiletries expected to be completed in the second quarter of 2023.

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Our planned manufacturing facility in Ningxia, China has been built in the same location as the other facilities in Ningxia, China under DXN Corporation Ningxia and pending machinery testing, will be used to produce carbonated beverage products while simultaneously serving as a distribution centre for our subsidiaries. The new cultivation facility in Ningxia, China will focus on the cultivation of mycelium of Cordyceps and Lion's Mane mushroom. The construction of these facilities has been completed and we expect to commence operations after obtaining the CCC equivalent for these facilities in the second quarter of 2023. Upon commencement of operations of the manufacturing facility, DXN Corporation Ningxia's production capacity will increase by 35.5%. Our facilities are strategically situated to reduce cost by leveraging local advantages such as land, labour and climate. These facilities are expected to support global markets and will collectively cater for the growth of demand for at least the next few years based on a conservative estimate.

Furthermore, China is an attractive supply base with considerable upsides given the availability of land, qualified labour, cheap raw materials and trade connections. Our planned manufacturing facility in Ningxia, China enables continual rebalancing towards lower-cost geographies as costs rise at existing facilities primarily in Malaysia. We expect to commence operations at such planned manufacturing facility in China after obtaining the CCC equivalent in the second quarter of 2023. Facilities in Ningxia, China that are spearheading the development of new products for global export additionally benefit from export tax incentives from the Chinese Government. As at the LPD, we have received GMP certification for our factory and are in the midst of applying for approval documents for food supplements from the Ministry of Food and Drug Administration. Due to export incentives from the Chinese Government, we expect to enjoy cost advantages in utilising these new facilities to support global markets we operate in such as inland freight subsidies for export companies, property tax preferential policies for newly established small enterprise and export tax rebate based on products and quantity exported, among other incentives as well. From January 2018 to the LPD, we have received RMB5.2 million worth of tax reliefs and incentives from the Chinese Government which included inland transportation, pioneer enterprise, agricultural-related and other incentives.

The expansion of our global supply chain will help us to address several supply impediments such as reduced shipping time, currency fluctuation, regulatory formalities for imported products, delay or restriction in product registration, stock shortage, and inventory holding costs. The facilities are mainly to support the expansion of the existing and new markets across the regions we operate in. It also provides us an avenue to market the locally cultivated and manufactured products such as beverages, mycelium and Lion's Mane mushroom. For further details on our expansion plans, see Section 7.13.5 of this Prospectus.

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7.3.4 Enhancing our technological ecosystem

Potential for social media to drive direct selling penetration

We are in a position to harness social media tailwind. Since the launch of e-World website and DXN app, we have seen a combined total of 948,671 unique monthly visitors on these platforms in 2022. The availability of social media will enable us to increase our effective outreach and enrolment of Members, as 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. Besides that, Member productivity can be improved through Member engagement and community building, where Members are able to use online communities to engage their downlines and provide guidance seamlessly through social media channels. These channels provide frequent touchpoints for Members to share their personal stories of using existing products as well as promote new products to keep our end-consumers constantly engaged with our brand. We are able to leverage on our social media platforms to facilitate sales and Member recruitment.

On our social media accounts, we share the latest information on our Group such as ESG and marketing campaigns as well as new release of products to increase the awareness level with our customers through the reach of social media platforms. As social media platforms naturally have a high level of engagement among users, we intend to conduct further recruitment drives by posting marketing videos to our customers and targeting various demographics across different social media platforms such as Facebook and Instagram, which have more than two billion users collectively.

Seamless supply chain management platform

The ERP and ACIS are integrated based on company, suppliers, customers and account code information. It also links the purchase order invoice with our account payable module. As part of our continuous effort to improve our IT ecosystem to allow for seamless data flow across our technological infrastructures, the ACIS is currently being upgraded in-house for deeper integration with the ERP. The upgrade is expected to be rolled out in stages for use by our local factories and finance teams in Mexico and India by the second half of 2023. This future enhancement will include the addition of invoicing integration where factory-issued invoices will be linked to our account receivable module. Furthermore, the upgrade will enhance our bill of materials and machine information such as capacity and performance. This will enable our integrated system to generate more comprehensive information for each respective department. Besides that, processes will be automated to reduce the data encoding and the integrated system can trigger cross-functional activities which helps to increase accuracy and productivity. This integrated system will act as a real-time and single source of information where various departments can access information and execute business processes without cross-department interference. These enhancements will enable us to consolidate information to streamline operations, automate business processes and simplify business solutions.

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Enhancement of our Member portal

The web browser and mobile app interfaces of our portal, e-World, with selected functionalities such as online purchasing and online recruitment has been rolled out across our markets globally. The future enhancement of our Member portal will integrate the DChat app feature into the current network module to enable our distribution leaders to communicate seamlessly with their downlines respectively. Our Members will be able to share updated information on company news, events, products and marketing strategies. In the direct selling business where connection is an important factor, this feature will be one of the key pillars to improve the business chain on our platform as our Members will be able to stay connected despite physical distance.

7.4 Key Milestones

The table below sets out our key milestones:

Calendar Year	Milestone
1995	DXN Marketing commenced operations
1996	Expanded into international markets by commencing operations in Singapore and Mauritius
1997	Received the GMP certificate from the MOH for our Ganoderma manufacturing facility
1999	Received TGA certification from the Ministry of Health, Australia demonstrating GMP compliance DXN Pharma's manufacturing facility received ISO 9001 certification Expanded into Spirulina products
2000	DXN Pharma's cultivation facility received ISO 14001 certification Reached one million registered Members
2001	Awarded a five-year pioneer status incentive from 2001 to 2006 for Ganoderma cultivation and processing from the Ministry of Agriculture and Food Security (<i>formerly known as</i> Ministry of Agriculture and Agro-Based Industry), Malaysia Built a new DXN Pharma facility for food supplement products in Kedah, Malaysia Reached two million registered Members in 25 countries
2002	Constructed our manufacturing facility in Pondicherry, India
2003	Listed on the Main Market of Bursa Securities (<i>formerly known as</i> Main Board of Kuala Lumpur Stock Exchange)
2005	Awarded a 10-year pioneer status incentive from March 2011 to February 2021 for Spirulina cultivation and processing from the Ministry of Agriculture and Food Security (<i>formerly known as</i> Ministry of Agriculture and Agro-Based Industry), Malaysia
2006	Received MS ISO/IEC 17025 certification for our Laboratory quality management system
2007	Awarded a five-year pioneer status incentive from 2007 to 2012 for Ganoderma cultivation and processing from the Ministry of Agriculture and Food Security (<i>formerly known as</i> Ministry of Agriculture and Agro-Based Industry), Malaysia Commenced sales of PCC products
2011	Delisted from the Main Market of Bursa Securities

7. BUSINESS OVERVIEW (Cont'd)

Calendar Year	Milestone
2016	Constructed our manufacturing facility in Tlaxcala, Mexico Constructed our research facility in Ningxia, China
2017	Launched our first café outlet at our Stargate branch in Kedah, Malaysia Signed an agreement with the Dawukou District Government, Ningxia Hui Autonomous Region of the People's Republic of China, for a R&D project for Ganoderma, Spirulina and Cordyceps Received an investment by KV Asia Capital Pte Ltd through its investment vehicle, Gano Global, which acquired a 25.7% equity stake in our Company Received the USDA-NOP Certificate for DXN Pharma's facility Awarded a five-year pioneer status incentive from 2017 to 2022 for Bio Synergy from the Malaysian Investment Development Authority, which partially reduced our income tax
2018	Reached more than eight million registered Members worldwide, across more than 180 countries Received HACCP certification for Food for DXN Industries – Food production (Coffee & Juice)
2019	Acquired Boulder Valley, a lifestyle resort in Penang, Malaysia Commenced construction of DXN Cyberville, a wellness and retreat centre and main administrative centre with apartments in Cyberjaya, Malaysia
2020	Reached 10 million registered Members worldwide Received the ISO 22716:2007 (Cosmetic) certification for DXN Industries Received the EU Organic certification for DXN Pharma's facility Launched the "One Dollar One Child" campaign against child malnutrition
2021	Reached 12 million registered Members worldwide
2022	Reached 14 million registered Members worldwide

We have a distribution footprint across 48 countries in Europe, Latin America, North America, Central Asia, South Asia, Southeast Asia, Middle East, Africa and Oceania. We define our distribution footprint as the jurisdictions in which we have a subsidiary or sales branch and/or an external distribution agency. The table below sets out the countries we distribute to as at the LPD and the years in which we commenced operations in those countries:

Year of entry	Country
1995	Malaysia [®]
1996	Singapore [®] Mauritius [*]
1997	Hong Kong [®] Indonesia [®]
1998	Thailand [®]
1999	Philippines [®]
2000	Australia [®] India [®]
2001	UAE [*]

7. BUSINESS OVERVIEW (Cont'd)

<u>Year of entry</u>	<u>Country</u>
	South Africa*
	Bangladesh*
	Sri Lanka ⁽¹⁾
2002	United States [@]
2003	Saudi Arabia**
	Oman**
	Canada*
	Bahrain**
2004	Jordan**
	Puerto Rico*
	Nepal*
2005	Qatar**
	Yemen**
	Mexico [@]
2006	Kuwait**
2007	Kenya*
	Pakistan [@]
2008	Mongolia [@]
2009	Hungary ^{@*}
	Romania**
	Czech Republic [@]
	Slovakia [@]
	Colombia [@]
2010	Peru [@]
	Ethiopia*
	Iraq**
2011	Greece [@]
2012	Bolivia [@]
	Bulgaria*
	Nicaragua ^{(2)*}
2013	Germany ^{(3)*}
	Italy [@]
2014	Spain [@]

7. BUSINESS OVERVIEW (Cont'd)

<u>Year of entry</u>	<u>Country</u>
2015	Panama [@]
2016	Ecuador [@]
	Turkey [@]
2019	Morocco [@]
	Uzbekistan ^{@*}
	Nigeria [@]
2020	Mauritania [@]
2021	Poland [@]

Notes:

[@] Operated via our own subsidiary or sales branch.

^{*} Operated via a distribution agency.

^{**} Operated via a distribution agency through another country, for example the UAE or Hungary.

(1) We ceased operations in Sri Lanka in 2023.

(2) We ceased operations in Nicaragua in 2017.

(3) We ceased operations in Germany in 2022.

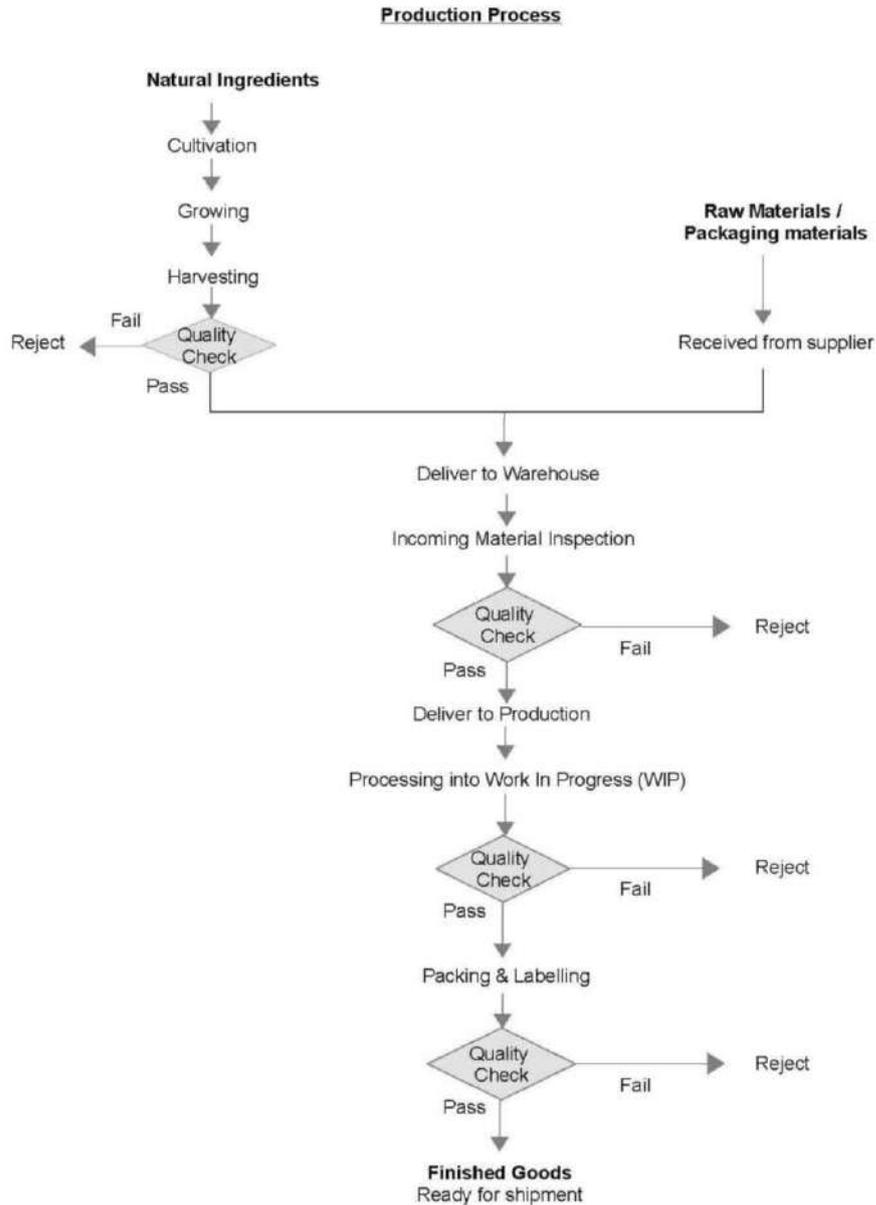
7.5 Our Business**7.5.1 Principal business activities**

Our primary business is selling health-oriented and wellness consumer products, consisting of (i) FFB, (ii) HDS, (iii) PCC and (iv) others. We have a diverse product portfolio, with 452 SKUs of health-oriented and wellness consumer products as at the LPD.

We operate a vertically integrated supply chain with in-house research, cultivation and manufacturing functions. By conducting a significant part of our entire process in-house, from cultivating to processing raw materials, manufacturing, to marketing and distribution, we are able to control our product quality and manage our costs.

7. BUSINESS OVERVIEW (Cont'd)

The flow chart below sets out our production process from cultivation to shipment of finished goods:



We sell and distribute our products through a direct selling model. Our direct selling network consists of our Members (including stockists) and external distribution agencies. Members are individuals who are able to distribute our products as a result of their membership. Our 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. Our Members can engage in a level of entrepreneurship suited to their personal needs and objectives. Our direct selling network also consists of external distribution agencies that on-sell and distribute our products to other Members and end-consumers. We also have 79 sales branches worldwide as at the LPD, which act partially as distribution centres of our products to our Members. External distribution agencies may in turn have their own sales branches, which are not managed by us.

7. BUSINESS OVERVIEW (Cont'd)

The direct selling model has allowed us to establish a global distribution network without expending significant capital. Further, we provide our Members and other consumers with premium-quality products at affordable prices and position our products at the mid-price and mid-complexity category.

We have adopted strategies to avoid the common risk associated with direct selling where our Members are incentivised to recruit and purchase unsustainably. For example, our Members are only rewarded for sales and there is no incentive for recruitment that is unlinked to sales. Our Members earn a bonus for each purchase plus additional retail profit for sales to end consumers who are non-Members. In general, our Members purchase our products in amounts for their own consumption or for sales to non-Members. Our Members may buy our products in bulk to resell to other Members and non-Members. Stockists earn a commission in addition to the bonus for purchasing and they help facilitate physical distribution in areas without local sales branches by reselling our products to other Members without a mark-up. We also require stockists to pay upfront in an effort to discourage overstocking our products, except for during the start of the COVID-19 pandemic, where we permitted certain stockists to purchase products on a loan of an amount up to the stockists' three-month average bonus plus commission.

7.5.2 Other business activities

We have expanded into other business activities that primarily serve to support our core businesses in terms of production, marketing or delivering services to Members. These businesses consist of laboratory testing services for third parties, lifestyle products and operating a café. Our other business activities accounted for 1.6% of our gross revenue for the FYE 28 February 2022.

7.5.2.1 Third-party laboratory testing

We carry out various laboratory tests for third parties, such as food safety and Halal tests, in our laboratories.

7.5.2.2 Lifestyle offering

Our lifestyle offering business is part of our commitment to promote sustainability, not just in our business but also to our surrounding community. We consider this to be an important branch of our Group as it is a complementary business to our direct selling business. The lifestyle offering business provides us with the opportunity to engage with our Member network and for our Members to engage with each other and is a means to capture additional revenue to service tourism demand from both Members and non-Members. We would also be able to use these locations for annual incentive trips.

DXN Cyberville

In 2019, we commenced construction of DXN Cyberville in Cyberjaya, Malaysia. It is a three-storey wellness and retreat centre with a 10-storey apartment and two-storey recreational space that includes a sales counter, sales branch office, stockist sales counter, VIP lounges, convention hall and helipad. We intend for this space to offer Members a space to receive Ganotherapy and other natural health treatments using DXN products, including as part of group retreats. 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.

7. BUSINESS OVERVIEW (Cont'd)

As at the LPD, we have spent RM103.2 million on DXN Cyberville. We expect the total project to cost RM108.9 million.

Boulder Valley

Boulder Valley is a lifestyle resort in Penang, Malaysia, that consists of tented accommodations and space for small parties and events. In 2019, we acquired shares in Amazing Discovery, which owns Boulder Valley, for RM2.4 million.

7.5.2.3 DXN Cafe

We operate a café in Kedah, Malaysia, which provides a platform for interaction between our Members and also serves as an area for Members to engage with their customers.

7. BUSINESS OVERVIEW (Cont'd)

7.5.3 Revenue contribution by business activities

The table below sets out our revenue and the gross revenue contribution of our business activities for the years/periods indicated. Our gross revenue is our revenue derived from the sale of FFB, HDS, PCC and other products and our other business activities including laboratory testing services to third parties, provision of lifestyle products and a café, before deduction of the consideration due/paid to our customers. Revenue is gross revenue after deducting service centre commissions and personal effort bonuses and, for the FYE 28 February 2021, our 10.0% Discount Promotion (as defined below):

Particulars	FYE 29 February 2020			FYE 28 February 2021			FYE 28 February 2022			FPE 31 October 2022		
	Revenue (in RM million)	% of gross revenue	Gross margin (%)									
FFB ⁽¹⁾	759.4	64.0	79.2	726.9	62.1	78.5	851.8	65.2	78.2	705.4	64.3	77.7
HDS ⁽¹⁾	287.0	24.2	91.0	306.8	26.2	91.9	318.5	24.4	89.8	270.3	24.6	88.8
PCC ⁽¹⁾	90.9	7.7	83.6	92.2	7.9	82.7	84.8	6.5	83.4	74.4	6.8	82.3
Other products ⁽¹⁾⁽²⁾	33.0	2.8	77.2	28.5	2.4	77.6	30.4	2.3	74.3	31.3	2.9	73.8
Other business activities ⁽³⁾	15.4	1.3	87.9	16.7	1.4	89.5	20.5	1.6	90.9	15.7	1.4	89.6
Gross revenue	1,155.7	100.0	82.7	1,171.1	100.0	82.9	1,306.0	100.0	81.4	1,097.0	100.0	79.0
Less: consideration due/paid to customers ⁽⁴⁾	(81.1)			(120.9) ⁽⁵⁾			(63.1) ⁽⁵⁾			(53.8)		
Revenue	1,104.6			1,050.2			1,242.9			1,043.2		

Notes:

- (1) Our FFB, HDS, PCC and other products are sold to Members (including stockists) at the distributor price, non-Members at the retail price, and external distribution agencies at an intermediate price pursuant to a cost-plus structure. Additionally, stockists are entitled to earn a service centre commission for the distribution of our products, which may either be paid out directly or deducted from the distributor price, depending on the terms of agreement with our stockists.
- (2) Consists of products including starter kits, raw materials, promotional packages, household products, home appliances, and water filtration system.
- (3) Refers to our Group's other business activities that primarily serve to support our Group's core businesses consisting of laboratory testing services for third parties, lifestyle products and operating a café.
- (4) Consideration due/paid to customers comprises personal effort-related performance bonus and service centre commission, netted against gross revenue in accordance with presentation consistent with MFRS 15.
- (5) Includes a 10.0% discount that we applied to promote sales during the COVID-19 pandemic to Members' purchases made from June 2020 to May 2021 ("10.0% Discount Promotion"). Each qualified Member's total discount was limited to the amount of their purchases made in April 2020 and May 2020. For accounting purposes, the discount was fully accrued in the FYE 28 February 2021.

7. BUSINESS OVERVIEW (Cont'd)

7.6 Our Distribution Network

7.6.1 Structure of our distribution network

Our products are distributed through our global network of sales branches, exclusive external distribution agencies and Members. Sales branches are our local offices and distribute goods to our Members. External distribution agencies are responsible for local operations and marketing functions, while we retain control over supplying products, the Member remuneration plan, our IT system and our intellectual property. Our Members include stockists, who manage our service centres and receive a commission. Our Members purchase and distribute products within their personal network. Members can conduct sales online and host personal e-commerce shopfronts on our website and mobile application. As at the LPD, we have a distribution footprint (including our sales branches and distributors and defined as the jurisdictions in which we have a subsidiary or sales branch and/or an external distribution agency) in 48 countries, registered Members in more than 180 countries, and 79 sales branches and 12 external distribution agencies.

Our Members (including Members who are appointed as stockists) and external distribution agencies must apply to be distributors of our products by registering through our website. To be eligible, applicants must be aged 18 years and above, and agree to the terms of our distributorship rules and regulations (“**DXN DRR**”), code of conduct and ethics, marketing plan and other internal policies. Corporations (including companies and partnerships) may not be eligible for distributorship without approval from our Group. Where distributorship has been approved for a corporation, the corporation is required to obtain our approval for any changes to its equity structure. The membership of our Members does not expire but a Member will be classified as inactive if they do not purchase one of our products within a stipulated timeframe (see below for our definition of an active Member). In order for an inactive Member to be reclassified as an active Member, he/she is required to make at least one personal purchase of our products. There are no joining or membership fees. However, to be eligible for compensation bonuses, profit sharing and other incentives, new Members are required to make a one-off purchase of a starter kit containing a member’s handbook and sample products retailing at between RM19.40 to RM222.70, the price of which varies from one jurisdiction to another. For the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022, RM12.6 million, RM7.3 million, RM6.9 million and RM4.8 million of our revenue was attributable to the purchase of starter kits.

Our Members qualify for multiple tiers of status within our distribution network structure, depending on conditions such as their achievement of a specified purchase volume and success in recruiting and sponsoring other Members. Individuals that are sponsored by existing Members are referred to as a “downline” of their sponsors. When our Members purchase a certain requisite value of our products, they will be eligible for ePoints, which may be utilised for future purchases or converted to cash. Our Members’ ePoints do not expire. ePoints can only be utilised by a Member in the country where the ePoints are earned. Upon request by a Member, we can assist the Member to convert his/her ePoints earned in one country to ePoints in another country for use of the Member’s ePoints in that other country, subject to compliance with local rules and regulations. Member status, once achieved, need not be maintained and will remain through the duration of membership.

7. BUSINESS OVERVIEW (Cont'd)

The following diagram sets out the different tiers of membership status in our distribution network structure:

Status	Condition
Distributor	Age 18 years
Star Agent (SA)	Achieves accumulated Group Sales of 4,500PV
Star Ruby (SR)	Sponsors 3 First Generation Star Agents (SA)
Star Diamond (SD)	With 6 First Generation Star Agents (SA) & qualifies for 37% Star Group Bonus
Executive Star Diamond (ESD)	Star Diamond who sponsors 1 Star Diamond*
Senior Star Diamond (SSD)	Star Diamond who sponsors 2 Star Diamonds*
Executive Senior Star Diamond (ESSD)	Star Diamond who sponsors 3 Star Diamonds*
Double Diamond (DD)	Star Diamond who sponsors 4 Star Diamonds*
Executive Double Diamond (EDD)	Star Diamond who sponsors 5 Star Diamonds*
Triple Diamond (TD)	Star Diamond who sponsors 6 Star Diamonds*
Executive Triple Diamond (ETD)	Star Diamond who sponsors 7 Star Diamonds*
Gold Diamond (GD)	Star Diamond who sponsors 8 Star Diamonds*
Executive Gold Diamond (EGD)	Star Diamond who sponsors 9 Star Diamonds*
Crown Diamond (CD)	Star Diamond who sponsors 10 Star Diamonds*
Executive Crown Diamond (ECD)	Star Diamond who sponsors 11 Star Diamonds*
Senior Crown Diamond (SCD)	Star Diamond who sponsors 12 Star Diamonds*
Executive Senior Crown Diamond (ESCD)	Star Diamond who sponsors 13 Star Diamonds*
Double Crown Diamond (DCD)	Star Diamond who sponsors 14 Star Diamonds*
Executive Double Crown Diamond (EDCD)	Star Diamond who sponsors 15 Star Diamonds*
Triple Crown Diamond (TCD)	Star Diamond who sponsors 16 Star Diamonds*
Executive Triple Crown Diamond (ETCD)	Star Diamond who sponsors 17 Star Diamonds*
Gold Crown Diamond (GCD)	Star Diamond who sponsors 18 Star Diamonds*
Executive Gold Crown Diamond (EGCD)	Star Diamond who sponsors 19 Star Diamonds*
Crown Ambassador (CA)	Star Diamond who sponsors 20 Star Diamonds*

Note:

(*) As per dynamic compression, which means that it can be any generation of a particular Star Diamond line, and it does not have to be the first generation.

When selecting Members as our stockists, we generally consider their level of status in our distribution network. For example, in certain jurisdictions, only Members who have attained “Star Ruby” or “Star Diamond” status will be considered. We consider their proximity to locations in which we wish to facilitate distribution of our products and avoid appointing stockists within the same physical vicinity. We also require our stockists to agree to exclusive distribution of our products, purchase a certain minimum volume of our products, and have a physical venue for sale of our products, and for our Members’ meetings and training. As at the LPD, we have 1,811 stockists.

For our external distribution agencies, we similarly require them to distribute our products exclusively. We also select them based on criteria such as the level of influence in their local communities and their ability to navigate the regulatory requirements of their local jurisdiction and engage with the local authorities.

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out the total number of our registered Members and our active Members (defined as our 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) as at the end of the last three calendar years and the LPD:

	As at 31 December			As at the LPD
	2020	2021	2022	
Registered Members	10,567,626	12,015,291	14,330,383	14,975,185
Registered Members year-on-year growth.....	13.3%	13.7%	19.3%	4.5%
Active Members.....	3,197,074 ⁽¹⁾	3,388,367 ⁽²⁾	4,462,416 ⁽³⁾	3,666,979 ⁽⁴⁾
Active Members year-on-year growth.....	11.8%	6.0%	31.7%	(17.8)% ⁽⁵⁾

Notes:

- (1) Active Members as at 31 December 2020 are registered Members who have purchased a product from 1 January 2019 to 31 December 2020, and newly registered Members who joined our Group from 1 January 2019 to 31 December 2020.
- (2) Active Members as at 31 December 2021 are registered Members who have purchased a product from 1 January 2020 to 31 December 2021, and newly registered Members who joined our Group from 1 January 2020 to 31 December 2021.
- (3) Active Members as at 31 December 2022 are registered Members who have purchased a product from 1 January 2021 to 31 December 2022, and newly registered Members who joined our Group from 1 January 2021 to 31 December 2022.
- (4) Active Members as at the LPD are registered Members who have purchased a product from 1 January 2022 to the LPD, and newly registered Members who joined our Group from 1 January 2022 to the LPD.
- (5) Active Members count at the end of each calendar year is more than the beginning of each year as membership validity is terminated at the end of each calendar year and memberships are renewed or added throughout the year.

The table below sets out our active Members by geographical markets as at the end of the last three calendar years and the LPD:

	As at 31 December						As at the LPD	
	2020		2021		2022		2023	
	Active Members	% of total active Members	Active Members	% of total active Members	Active Members	% of total active Members	Active Members	% of total active Members
Malaysia	176,085	5.5	146,151	4.3	283,766	6.4	260,279	7.1
Overseas								
Peru	577,760	18.1	467,510	13.8	553,495	12.4	454,761	12.4
Mexico	96,164	3.0	98,922	2.9	104,089	2.3	91,395	2.5
Bolivia	251,569	7.9	279,929	8.3	343,099	7.7	235,698	6.4
India	555,546	17.4	559,904	16.5	726,617	16.3	617,861	16.8
Philippines	164,866	5.2	155,035	4.6	137,272	3.1	97,426	2.7
Middle East	832,972	26.1	850,838	25.1	1,044,451	23.4	811,456	22.1
United States	11,990	0.4	10,481	0.3	9,654	0.2	7,340	0.2
Thailand	21,717	0.7	16,910	0.5	14,328	0.3	10,240	0.3
Morocco	39,358	1.2	120,364	3.6	419,414	9.4	420,390	11.5
Other markets ⁽¹⁾	469,047	14.7	682,323	20.1	826,231	18.5	660,133	18.0
Total active Members	3,197,074	100.0	3,388,367	100.0	4,462,416	100.0	3,666,979	100.0

7. BUSINESS OVERVIEW (Cont'd)

Note:

- (1) *Other markets include more than 160 countries including, among others, Indonesia, Colombia, Nepal, Bangladesh, Pakistan, Mauritania, Sudan, Turkey, Mongolia and Ecuador.*

From 1 March 2022 to 31 December 2022, the levels of member recruitment have remained healthy with the Middle East, India, Morocco, Peru and Malaysia being the top five markets that have shown the strongest recruitments.

7.6.2 Salient terms of agreement with our distributors

We sell our products to our Members (including Members who are appointed as stockists), non-Members and external distribution agencies. We sell our products to our Members (including stockists) at a distributor price and we (including our Members) sell our products to non-Members at the retail price. We also sell our products to external distribution agencies at an intermediate price pursuant to a cost-plus structure. Stockists and external distribution agencies can on-sell our products to our Members at the distributor price or to non-Members at the retail price. All distributor prices, retail prices and intermediate prices are determined by us. We generally enter into purchase agreements with stockists entitling them to earn a commission above their entitlements under their membership compensation plan so as to facilitate the distribution of our products to our Members through these stockists in areas without local sales branches.

Our relationship with our Members and external distribution agencies are governed by the terms of the DXN DRR which prohibits distributors from, among others, changing the selling prices of products without approval, being involved with other direct selling companies and making false claims in relation to products. Distributors are also required under the DXN DRR to comply with our code of conduct and ethics, marketing plan and other internal policies, as well as all applicable laws. In the event of an alleged violation of the DXN DRR, we may issue either a reprimand, warning notice or show cause notice to the distributor requiring a written explanation relating to the allegations. We will investigate the violation and form a decision on the appropriate action, on the basis of the distributor's reply to the show cause notice as well as other information gathered over the course of the investigation. Such remedies include suspension or termination of distributorship, including any bonuses, incentives, commissions, benefits and other entitlements arising from distributorship.

For product returns, our buy-back policy is as follows: (a) for products that we are no longer selling in the market, we accept requests to return products as long as such products are in their original condition and with the packaging and price label intact; and (b) for products that we are still selling in the market, we accept requests to return products within 180 days from the date of purchase of the products and/or from distributors who wish to terminate their distributorship. We reserve the right to reject any returned products that do not meet the required conditions.

We may also approve product returns which have already been processed for bonuses and commissions. In such a case, we will refund to the distributor an amount which is the balance of the distributor price after deducting the bonus and commission paid to our Members, which typically includes the handling fee. The total deducted amount is typically 85% of the sales value of the returned product. Product returns will be made subject to and in accordance with any applicable regulations of the relevant jurisdiction.

7. BUSINESS OVERVIEW (Cont'd)

For complaints and replacements of defective products, we have procedures in place for our branch staff to check the condition of the product, the receipt of purchase and the date of expiry, to ensure that the products are defective and have not expired. In the event that the product complaint is attributable to a defect caused by us, we will proceed to issue a replacement for the defective product as soon as possible and the person-in-charge at the relevant branch will only need to report back to our management at headquarters for further investigation and inter-branch settlement. While our branch staff will conduct the initial verification and checks upon receiving complaints, headquarters may also review such case before a replacement is issued.

7.6.3 Compensation plan

As the focus of our direct selling model is to drive consumer sales, we have structured our "One World One Market" compensation plan to primarily reward sales by our Members, as opposed to certain peer companies who may prioritise recruitment, as we do not charge our Members any upfront or annual fees. Our Members' incentives and bonuses are based on Members' own sales, downlines sales, Members' network rank and qualifications.

Our compensation plan comprises several components:

- Retail profits

Our Members earn a profit by purchasing our products at the distributor price, which are generally lower by more than 15% from the retail price, and selling these products to non-Members at the retail price.

- Personal group bonuses

Each of our products carries specified sales value points which is used to calculate bonuses and incentives. We pay a personal group bonus of between 6% to 21%, calculated based on the sales value of a Member's own personal sales and the differential bonus on the Member's downlines sales. Members who achieve a minimum number of personal sales in a month and with higher tiers of membership status, such as Qualified Star Agent ("QSA") or Qualified Star Diamond ("QSD"), are entitled to a higher rate of group bonus of between 25% to 37%. A Member with more vertical lines of downstream Members with higher tiers of status, such as QSA, generally receives a higher percentage of bonuses and the scale of bonus further increases.

- Development bonus, international profit sharing and leadership bonus

QSDs are entitled to a profit sharing arrangement of 2% of our Group's sales value points, to be shared with other QSDs. QSDs are also entitled to an additional leadership bonus, assuming certain minimum requirements in group sales value are met.

To support our new Members, we pay a development bonus of between 1% to 5% of sales value to QSAs, based on levels of seniority, assuming they achieve a minimum number of sales from their own and downline transactions in a month.

- Incentives

We also provide other incentives to our Members such as a one-time mobile phone incentive, cash travel incentive and annual travel seminar incentive.

7. BUSINESS OVERVIEW (Cont'd)

7.6.4 Global marketing strategy

Our Members are able to register for membership worldwide (except in U.S. sanctioned countries) and are not restricted to their country of residence. All our Members may purchase our products in person at any sales branch worldwide and sell the products in the same country. However, our Members are not permitted to sell products purchased in one country in another country due to price differentiation and possible infringement of local rules for products without registration. Where our Members sell our products in any country, they are responsible in ensuring that the sale is in compliance with the local laws and regulations. Our Members earn a bonus from the sales of their downstream network, who may operate in any country. As such, our bonus payments to our Members are based on their worldwide sales as opposed to 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 help our Members to conduct their direct selling efforts more easily.

As our Members can register via E-world, our Members do not necessarily have to register in jurisdictions where we have a sales branch, stockist or distributor. We have not had any issues with the registration of Members in countries where we do not have a presence in the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022.

We launched our ePoints system in 2015 so that we would be able to credit the bonus earned by our Members for them to purchase products or to withdraw cash. In most countries where we operate, Member incentives and bonuses are paid out in ePoints. Our Members are able to access our ePoints platform to convert ePoints to cash and can utilise ePoints to pay for future purchases. ePoints can only be utilised by a Member in the country where the ePoints are earned. However, upon request by a Member, we can assist the Member to convert his/her ePoints earned in one country to ePoints in another country for use of the Member's ePoints in that other country, subject to compliance with local rules and regulations.

Other benefits of our direct selling model include:

- Corporate benefits:
 - (i) This is a cost-effective way to reach consumers globally without requiring significant capital expenditure;
 - (ii) This model de-risks entry into new markets by providing visibility from Member sales and by requiring low capital expenditure; and
 - (iii) Frequent and close engagement with end-consumers provides valuable customer feedback for product development.
- Member benefits:
 - (i) Members have an opportunity for entrepreneurship that is tailored to their level of personal engagement.
- Customer benefits:
 - (i) Access to quality products;
 - (ii) Opportunity to develop personal relationships with our Members through customer service and feedback; and
 - (iii) The ability to become a Member and to purchase products at reduced prices.

7. BUSINESS OVERVIEW (Cont'd)

Other distinguishing features of our direct selling business include educating our Members about Ganotherapy and Sunya.

7.6.5 Principal markets

Our top 10 markets in terms of revenue are Peru, Bolivia, Mexico, India, the Philippines, Malaysia, Morocco, certain countries in the Middle East, the United States and Thailand. For the FYE 28 February 2022, these 10 markets accounted for 86.3% of our gross revenue. Of these top 10 markets, only Middle East uses an external distribution agency structure.

The percentage of revenue for our principal markets in the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022 are set out below:

	FYE 28/29 February						FPE 31 October	
	2020		2021		2022		2022	
	RM million	% of gross revenue	RM million	% of gross revenue	RM million	% of gross revenue	RM million	% of gross revenue
Malaysia	105.3	8.9	91.3	7.8	87.1	6.7	61.3	5.6
Overseas								
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
Mexico	158.1	13.3	166.6	14.2	179.3	13.7	128.6	11.7
India	152.0	12.8	134.4	11.5	142.0	10.9	112.3	10.2
Philippines	91.8	7.7	100.3	8.6	95.4	7.3	55.4	5.1
Morocco	2.0	0.2	12.9	1.1	52.9	4.1	95.7	8.7
Middle East ⁽¹⁾	68.3	5.8	68.3	5.8	33.9	2.6	37.0	3.4
United States	31.4	2.6	35.0	3.0	33.9	2.6	21.3	2.0
Thailand	27.1	2.3	21.9	1.9	18.5	1.4	10.1	0.9
Other markets ⁽²⁾	123.0	10.4	130.4	11.1	158.5	12.1	128.7	11.7
Gross revenue⁽³⁾	1,170.3	98.7	1,154.4	98.6	1,285.5	98.4	1,081.3	98.6

Notes:

- (1) Revenue from the Middle East is based on the imported value of the products distributed by the external distribution agency in the Middle East region.
- (2) Other markets include Australia, Bangladesh, Bulgaria, Canada, China, Colombia, Czech Republic, Ecuador, Ethiopia, Germany, Greece, Hong Kong, Hungary, Indonesia, Italy, Kenya, Korea, Mauritania, Mauritius, Mongolia, Myanmar, Nepal, Nigeria, Pakistan, Panama, Singapore, Slovakia, South Africa, Spain, Sri Lanka, Sudan, Turkey and Uzbekistan. We ceased direct dealings with the Sudan market after the FYE 28 February 2019. Revenue recognised from markets in which we do not have a presence is based on sales by our subsidiary, sales branch or external distribution agency to our Members with registered addresses in such markets.
- (3) Total amounts do not represent 100% of gross revenue as this table only shows 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 for third parties, lifestyle products and operating a café.

7. BUSINESS OVERVIEW (Cont'd)

7.7 Our Products

7.7.1 Natural ingredients

We cultivate a range of natural ingredients including Ganoderma, Spirulina, Cordyceps, Lion's Mane mushroom, Tiger Milk mushroom, pineapples, aloe vera and Noni.

- Ganoderma, also known as Lingzhi or Reishi, is a type of mushroom that contains polysaccharides, adenosine, triterpenoids, protein, fibre, minerals and vitamins. We believe it has a long history of being used in the traditional medicines and herbal traditions of China, Japan and other Asian countries, and is generally used to balance disrupted body functions and assist in the maintenance of general well-being. Our extensive range of products containing Ganoderma include, among others, Lingzhi coffee, Cocozhi (cocoa with Ganoderma), RG and GL capsules, Ganozhi Toothpaste and Ganozhi Shampoo.
- Spirulina is a type of blue-green algae known as cyanobacterium. It contains a variety of nutrients including protein, antioxidants (such as beta-carotene), chlorophyll, phycocyanin, vitamins, minerals and essential fatty acids. In general, it is used as a dietary supplement that we believe keeps people healthy and energetic. Our products containing Spirulina include Spirulina cereal and Spirulina tablets, capsules and powder.
- Cordyceps is an edible fungus which contains nutrients and active ingredients such as cordycepin acids, amino acid, glutamic acid and polysaccharides. We believe it is generally used to promote better stamina and maintain a healthy respiratory system. Such products include Cordyceps coffee, Cordyceps cereal and Cordyceps tablets, capsules and powder.

We also selectively develop products for specific markets in response to consumer demand, competitive landscape and regulatory constraints.

In addition, we manufacture certain finished products from ingredients that we do not cultivate in-house. For example, our Andro-G capsules are made from Green Chiretta, a herb which contains andrographolide, diterpenoid and adenosine and is used in traditional Chinese medicine for its "cooling" properties.

7.7.2 Our main products

Our range of products can be categorised into four main categories: (1) FFB, (2) HDS, (3) PCC and (4) other products. We offer 327 SKUs of health-oriented and wellness consumer products that we manufacture in-house across these product categories as at the LPD. Our FFB and HDS products manufactured in Malaysia are Halal certified.

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out the revenue contribution by each of our top 10 products based on the FYE 28 February 2022 and FPE 31 October 2022:

Product	FYE 28/29 February						FPE 31 October	
	2020		2021		2022		2022	
	RM million	%	RM million	%	RM million	%	RM million	%
Lingzhi Coffee 3-in-1 (20 sachets x 21g)	171.1	14.4	176.5	15.1	183.1	14.0	150.4	13.7
Lingzhi Black Coffee	143.6	12.1	130.2	11.1	139.0	10.6	115.5	10.5
Cocozhi (20 sachets x 32g)	87.8	7.4	75.6	6.5	97.5	7.5	76.1	7.0
Vita Café	72.7	6.1	62.6	5.3	86.3	6.6	72.1	6.6
Spirulina Cereal 30's	78.9	6.7	65.4	5.6	81.9	6.3	77.0	7.0
RG 90	31.1	2.6	33.2	2.8	36.6	2.8	28.6	2.6
GL 90	30.4	2.6	32.7	2.8	36.1	2.8	28.7	2.6
Cordyceps Coffee 3-in-1	19.8	1.7	26.9	2.3	33.8	2.6	24.5	2.2
DXN Spirulina Tablets 120's	22.2	1.9	24.4	2.1	32.6	2.5	37.3	3.4
Zhi Mocha	20.7	1.7	18.2	1.5	25.3	1.9	19.5	1.8
Total	678.3	57.2	645.7	55.1	752.2	57.6	629.7	57.4

Our FFB products, Lingzhi Black Coffee and Lingzhi Coffee 3-in-1, are our main revenue contributors, each accounting for more than 5% of our gross revenue for the financial years/period indicated.

The table below sets out the breakdown in terms of categories of our top 10 products by gross revenue for the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022:

	FYE 29 February 2020	FYE 28 February 2021	FYE 28 February 2022	FPE 31 October 2022
% of gross revenue	57.3	55.7	57.6	57.4
Number of products per product category	FFB: 6 HDS: 4	FFB: 6 HDS: 4	FFB: 7 HDS: 3	FFB: 7 HDS: 3

The table below sets out the total number of our SKUs manufactured in house as at the end of the last three calendar years and the LPD:

SKUs	As at 31 December			As at the LPD
	2020	2021	2022	2023
	273	289	320	327

7. BUSINESS OVERVIEW (Cont'd)

FFB

Our portfolio includes approximately 191 FFB products as at the LPD. Some of our key products include Lingzhi Coffee 3-in-1, Lingzhi Black Coffee, Cocozhi, Cordyceps Coffee 3-in-1, Spirulina Cereal, Cordypine, Morinzhi and Morinzyme.

DXN Lingzhi Coffee 3-in-1

DXN Lingzhi Coffee 3-in-1 is a blend of quality coffee beans with 100% pure Lingzhi with no artificial colourings, flavourings or preservatives.



DXN Lingzhi Black Coffee

DXN Lingzhi Black Coffee is a black coffee powder with added Ganoderma extract. It has no sugar additives.



DXN Cocozhi®

Cocozhi® is a chocolate-flavoured powdered drink formulated from cocoa and Ganoderma extract.



Cordyceps Coffee 3-in-1

DXN Cordyceps Coffee 3-in-1 is made from instant coffee powder and Cordyceps.



DXN Spirulina Cereal

DXN Spirulina Cereal is made from high-fibre cereals and Spirulina powder.



DXN Cordypine®

DXN Cordypine® is a blend of Cordyceps and naturally fermented pineapple juice.



7. BUSINESS OVERVIEW (Cont'd)

DXN Morinzhi

DXN Morinzhi is a beverage made from Noni and enriched with Roselle.



DXN Morinzyme®

DXN Morinzyme® is a fermented juice which is produced by fermenting Noni concentrate.



7.7.3 HDS

As at the LPD, we produce and sell approximately 112 types of tablets and supplements made with various natural ingredients such as Ganoderma, Spirulina, Cordyceps and Green Chiretta. See Section 7.7.1 of this Prospectus for further details on our natural ingredients.

Some of our key products include: DXN Reishi Gano (RG), DXN Ganocelium (GL), DXN Reishilium Powder, DXN Spirulina, DXN Cordyceps, DXN Lion's Mane Mushroom and DXN Andro-G.

DXN Reishi Gano (RG)

DXN Reishi Gano (RG) is 100% made from the fruiting body of Ganoderma. It is harvested from 90-day old Ganoderma cultivated in accredited organic farms and is available in capsule and powder form.



DXN Ganocelium (GL)

DXN Ganocelium (GL) is made from the mycelium of Ganoderma and is available in capsule and powder form.



DXN Reishilium Powder

DXN Reishilium Powder is made from a mixture of the mycelium and fruiting body of Ganoderma.



7. BUSINESS OVERVIEW (Cont'd)

DXN Spirulina

DXN Spirulina is made from cultivated Spirulina and is available in tablet, capsule and powder forms.



DXN Cordyceps

DXN Cordyceps is available in tablet, capsule and powder forms and is made from Cordyceps that have been cultivated and harvested at our Group's facilities.



DXN Lion's Mane Mushroom

Lion's Mane mushroom, which is also known as "Bear's Head" and "Monkey's Head" mushroom, is used in traditional Chinese medicine to strengthen the body's digestive functions. DXN Lion's Mane Mushroom is available in tablet and powder forms.



DXN Andro-G

DXN Andro-G is made from Green Chiretta and is available in capsule form.



7.7.4 PCC products

As at the LPD, our portfolio includes approximately 86 PCC products. Key products include: Ganozhi Toothpaste, Ganozhi Shampoo, Ganozhi Body Foam, Ganozhi Soap and Gano Massage Oil.

Ganozhi Toothpaste

Ganozhi Toothpaste contains Ganoderma extract, food gel, menthol and food flavouring. It is made without saccharin or colouring.



7. BUSINESS OVERVIEW (Cont'd)

Ganozhi Shampoo

Ganozhi Shampoo is a pH balanced shampoo that contains Ganoderma extract and vitamin B5.



Ganozhi Body Foam

Ganozhi Body Foam is a mild cleansing body foam enriched with Ganoderma extract.



Ganozhi Soap

Ganozhi Soap is a soap enriched with Ganoderma extract and palm oil.



Gano Massage Oil

Gano Massage Oil contains high-quality palm oil and all-natural Ganoderma extract.



7.8 Other products

Our portfolio also includes a range of other products including diesel fuel additives, fruit and vegetable washing liquid, laundry detergent, kettles, air purifiers and a home water filtration system.

DXN Energy Plus Water System

DXN Energy Plus Water System is a water filtration system that employs a six-filter cartridge system. Each filter cartridge has a different function, for example, removing sediment or removing bacteria.



7. BUSINESS OVERVIEW (Cont'd)

7.9 R&D

We operate two R&D facilities in Malaysia and China. These R&D facilities conduct research in manufacturing techniques and product quality. For example, our R&D teams have developed processes utilising techniques such as nano fermentation (the process of enzyme production whereby to improve bioavailability by enhancing solubility of natural ingredients), cold-dehydration (the process of drying Ganoderma at low temperature, to avoid destroying the natural active ingredient), centrifuge filtration (the process of harvesting Spirulina to improve the yield) and micro powderisation (the process of herbs powderisation at micro size for better solubility and absorption). We believe these techniques have improved our output and retained the quality of the natural ingredients that we produce.

We believe these processes reflect the biotechnological strength of our R&D efforts. Our research capabilities have been key in our ability to extract benefits from natural ingredients and develop innovative products.

Our R&D teams, which consist of about 81 personnel across two research facilities in Malaysia and China as at the LPD, also work on product design, development and testing (for e.g. for regulatory approvals and other certifications), and ingredient labelling. They also provide laboratory testing services to third parties.

These facilities have obtained various industry certifications including GMP and ISO/IEC 17025 accreditation. See Section 7.33 of this Prospectus for further details on our key accreditations.

Our R&D expenses consist of general R&D expenses, research projects on mushroom and natural farming cultivation and expenses for specific projects. Total R&D expenses (excluding staff costs) for the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022 were RM0.5 million, RM0.7 million, RM0.7 million and RM0.1 million respectively. While we charge our R&D expenses to specific projects where possible, our general R&D expenses that were not charged to specific projects for the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022 were RM0.2 million, RM0.2 million, RM0.6 million and RM0.04 million, respectively. For the FYE 29 February 2020, FYE 28 February 2021 and FYE 28 February 2022, we incurred a total of RM0.3 million on our research projects on mushroom and natural farming cultivation.

For further details on our R&D facilities, see Section 7.13.2 of this Prospectus.

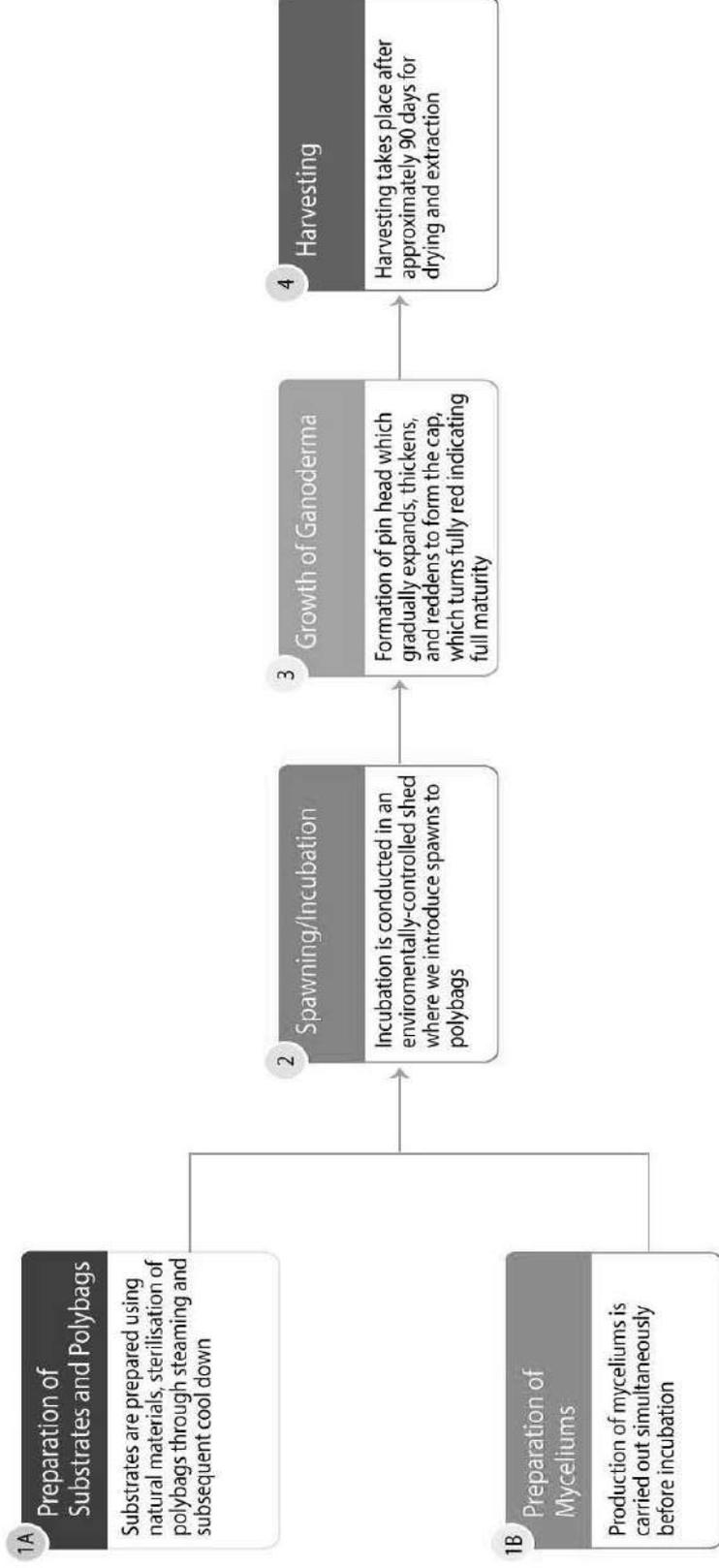
7.10 Cultivation Activities

Certain of our key cultivation processes are highlighted below:

- Ganoderma cultivation.** Ganoderma is cultivated by first preparing an organic substrate using rubber wood, rice chaff and water. The organic substrate is then filled into polyethylene bags and sterilised by steaming, then cooled. At the same time, Ganoderma mycelia are prepared. Selected Ganoderma spawn are then inoculated into the substrate. The polyethylene bags containing the inoculated spawn are then placed in our temperature-controlled sheds. After approximately three months, mature Ganoderma mushrooms are harvested, sliced and crushed to the desired shape and size. The crushed Ganoderma are then dehydrated and grounded into powder form before storage. Apart from RG, we also cultivate GL.

7. BUSINESS OVERVIEW (Cont'd)

The Ganoderma cultivation process is illustrated below:



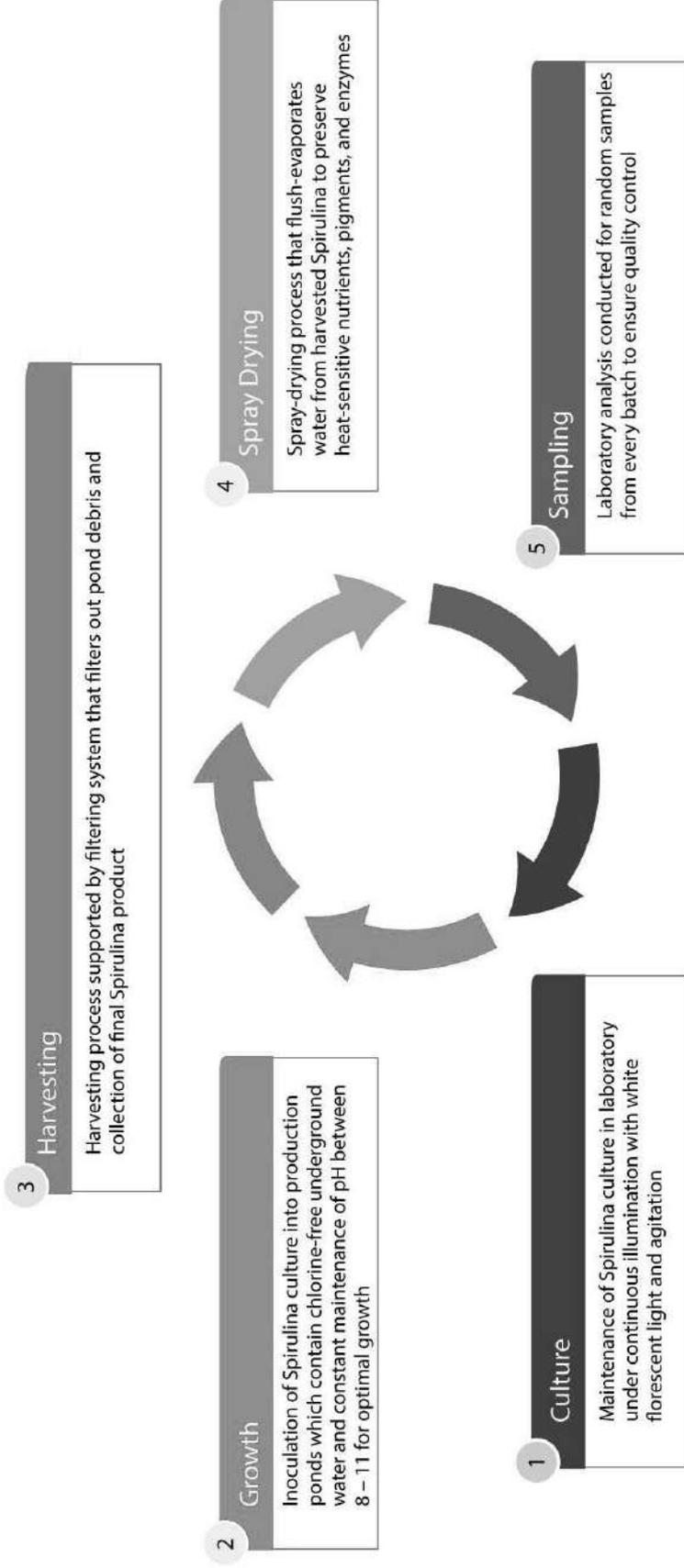
Our cultivation output of RG for the FYE 28 February 2022 was 35 tonnes. Our cultivation output of GL for the FYE 28 February 2022 was 108 tonnes.

7. BUSINESS OVERVIEW (Cont'd)

- ***Spirulina cultivation.*** Spirulina cultivation begins in our laboratories, where Spirulina culture is maintained under the continuous illumination of white florescent light and agitated. The Spirulina culture is then inoculated into production ponds which contain chlorine-free underground water and are maintained at a specific pH for optimal growth of Spirulina. Spirulina is then harvested through a filtering system that removes pond debris and spray-dried to flush-evaporate water from the harvested Spirulina. Our laboratories then conduct random sampling of every batch for quality control purposes.

7. BUSINESS OVERVIEW (Cont'd)

The Spirulina cultivation process is as illustrated below:



7. BUSINESS OVERVIEW (Cont'd)

Our cultivation output of Spirulina in the FYE 28 February 2022 was 132 tonnes.

We also cultivate other natural ingredients, including Cordyceps, Roselle, Lion's Mane mushroom, Tiger Milk mushroom, pineapples, aloe vera and Noni at our facilities. See Section 7.7.1 of this Prospectus for further details on our natural ingredients.

These facilities have obtained various industry certifications, including ISO 14001 certificate for DXN Pharma and myOrganic certificate for Ganoderma, Spirulina and Cordyceps from the Malaysian Ministry of Agriculture and Food Security (*formerly known as* Ministry of Agriculture and Agro-Based Industry). See Section 7.33 of this Prospectus for further details on our key accreditations.

7.11 Manufacturing Processes

Products at our manufacturing facilities generally go through the following process: receiving materials, processing, packaging, labelling and packing for shipment where further details of such processes are set out below:

(i) Receiving materials

Our manufacturing facilities receive raw materials such as coffee powder and natural ingredients, as well as packaging materials such as empty capsules, bottles and aluminium foil. Natural ingredients such as Ganoderma powder or Spirulina powder are sourced from our cultivation facilities as well as third party suppliers. See Section 7.10 of this Prospectus for further details on our cultivation activities.

(ii) Processing

Processing will vary depending on the category of finished goods being produced. For our HDS products, this often involves formatting powdered natural ingredients as capsules, tablets or powdered products. For FFB or PCC products, this often involves blending natural ingredients with the related base raw materials. For example, we may blend Ganoderma powder with premixed coffee or cosmetic bases. For fermented beverages, there will be a fermentation process involved.

(iii) Packaging

Capsules, tablets, liquids and some powdered products are bottled while powdered products such as premixed coffee or tea are packed into sachets, stick packs or filter bags.

(iv) Labelling

Product packaging is wrapped with the respective labels, in alignment with local regulatory requirements as well as the label requirement in the importing countries.

(v) Packing for shipment

Products are grouped according to product type and shipment destination, then appropriately consolidated into shipments to reduce costs.

7. BUSINESS OVERVIEW (Cont'd)

7.12 Raw Materials and Procurement

The primary raw materials that we use are coffee powder, non-dairy creamer, sugar, cocoa powder and wheat cereal powder, which are ingredients that we use to produce our finished products. Our primary packaging materials include aluminium foil, empty capsules, labels and plastic containers.

The table below sets out the breakdown of the primary raw materials and packaging materials that we purchased from third parties in the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022:

Description	Source by Country	FYE 29 February 2020		FYE 28 February 2021		FYE 28 February 2022		FPE 31 October 2022	
		RM million	% of total purchases*	RM million	% of total purchases*	RM million	% of total purchases*	RM million	% of total purchases*
Coffee powder	Malaysia, Singapore and India	17.3	14.2%	21.7	15.0%	25.4	15.4%	24.7	15.2%
Sugar	Malaysia, India and Mexico	7.2	5.9%	8.9	6.1%	7.9	4.8%	6.7	4.1%
Non-dairy creamer	Malaysia, India and Mexico	10.2	8.3%	11.4	7.9%	15.6	9.5%	18.2	11.2%
Spirulina powder	Malaysia	2.5	2.0%	2.0	1.4%	1.0	0.6%	-	-%
Wheat cereal powder	Malaysia	2.6	2.1%	1.8	1.2%	3.4	2.1%	2.8	1.7%
Alkalised cocoa powder	Malaysia	1.2	1.0%	1.8	1.2%	1.8	1.1%	2.3	1.4%
Virgin coconut oil	India	-	0.0%	1.2	0.8%	1.1	0.7%	0.7	0.4%
Empty capsule gel	India and Singapore	3.1	2.5%	5.7	4.0%	6.1	3.7%	5.7	3.5%
Aluminium foil and boxes	Malaysia, Mexico and India	15.6	12.8%	16.9	11.7%	29.0	17.7%	16.4	10.1%
Bottle and label	Malaysia, India	2.9	2.3%	3.5	2.4%	3.0	1.8%	5.1	3.1%
Total		62.6	51.1%	74.9	51.7%	94.3	57.4%	82.6	50.7%

Note:

* Total purchases consist of raw materials and finished goods.

7. BUSINESS OVERVIEW (Cont'd)

In addition to the raw materials that we purchase, we cultivate and process most of our raw materials utilising our own cultivation facilities, such as Ganoderma, Cordyceps, Lion's Mane mushroom, shiitake mushroom, agaricus blazei murill mushroom, poria cocos mushroom, Tiger Milk mushroom, splitgill mushroom, Spirulina, Noni, pineapple, green chiretta, aloe vera, mulberry, hong tian wu, turmeric, wild betel, talinum, cucumber, okra, mango ginger and java ginger.

We have not experienced supply issues, material price fluctuations or volatility in the raw materials used for our production in any of the past three years up to the LPD.

Our planning department determines the raw materials and packaging materials required for the production of a product. Our purchasing department selects the appropriate supplier from an existing list of local and overseas suppliers. If none of the suppliers on the list are appropriate, we will conduct a search for additional suppliers. We select our suppliers based on criteria such as the reliability of their supplies, price competitiveness and product quality.

We are constantly sourcing for more suppliers who are able to provide us with competitive pricing, timely delivery and high quality products. For the past three years, we have not faced any difficulty in the sourcing of our supplies. We believe that we have good relationships with our suppliers. We have a diversified supply base with no single supplier accounting for more than 6.0% of our total purchases in the FYE 28 February 2022. We are not dependent on any of our major suppliers. See Section 7.16.2 of this Prospectus for further details on our suppliers.

Our quality control team performs the necessary tests or checks on the procured raw materials and packaging materials upon arrival to ensure that they are within our specifications and are suitable to be used for production. Examples of tests performed include microbiological tests (such as total bacteria, yeast and mould counts), chemical tests (such as heavy metal, mycotoxin and pesticide residue tests) and physical tests (such as colour and sensory evaluation tests). In the event that the raw materials and packaging materials procured are not within the specifications, a written quality complaint is filed with the suppliers and the affected materials are disposed or returned. We then store the raw materials and packaging materials that have passed the quality inspection in our warehouses and ship them to our manufacturing facilities when required. See Section 7.14 of this Prospectus for further details on our quality control.

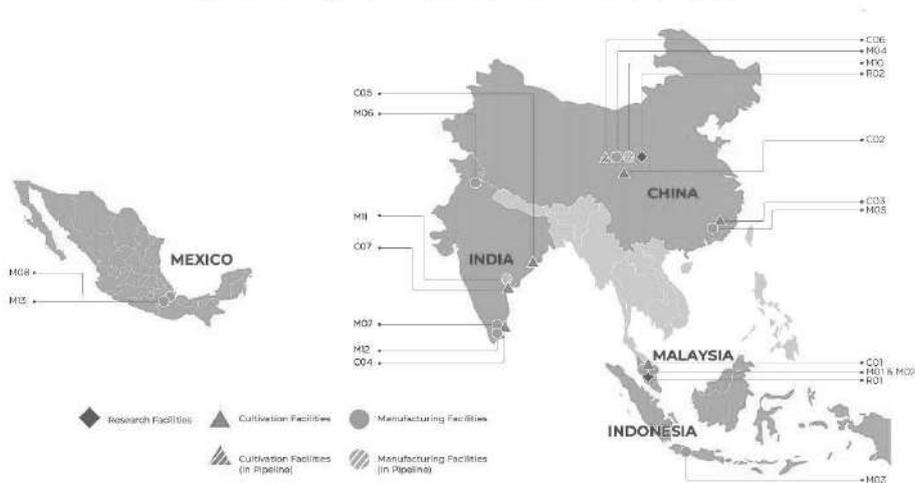
7.13 Production Facilities

7.13.1 Overview

We operate two R&D facilities, six cultivation facilities and 10 manufacturing facilities across Malaysia, China, India, Indonesia and Mexico, and we have a cultivation facility and two manufacturing facilities in the pipeline, which we expect to complete and/or commence operations by the second quarter of 2023. To ensure that we can respond to our Members' demands, we maintain spare manufacturing capacity at these facilities to ensure that we can meet demand surges and avoid supply bottlenecks. Our production lines are also able to switch between different products within hours, allowing us to respond flexibly to demand.

7. BUSINESS OVERVIEW (Cont'd)

2 research, 6 cultivation, 10 manufacturing facilities currently
 2 manufacturing and 1 cultivation facilities in the pipeline



	Operational	Pipeline	Function
R&D	Two in total: R01 - Kedah, Malaysia R02 - Ningxia, China	N/A	Research into cultivation and manufacturing techniques and product quality
Cultivation	Six in total: C01 - Kedah, Malaysia C02 - Ningxia, China C03 - Anxi, China ⁽¹⁾ C04 - Pondicherry, India C05 - Odisha, India C07 - Telangana, India ⁽²⁾	One in the pipeline: C06 - Ningxia, China ⁽³⁾	Cultivation of Ganoderma, Spirulina with cultivation of various other herbs and ingredients (for example, Cordyceps, aloe vera, pineapple, Noni and Roselle)
Manufacturing	10 in total ⁽⁴⁾ : M01 & M02 - Kedah, Malaysia (two facilities) M03 - West Java, Indonesia M04 - Ningxia, China M05 - Anxi, China ⁽¹⁾ M06 - Himachal Pradesh, India M07 - Pondicherry, India M08 - Tlaxcala, Mexico M12 - Pondicherry, India M13 - Tlaxcala, Mexico ⁽⁵⁾	Two in the pipeline: M10 - Ningxia, China ⁽³⁾ M11 - Telangana, India ⁽⁶⁾	Manufacturing lines for capsules, tablets, powdered beverages, liquid beverages, and cosmetics products

7. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) DXN Corporation Ningxia had on 17 May 2022 entered into a share sale agreement (“**Florin Fujian SSA**”) to dispose of its entire 80.0% interest in the total registered share capital in Florin Fujian, where following completion, Anxi Gande Foluohua will cease to be a subsidiary of our Group and we may not hold the facilities in Anxi, China. The disposal has not been completed as at the LPD.
- (2) 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.
- (3) 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.
- (4) Our manufacturing facility in South Kalimantan, Indonesia ceased operations on 15 December 2022.
- (5) 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.
- (6) The construction for 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.

7.13.2 Research facilities

We operate two R&D facilities, one in Malaysia and one in China. We have research capabilities that anchor our production chain, from product development to cultivation to manufacturing.

We have an in-house research team of about 81 research staff across two facilities as at the LPD.

The table below sets out certain key information as at the LPD with respect to our research facilities:

<u>Location</u>	<u>Company</u>	<u>Area (sq. metres)</u>	<u>Owned / rented</u>	<u>Research activities</u>
Kedah, Malaysia	Bio Synergy	530	Rented	Main laboratory and research centre. Laboratory testing for third parties
Ningxia, China	DXN Corporation Ningxia	250	Owned	Research related to FFB, edible fungi, Spirulina and fermentation

See Section 7.25 of this Prospectus for further details on our material properties and equipment.

7.13.3 Cultivation facilities

We operate six cultivation facilities in Malaysia, China and India and have another cultivation facility in Ningxia, China in the pipeline. The construction of such facility is completed and we expect to commence operations after obtaining the CCC equivalent in the second quarter of 2023 for the cultivation of Spirulina, Lion’s Mane mycelium, Cordyceps mycelium and other mycelia of edible fungi. We have strategically selected these locations to leverage local advantages such as land, labour and climate. China specifically is an attractive supply base given the availability of land, qualified labour, cheap raw materials and trade connections.

7. BUSINESS OVERVIEW *(Cont'd)*

We have a team of 275 workers consisting of 21 technical, 226 operations and 28 administrative staff as at the LPD.

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out certain key information as at the LPD with respect to our cultivation facilities:

Location	Company	Owned / rented	Cultivated ingredients	Maximum annual capacity ⁽¹⁾ (FYE 28 February 2023) ('000 kg)	Actual output per year / harvest ⁽¹⁾ (FYE 28 February 2023) ('000 kg)	Utilisation rate ⁽²⁾ (%)
Kedah, Malaysia GM978, Lot 1319 & GM1292, Lot 60041 Mukim Malau, Daerah Kubang Pasu, Kedah, Malaysia	DXN Pharma	Owned Owned	Spirulina RG GL	65 52 80	0 ⁽³⁾ 0 ⁽³⁾ 54.8	0 0 68.5
GM1109 Lot 2116, GM1089 Lot 2115, GM1085 Lot 2112, GM16 Lot 832 & GM1292 60041, Mukim Malau,						
GM2158 Lot 2729, Mukim Binjal, Daerah Kubang Pasu, Kedah, Malaysia						
Ningxia, China North of Longma Road, east of Binhu Avenue and south of Yushantan Street, Zaoxiang Village, Xinghai Town, Dawukou District, Ningxia 753000, China	DXN Agrotech Ningxia	Rented (Land), Owned (Building)	Spirulina	150.0	149.4	99.6
Anxi, China⁽⁴⁾ No. 99, Fuxiyang Huaidong Village, Gande Town, Anxi County, Quanzhou City, Fujian Province 362413, China	Anxi Gande Foluohua	Rented	Tea trees	14.4	9.2	63.9

7. BUSINESS OVERVIEW (Cont'd)

Location	Company	Owned / rented	Cultivated ingredients	Maximum annual capacity ⁽¹⁾ (February 2023)	Actual output per year / harvest ⁽¹⁾ (FYE 28 February 2023)	Utilisation rate ⁽²⁾ (%)
				('000 kg)	('000 kg)	
Pondicherry, India R.S no: 141/4, 142/5, Whirlpool Road, Thiruvandar Koil, Mannadipet Commune, Pondicherry 605102, India	DXN Manufacturing India	Owned	Spirulina Noni	5.0	2.7	54.0
Odisha, India Khata No. 115/290, Sukai Kateni, Plot No 648, 615, 617, 630 & 619 Sukai Kateni, Dhenkanal Sadar, Dhenkanal Odisha	Daxen Agritech	Rented (Land), Owned (Building)	RG GL	16.5 42.0	8.0 20.3	48.5 48.3
Telangana, India⁽⁵⁾ Survey No: 392 and 206, Siddipet Industrial Park, Rajagopalpet and Mandapally Village, Nangunoor Mandal, Siddipet Dist. Telangana -502 267, India	DXN Manufacturing India	Owned	RG GL Spirulina Noni	20.8 60.0 1.3 37.4	0.2 14.2 0.4 1.7	1.0 23.7 30.8 4.5

Notes:

- (1) Actual output represents the production levels at current normal usage, though this fluctuates with demand. Maximum capacity represents the maximum installed capacity.
- (2) Utilisation rate is calculated by dividing actual output by the maximum capacity.
- (3) The CCC or equivalent has yet to be obtained and we have since vacated and ceased operations at the premises.
- (4) DXN Corporation Ningxia had on 17 May 2022 entered into the Florin Fujian SSA to dispose of its entire 80.0% interest in the total registered share capital in Florin Fujian, where following completion, Anxi Gande Foluohua will cease to be a subsidiary of our Group and we may not hold the facilities in Anxi, China. The disposal has not been completed as at the LPD.
- (5) 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.

See Section 7.25 of this Prospectus for further details on our material properties and equipment.

7. BUSINESS OVERVIEW *(Cont'd)*

7.13.4 Manufacturing facilities

We operate 10 manufacturing facilities across Malaysia, China, India, Indonesia and Mexico. We have another two manufacturing facilities in the pipeline. In the FYE 28 February 2022, we manufactured 90.9% of our direct selling products in-house (based on gross revenue contribution). See Section 7.11 of this Prospectus for further details on our manufacturing processes.

We have a team of 1,454 workers, including 108 technical, 1,272 operations and 74 administrative staff as at the LPD.

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out certain key information as at the LPD with respect to our manufacturing facilities:

Location	Name of company	Owned/ rented	Main products	Maximum capacity per month ⁽¹⁾ (FYE 28 February 2023)	Actual output per month ⁽¹⁾ (FYE 28 February 2023)	Utilisation rate ⁽²⁾
Tlaxcala, Mexico Tenexac Lote 3 Manzana 18, Ciudad Industrial Xicohtencatl 1, Tetla de la Solidaridad, Tlaxcala C.P. 90434, Mexico	DXN Mexico (Tlaxcala Factory 1)	Owned	Fortified beverages	Lingzhi Black Coffee: 1,485,000 sachets Lingzhi Coffee 3-in-1: 2,610,000 sachets Vita Café: 1,350,000 sachets Cocozhi: 630,000 sachets	Lingzhi Black Coffee: 1,257,568 sachets Lingzhi Coffee 3-in-1: 2,270,325 sachets Vita Café: 1,250,441 sachets Cocozhi: 559,611 sachets	84.68 86.99 92.63 88.83
Tlaxcala, Mexico⁽³⁾ Calle la Soledad 200, Ciudad Industrial Xicohtencatl 1, Tetla de la Solidaridad, Tlaxcala, C.P. 90434, Mexico	DXN Mexico (Mexico Factory No. 2)	Owned	Fortified beverages	Lingzhi Black Coffee: 877,500 sachets Vita Café: 877,500 sachets	Lingzhi Coffee 3-in-1: 143,470 sachets Lingzhi Black Coffee: 149,773 sachets Vita Café: 20,917 sachets	8.17 17.07 2.38

7. BUSINESS OVERVIEW (Cont'd)

Location	Name of company	Owned/ rented	Main products	Maximum capacity per month ⁽¹⁾ (FYE 28 February 2023)	Actual output per month ⁽¹⁾ (FYE 28 February 2023)	Utilisation rate ⁽²⁾
				Cocozhi: 1,023,750 sachets	Cocozhi: 5,824 sachets	0.57
				Zhi Mocha: 877,500 sachets	Zhi Mocha: 0 sachet	0.00
				Cordyceps Coffee: 877,500 sachets	Cordyceps Coffee: 0 sachet	0.00
				Spirulina Cereal: 682,500 sachets	Spirulina Cereal: 0 sachet	0.00
				Food supplements: 70,000 bottles	Food supplements: 0 bottle	0.00
				Juices: 15,000 bottles	Juices: 0 bottle	0.00
Pondicherry, India	DXN Manufacturing India	Owned	Spirulina capsules, Spirulina tablets, Noni juice, Roselle juice, virgin coconut oil	Spirulina tablets: 21,120 bottles	Spirulina tablets: 8,930 bottles	42.28
R.S no: 141/4, 142/5, Whirlpool Road, Thiruvandar Koil, Mannadipet Commune, Pondicherry 605102, India				Spirulina capsules: 73,640 bottles	Spirulina capsules: 41,360 bottles	56.17
				Spirulina powder: 5,120 bottles	Spirulina powder: 48 bottles	0.94
				Noni juice: 24,000 bottles	Noni juice: 13,033 bottles	54.30

7. BUSINESS OVERVIEW (Cont'd)

Location	Name of company	Owned/ rented	Main products	Maximum capacity per month ⁽¹⁾ (FYE 28 February 2023)	Actual output per month ⁽¹⁾ (FYE 28 February 2023)	Utilisation rate ⁽²⁾
Pondicherry, India R.S. No. 6/2, Plot No. B-20, 5th Cross, PIDIC Industrial Estate, Thirubhuvanai, Pondicherry – 605107, India	Esen Lifesciences	Rented (Land) Owned (Building)	Spirulina Cereal, Cordyceps Cereal	Roselle juice: 6,000 bottles Virgin coconut oil: 16,900 bottles	Roselle juice: 5,356 bottles Virgin coconut oil: 13,088 bottles	89.27 77.44
Himachal Pradesh, India Plot No 120, Industrial Area, Baddi District, Solan, Himachal Pradesh, HP 173205	Daxen Agritech	Rented (Land), Owned (Building)	HDS	Powder: 15,000,000 sachets	Powder: 14,272,290 sachets	95.15
Kedah, Malaysia GeranMukim 1065 Lot 1728, Mukim Malau Daerah Kubang Pasu, Negeri Kedah	DXN Pharma	Owned	HDS	Capsule: 40,000,000 pieces Capsule: 25,000,000 pieces Tablet: 70,000,000 pieces	Capsule: 17,299,800 pieces Capsule: 24,208,160 pieces Tablet: 66,640,592 pieces	43.25 96.83 95.20
				Powder (bottle): 110,000 bottles	Powder (bottle): 106,404 bottles	96.73

7. BUSINESS OVERVIEW (Cont'd)

Location	Name of company	Owned/ rented	Main products	Maximum capacity per month ⁽¹⁾ (FYE 28 February 2023)	Actual output per month ⁽¹⁾ (FYE 28 February 2023)	Utilisation rate ⁽²⁾
				Powder (sachet): 700,000 sachets	Powder (sachet): 520,815 sachets	74.40
				Liquid (external & internal uses): 150,000 bottles	Liquid (external & internal uses): 131,276 bottles	87.52
				Cream / Balm: 90,000 tubes	Cream / Balm: 80,101 tubes	89.00
Kedah, Malaysia	DXN Industries	Owned	FFB, PCC products and household products	Premix beverages: 50,000,000 sachets	Premix beverages: 23,734,550 sachets	47.47
Geran Mukim 1065 Lot 1728, Mukim Malau, Daerah Kubang Pasu, Negeri Kedah				Coffee bulk: 58,000 kg	Coffee bulk: 37,260 kg	64.24
				Juices/ Enzyme/Jam: 500,000 bottles	Juices/ Enzyme/Jam: 201,290 bottles	40.26
				Cosmetic (tube): 500,000 tubes	Cosmetic (tube): 234,108 tubes	46.82
				Cosmetic (bottle): 150,000 bottles	Cosmetic (bottle): 80,492 bottles	53.66
				Soap: 500,000 bars	Soap: 158,261 bars	31.65

7. BUSINESS OVERVIEW (Cont'd)

Location	Name of company	Owned/ rented	Main products	Maximum capacity per month ⁽¹⁾ (FYE 28 February 2023)	Actual output per month ⁽¹⁾ (FYE 28 February 2023)	Utilisation rate ⁽²⁾
				Dyna Cleen: 20,000 bags Other household: 25,000 bottles Face mask: 250,000 pieces	Dyna Cleen: 990 bags Other household: 4,272 bottles Face mask: 104,750 pieces	4.95 17.09 41.90
West Java, Indonesia				Capsules: 400 kg Tablets: 1,300 kg Powder: 15,000 kg	Capsules: 138 kg Tablets: 0 kg Powder: 8,015 kg	34.50 0.00 53.43
	Daxen Indonesia	Owned	HDS, beverages			
	Gunung Putri Factory, Jl Pancasila Iv Kp Parung Tanjung Rt 002 Rw 013, Desa Cicadas, Kec. Gunung Putri, Kab Bogor, Gunung Putri, Kab Bogor					
Ningxia, China				Spirulina tablets: 150,000 kg FFB: 117,000 kg	Spirulina tablets: 10kg FFB: 11,955 kg	0.01 10.22
	Daxen Indonesia	Owned	HDS, beverages			
	No.11 Zi Qiang Road, Shizuishan High Tech Industry Development Zone, Dawukou District, Shizuishan City, Ningxia 753000, China					
Anxi, China⁽⁴⁾				Oolong tea: 50,000 kg Flavoured tea: 20,000 boxes Dry Bidens Pilosa: 18,000 kg	Oolong tea: 19,508 kg Flavoured tea: 257 boxes Dry Bidens Pilosa: 41 kg	39.02 1.28 0.23
	Anxi Gande Foluohua	Owned	Tea products			
	No. 99, Fuxiyang Huaidong Village, Gande Town, Anxi County, Quanzhou City, Fujian Province 362413, China					

7. BUSINESS OVERVIEW (Cont'd)

Location	Name of company	Owned/ rented	Main products	Maximum capacity per month ⁽¹⁾ (FYE 28 February 2023)	Actual output per month ⁽¹⁾ (FYE 28 February 2023)	Utilisation rate ⁽²⁾
South Kalimantan, Indonesia⁽⁵⁾ Jl. Kong Ex (UPT Gudang Transito) Rt. 009 Rw. 004, Landasan Ulin Selatan Liang Anggang, Kota Banjarbaru Kalimantan Selatan 70722, Indonesia	Daxen KJP	Rented (Land and Factory)	Virgin coconut oil	12,000 kg	1,644 kg	13.70

Notes:

- (1) Actual output represents the production levels at current normal usage, though this fluctuates with demand. Maximum capacity represents the maximum installed capacity.
- (2) Utilisation rate is calculated by dividing actual output by maximum capacity.
- (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) DXN Corporation Ningxia had on 17 May 2022 entered into the Florin Fujian SSA to dispose of its entire 80.0% interest in the total registered share capital in Florin Fujian, where following completion, Anxi Gande Foluohua will cease to be a subsidiary of our Group and we may not hold the facilities in Anxi, China. The disposal has not been completed as at the LPD.
- (5) Our manufacturing facility in South Kalimantan, Indonesia ceased operations on 15 December 2022.

See Section 7.25 of this Prospectus for further details on our material properties and equipment.

7. BUSINESS OVERVIEW (Cont'd)

7.13.5 Expansion Plans

We plan to increase our production capacity to meet growing demand for our products. We are expanding a cultivation facility in Ningxia, China, and building two manufacturing facilities in Ningxia, China and Telangana, India. We believe that the expansion of our global supply chain will help us address several supply impediments such as currency fluctuation, complex regulatory requirements for imported products, delays and restrictions in product registration, stock shortages and logistics and inventory holding costs.

Location	Facilities	Expected products and output	Expected maximum capacity per month (FYE 28 February 2022)	Status	Estimated cost
Ningxia, China North of Longma Road, east of Binhu Avenue and south of Yushantan Street, Zaoxiang Village, Xinghai Town, Dawukou District, Ningxia 753000	Cultivation of Spirulina, Lion's Mane mycelium, Cordyceps mycelium and other mycelia of edible fungi Spirulina project: Leased mycelium project: Owned	Spirulina powder: 6,000 kg mycelium powder: 15,000 kg	Spirulina powder: 12,500 kg mycelium powder: 25,000 kg	Construction completed. To commence operations after obtaining the CCC equivalent in the second quarter of 2023.	RM38.7 million
Ningxia, China No. 11 Zi Qiang Road, Shizuishan High Tech Industry Development Zone, Dawukou District, Shizuishan City, Ningxia 753000, China	Manufacturing Owned	Carbonated drinks: 20,000 kg	Carbonated drinks: 63,000 kg	Construction completed. To commence operations after obtaining the CCC equivalent in the second quarter of 2023.	RM61.2 million
Telangana, India Survey No: 392 and 206, Siddipet Industrial Park, Rajagopalpet and Mandapally Village, Nangunoor Mandal, Siddipet Dist. Telangana - 502 267, India	Manufacturing Owned	Coffee products: 280,800 packs Wet food products: 1,114,228 bottles Capsules: 504,000 bottles Tablets: 445,440 bottles Powder: 552,960 bottles Soap products: 400,000 bars Paste products: 1,107,000 tubes Cosmetics: 2,133,043 bottles	Coffee products: 340,970 pouches Wet food products: 1,352,991 bottles Capsules: 604,800 bottles Tablets: 549,120 bottles Powder: 691,200 bottles Soap products: 485,714 bars Paste products: 1,344,214 tubes Cosmetics: 2,590,124 bottles	95% completed. To commence production in the second quarter of 2023.	RM202.3 million

7. BUSINESS OVERVIEW (Cont'd)

Manufacturing facility in Telangana, India

We have acquired 46.9 acres of land in Siddipet, Telangana with the intention to build a 17.7-acre manufacturing facility. The manufacturing facility is intended to produce a full range of products for India and nearby countries, reducing ordering and delivery time from Malaysia and helping us to save costs. Construction for the GMP-certified factory for the production of supplements in this manufacturing facility has been completed, and we expect to complete the construction of the factories for the production of coffee, juice, cosmetics and toiletries in the second quarter of 2023. Upon completion of the construction of the manufacturing facility, we expect our production capacity of health supplements/ nutraceuticals to increase to 1,177 tonnes per year, soap production capacity to increase to 360 tonnes per year, toothpaste to increase to 1,166 tonnes per year, juice to increase to 3,904 tonnes per year and coffee to increase to 1,452 tonnes per year.

We expect the total cost for this facility to be RM202.3 million, of which we have already incurred RM171.0 million as at the LPD. This project is financed using our internally generated funds.

Cultivation and Manufacturing facilities in Ningxia, China

We have a cultivation facility in Ningxia, China that comprises 250 shed ponds for Spirulina cultivation and production, an R&D shed for agricultural activities and a plantation area. The facility is primarily being used to cultivate Spirulina, Lion's Mane mycelium, Cordyceps mycelium and other mycelia of edible fungi. The cultivation capacity of Spirulina at this facility is approximately 150 tonnes per year. We expect the total cost for the expansion of this facility to be RM38.7 million, of which we have already incurred RM37.7 million as at the LPD. This project is financed using our internally generated funds.

In addition, we completed the construction of an additional manufacturing facility in Ningxia, China. This facility has been built on existing land adjacent to our current research and manufacturing facilities in Ningxia and pending machinery testing, will be used to produce carbonated beverage products while simultaneously serving as a distribution centre for our products to our subsidiaries in our Group. We expect to obtain cost advantages from utilising our new facilities in China as a result of inland freight subsidies for export companies, preferential property tax policies for newly established small enterprises and export tax rebate based on products and quantity exported, among other incentives. The construction of this facility has been completed. This facility is expected to be able to produce up to 35.5% of the current existing full production capacity of the Ningxia manufacturing facility. The total estimated cost of construction of this facility is RM61.2 million. This project is financed using our internally generated funds.

Both facilities are pending the CCC or equivalent as at the LPD. We expect to commence operations after obtaining the CCC or equivalent in the second quarter of 2023.

7. BUSINESS OVERVIEW (Cont'd)

7.14 Quality Control

The quality of our products is a key part of our value proposition to consumers. Product quality and safety are key factors to building trust in our brand and ensuring customer satisfaction. In order to ensure that we provide consistent product quality, we have put several tiers of quality control measures in place.

For example, our manufacturing facilities are designed around GMP principles, which set the foundation for all other quality management systems and certifications used in the manufacturing of our FFB, HDS and PCC products. By using GMP systems in our facilities' design and maintenance, equipment calibration and preventive maintenance, personnel qualification and training, hygiene and sanitation, process validation, record keeping and other processes, we are able to produce safe and quality products in controlled operational and environmental conditions. Further, a significant number of our products are Halal certified to appeal to Muslim consumers.

We have implemented strict quality control procedures at each of our in-house research, cultivation and manufacturing facilities in accordance with local regulatory requirements and as applicable, the regulatory requirements of respective export markets. We also hold ourselves to industry standards of business ethics, for example, compliance with the DSAM Code. See Section 7.27 of this Prospectus for further details on governing laws and regulations relating to our industry.

We have also established a quality control programme that meets and complies with the requirements of a range of international food safety, quality and environmental management systems. For example:

- In 1997, we received GMP certification for our Ganoderma factory. GMP is a system for ensuring that products are consistently produced and controlled according to international quality standards.
- In 1999, DXN Pharma's facility received the ISO 9001 certification, which is the international standard that specifies requirements for a quality management system and ensures that customers get consistent, good-quality products and services.
- In 1999, DXN Pharma's facility obtained the Certificate of GMP Compliance of a Manufacturer from the TGA. This certification enables the facility to manufacture, export and sell HDS in Australia.
- In 2000, DXN Pharma's facility received the ISO 14001 certification, which is the international standard that specifies requirements for an effective environmental management system. The intended outcomes of an environmental management system include the enhancement of environmental performance, the fulfilment of compliance obligations and the achievement of environmental objectives.
- In 2006, DXN's Laboratory Department received the MS ISO/IEC 17025 certification, which specifies the general requirements for the competence, impartiality and consistent operation of testing and calibration laboratories.
- In 2007, DXN Pharma's cultivation facility received the myOrganic certificate from the Malaysian Ministry of Agriculture and Agro-Based Industry (now Ministry of Agriculture and Food Security) for the cultivation of Ganoderma, elm oyster mushroom, Lion's Mane mushroom, poria cocos fungus, splitgill mushroom, Tiger Milk mushroom and Cordyceps, which certifies that our cultivation of these crops have met the Malaysian Standard MS 1529: 2001 for the production, processing, labelling and marketing of plant-based organically produced food.

7. BUSINESS OVERVIEW (Cont'd)

- In 2011, DXN Industries' F&B products received the GMP and HACCP certification, which is an international standard defining the requirements for effective control of food safety. HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.
- In 2017, DXN Pharma's cultivation facility received the USDA's NOP Control Union Certification, which enforces the USDA organic regulations.
- In 2017, DXN Pharma's cultivation facility received the European Union Organic certification, which certifies that a product has fulfilled strict conditions on how they must be produced, processed, transported and stored and contains at least 95% of organic ingredients (with further strict conditions for the remaining 5%).
- In 2017, DXN Pharma's cultivation facility received the myOrganic certificate from the Malaysian Ministry of Agriculture and Food Security (*formerly known as* Ministry of Agriculture and Agro-Based Industry) for the cultivation of Spirulina.
- In 2018, DXN Pharma's cultivation facility received the myOrganic certificate from the Malaysian Ministry of Agriculture and Food Security (*formerly known as* Ministry of Agriculture and Agro-Based Industry) for the cultivation of Noni.
- In 2020, DXN Industries received the ISO 22716:2007 (Cosmetic) certification, which provides GMP guidelines for the production, control, storage and shipment of cosmetic products. These guidelines cover the organisational and practical aspects on the management of the human, technical and administrative factors affecting product quality.
- As at the LPD, 289 of our products were Halal certified by JAKIM and its Recognised Foreign Halal Certification Body (FHCB).

See Section 7.33 of this Prospectus for further details on our key accreditations.

We also have a quality assurance and quality control department responsible for maintaining quality standards throughout our production process. Its functions include setting internal controls and specifications for incoming materials, work-in-progress and finished products; conducting quality inspections; ensuring the correct implementation of quality management systems; establishing procedures; record keeping; maintaining the validity of equipment and instruments; providing training; auditing production facilities and records to ensure the delivery of quality products; and reviewing supplier quality control systems. Our quality control department is in charge of applying for and maintaining our Halal certifications, as well as ensuring that our facilities and products are compliant with regulatory requirements including maintaining manufacturing licences, product registration and notifications and ensuring that our product packaging meets labelling requirements.

We conduct stability tests for each of our products 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 an 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 a 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 local or exporting country laws and regulations.

7. BUSINESS OVERVIEW (Cont'd)

In the event that any of our products are required to be recalled or withdrawn, we have recall procedures already in place. See Sections 5.1.5 and 5.1.6 of this Prospectus for more information. We also conduct mock product recalls at least once per year to ensure the effectiveness of our recall procedures.

Further, we have quality assurance and control procedures in place to ensure supplier compliance with our product safety and quality standards. Suppliers must undergo a quality screening process before we commence working with them. Our quality department assesses such products based on technical specifications, quality specifications and inspection standards. Upon receipt of product shipments from suppliers, we perform quality inspections on random samples to detect any quality issues.

7.15 IT

Our IT systems, consisting of Member support tools and internal management tools, are key to our business operations. As at the LPD, we have an internal IT department team of 84 personnel, including IT personnel from Suryasoft (which we acquired in April 2022), to provide solutions to our Members and our management.

We developed the majority of our systems in-house and together with Suryasoft and as such, we are not required to pay any licence fees and are able to be efficient in a global roll-out. Further, we believe that developing some systems in-house has enabled our IT systems to be more secure and reliable. The systems that we have developed in-house include our OBS, e-World website, DXN app, DChat app, regional website, ERP, HRMS, ACIS and CPS.

7. BUSINESS OVERVIEW (Cont'd)

An overview of our IT systems is set out below:

Member Support Tools

e-World / DNX App ★	<ul style="list-style-type: none"> • Portal for Members, non-Members and local branches, with both web and app interfaces • Members can manage their DNX activities (purchases, earnings and marketing content) and track and redeem their ePoints • Non-Members can access marketing content • Local branches can publish and disseminate marketing content
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Regional / Member Personal Websites ★	<ul style="list-style-type: none"> • Over 110,000 personal websites for Members set-up hosted on DNX regional websites • Members can engage, recruit and sell to end-customers online • Marketing content is automatically synced to latest from e-World
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DChat App	<ul style="list-style-type: none"> • Messaging app to facilitate communication between us, Members and end-customers • End-customers can directly communicate with our customers and Members service regarding products • Members can engage other Members, for example, Member-leaders may use this platform for team bonding and to engage with subordinates • To eventually converge with e-World app in providing Member portal functionalities
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Internal Management Tools

Online Billing System (OBS) ★	<ul style="list-style-type: none"> • Operations management system used for local branch management • Local branches can track recruitment, sales, and place purchase orders from manufacturing facilities
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Enterprise Resource Planning System (ERP) ★	<ul style="list-style-type: none"> • Supply chain management system used by production managers • Production managers can track purchase orders, track production output/statuses, create consolidated packing lists for shipping, and generate invoices
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Laboratory Management System (LMS)	<ul style="list-style-type: none"> • To provide quotation to customers and receive orders from local and overseas customers to perform laboratory testing • Conduct laboratory testing services on samples provided, under controlled conditions
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Human Resource Management System (HRMS)	<ul style="list-style-type: none"> • Portal for employees and managers, with both web and app interfaces • Employees can manage employee profile, check work calendar (including work shifts), apply for overtime/leave • Managers can approve/reject overtime/leave applications, and submit employee appraisals
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Accounting Information System (ACIS) ★	<ul style="list-style-type: none"> • Finance management system used by us and local branch finance managers • Finance managers can track sales data, generate financial reports (including local tax report), monitor key financial metrics, and maintain an accounting ledger
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Centralized Processing System (CPS) ★	<ul style="list-style-type: none"> • Central system consolidating sales and Member data across our Group • Calculates Member qualification status, Member tiers, and Member bonus earning based on algorithms set out in the respective local marketing plans
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★ Key Platform

We have established disaster recovery procedures for our IT systems, including a recovery plan for our server sites and restoration or rebuilding of our entire process systems.

7. BUSINESS OVERVIEW (Cont'd)

7.15.1 Member support tools

We have developed a series of in-house Member support tools, which provide an ecosystem of technological solutions tailored to our specific business needs. As these systems were developed in-house, there are minimal licencing fees. Such tools include:

- **Our online portal.** We have an online portal with both web (e-World) and mobile application (DXN app) interfaces. This portal is accessible by our Members, non-Members, our local sales branches and external distribution agencies. It allows our Members to track and manage purchases, earnings, marketing content and to track and redeem their e-Points; non-Members to access marketing content and to register for membership; and local sales branches and external distribution agencies to publish and disseminate marketing content. Between 1 January 2022 to 31 December 2022, the e-World website had over 900,000 unique visitors per month, with an average page per visit engagement rate of approximately 25 pages.
- **Online ordering system.** Our online ordering system allows our Members and non-Members worldwide to easily order our products online which we believe partially contributes to an increase in our sales locally and overseas.
- **Personal websites.** Starting from December 2017, our Members from 80 countries are able to set up personal websites on our eight regional websites. Marketing content on these personal websites is automatically updated and synced with content from our e-World web portal, which we maintain. As at the LPD, 198,780 Members have set up these personal websites.
- **DChat app.** This mobile application allows for communication between us, our Members and end-customers and allows our Members to submit requests to withdraw their ePoints. We have plans to add a recruitment module, similar to the e-World web portal, to the DChat app.

7.15.2 Internal management tools

We have developed a series of in-house internal management tools used to support our business operations and Member support tools. As these systems were developed in-house, there are minimal licencing fees. In addition, the systems are tailored to our specific needs and we are able to flexibly and continually update these tools based on new market and technical trends.

We use IT tools in our manufacturing process. By establishing a system that keeps track of our inventory level of raw materials, we are able to exercise better control over our inventory. This helps us maintain a sufficient buffer for our "Just in Time" practice to ensure that the quality of our materials is maintained at a maximal level and to prevent wastage of materials and products.

Other tools include:

- **Online Billing System,** the operations management system used by our sales branches to track recruitment, sales and inventory levels, and to place purchase orders from our manufacturing facilities.
- **Enterprise Resource Planning System,** the supply chain management system used by our production managers to track purchase orders and production output/statuses, create consolidated packing lists for shipping and generate invoices.

7. BUSINESS OVERVIEW (Cont'd)

- **Centralised Processing System**, our internal system used to consolidate sales and Member data from across our entire business. It is used to calculate Member qualification statuses, Member tiers and Member bonus earnings based on algorithms set out in the respective local marketing plans.
- **Laboratory Management System**, our system used to provide quotes to customers and to receive orders for laboratory testing, as well as to conduct laboratory testing services on samples provided under controlled scientific conditions. This system is used by Bio Synergy's laboratory to provide both internal and external services.
- **Human Resource Management System**, our internal human resources portal for employees and managers, which allows our employees to manage their employee profile, check their work calendar (including work shifts), and apply for overtime and leave and allows managers to submit employee appraisals.
- **Accounting Information System**, our internal finance management system which tracks sales data, generates financial reports (including local tax reports), monitors key financial metrics, and maintains an accounting ledger.

7.16 Our Customers and Suppliers

7.16.1 Customers

Our customers are our Members (including stockists), non-Members and external distribution agencies. As at the LPD, we have over 14.9 million registered Members, of which over 3.6 million are active Members, 1,811 are stockists and 12 external distribution agencies.

7. BUSINESS OVERVIEW (Cont'd)

The following table sets out the revenue contribution from sales to our Members, non-Members and external distribution agencies for the financial years/period indicated:

	2020		FYE 28/29 February 2021		2022		FPE 31 October 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gross sales to Members and non-Members	1,078,918	91.00	1,067,750	91.17	1,221,901	93.56	1,017,728	92.77
Gross sales to:								
- external distributor agencies	81,250	6.85	78,530	6.71	57,757	4.42	39,434	3.59
- external parties ⁽¹⁾	5,210	0.44	5,242	0.45	4,661	0.36	14,216	1.30
Other sales ⁽²⁾	4,873	0.41	2,948	0.25	1,158	0.09	9,958	0.91
Other business activities	15,404	1.30	16,679	1.42	20,469	1.57	15,702	1.43
Gross revenue	1,185,655	100.0	1,171,149	100.0	1,305,946	100.0	1,097,038	100.0
Less: Consideration due/paid to customers ⁽³⁾	(81,047)		(120,944) ⁽⁴⁾		(63,090)		(53,801)	
Revenue	1,104,608		1,050,205		1,242,856		1,043,237	

Notes:

- (1) Gross sales to external parties comprise of sales of raw materials.
- (2) Other sales comprise income from trading sales which are products not sold under the direct selling model and includes sales of FFB products and tea products in China and non-recurring sales of electrical appliances and skin care products, and one-off sales of machines made to Florin Fujian and Anxi Gande Foluohua in the FYE 29 February 2020, which later became our subsidiaries.
- (3) Consideration due/paid to customers comprises personal effort-related performance bonus and service centre commission, netted against gross revenue in accordance with presentation consistent with MFRS 15.
- (4) Includes the 10.0% Discount Promotion. Each qualified Member's total discount was limited to the amount of their purchases made in April 2020 and May 2020. For accounting purposes, the discount was fully accrued in the FYE 28 February 2021.

7. BUSINESS OVERVIEW (Cont'd)

There are no individual customers who contributed more than 5.0% of our Group's revenue in each of the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022. We are not dependent on any particular customer.

For our Members in our direct selling business, we practise a standardised cash, online payment and credit card transaction management policy. In all jurisdictions, our Members are also able to make purchases using ePoints awarded so that we can credit the bonuses earned by our Members for them to purchase products or withdraw cash. When a Member makes a purchase via ePoints, we deduct the equivalent amount from the Member's bonus payable account and credit the amount to our books. For external distribution agencies, we allow payment by letters of credit ranging from 30 to 90 days. These credit terms are determined on a case-by-case basis and we take into consideration factors such as our business relationship with the external distribution agency, customer creditworthiness, historical payment trends as well as transaction volume and value.

7.16.2 Major Suppliers

Our suppliers are third parties from whom we purchase our raw materials to cultivate mushrooms (such as rubberwood sawdust and rice chaff), raw materials used in the production of our FFB and HDS products (such as coffee powder, creamer and sugar), and packaging materials (such as capsules and plastic containers). We rely on short-term agreements with some of our major suppliers, with purchases from our suppliers conducted on a purchase order basis. We also purchase finished goods comprising, among others, F&B (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).

We are not dependent on our major suppliers as we have a number of suppliers who can provide us with our raw materials, finished goods and packaging material needs to similar specifications and quality. Our suppliers normally extend a credit period to us ranging from 30 to 60 days.

Our top five major suppliers and their contribution to our purchases in terms of amount and percentage for the years/period indicated are as follows:

FYE 29 February 2020

<u>Supplier</u>	<u>Country</u>	<u>Length of relationship as at the LPD</u>	<u>Products purchased</u>	<u>Purchases (RM'million)</u>	<u>% of total purchases</u>
Supplier B ⁽²⁾	Singapore	3 years	Vegetable capsule, spray dried instant coffee powder	9.0	7.3%
Supplier C ⁽³⁾	Malaysia	4 years	Wheat cereal powder, non-dairy creamer, wheat cereal flakes, instant oats, malt extract powder	8.6	7.0%

7. BUSINESS OVERVIEW (Cont'd)

Supplier	Country	Length of relationship as at the LPD	Products purchased	Purchases (RM'million)	% of total purchases
Supplier A ^{*(1)}	Malaysia	5 years	Spirulina powder, coffee, aluminium toothpaste tubes, panax ginseng root powder, dicalcium phosphate dihydrate, instant black tea powder, psyllium husk, ginkgo leaf, pearly powder, celery powder, polypropylene plastic, tubes	7.3	6.0%
Dan Kaffe (Malaysia) Sdn Bhd	Malaysia	13 years	Instant coffee powder, coffee powder, spray dried coffee powder	6.2	5.1%
MSM Prai Berhad	Malaysia	13 years	Fine sugar, caster sugar	5.2	4.3%
Total				36.3	29.7%

FYE 28 February 2021

Supplier	Country	Length of relationship as at the LPD	Products purchased	Purchases (RM'million)	% of total purchases
Supplier C ^{*(3)}	Malaysia	4 years	Wheat cereal powder, non-dairy creamer, wheat cereal flakes, instant oats, malt extract powder	9.5	6.6%
LSJ Biotech Pvt Ltd	India	4 years	RG and GL30 capsules, RG and GL90 capsules, RG and GL360 capsules, RG and GL powder	8.4	5.8%
MSM Prai Berhad	Malaysia	13 years	Caster sugar, fine sugar	6.7	4.7%
Supplier B ^{*(2)}	Singapore	3 years	Vege-empty capsules, spray dried instant coffee powder, instant coffee powder	6.2	4.3%
Dan Kaffe (Malaysia) Sdn Bhd	Malaysia	13 years	Instant coffee powder, coffee powder, spray dried coffee powder	5.3	3.7%
Total				36.1	25.1%

7. BUSINESS OVERVIEW (Cont'd)**FYE 28 February 2022**

<u>Supplier</u>	<u>Country</u>	<u>Length of relationship as at the LPD</u>	<u>Products purchased</u>	<u>Purchases (RM'million)</u>	<u>% of total purchases</u>
Olam International Limited	Singapore	8 years	Spray dried soluble coffee	8.4	5.1
SLM Packaging Sdn Bhd	Malaysia	11 years	Aluminium Foil	8.0	4.9
Dan Kaffe (Malaysia) Sdn Bhd	Malaysia	13 years	Instant coffee powder, coffee powder, spray dried coffee powder	7.9	4.8
Kerry Ingredients (M) Sdn Bhd	Malaysia	14 years	Non-dairy creamer	7.1	4.3
LSJ Biotech Pvt Ltd	India	4 years	RG and GL30 capsules, RG and GL90 capsules, RG and GL360 capsules, RG and GL powder	6.5	3.9
Total				37.9	23.0%

FPE 31 October 2022

<u>Supplier</u>	<u>Country</u>	<u>Length of relationship as at the LPD</u>	<u>Products purchased</u>	<u>Purchases (RM'million)</u>	<u>% of total purchases</u>
Olam International Limited	Singapore	8 years	Spray dried soluble coffee	10.6	6.5%
Custom Food Ingredients Sdn. Bhd.	Malaysia	8 years	Non-dairy creamer	9.2	5.7%
Kerry Ingredients (M) Sdn Bhd	Malaysia	14 years	Non-dairy creamer and foaming powder	8.8	5.4%
Top Choice Food International Joint Stock Company	Vietnam	1 year	Spray dried instant coffee powder	7.0	4.3%
Dan Kaffe (Malaysia) Sdn Bhd	Malaysia	13 years	Instant coffee powder, coffee powder, spray dried coffee powder	6.5	4.0%
Total				42.1	25.9%

Notes:

^ Supplier A and Supplier B have a common shareholder.

7. BUSINESS OVERVIEW (Cont'd)

- * *Supplier A and Supplier C have a common shareholder and director.*
- (1) *Supplier A is principally involved in the import and wholesale of other foodstuffs and other food ingredients.*
- (2) *Supplier B is principally involved in the wholesale trade of a variety of goods without a dominant product and retail sales via the internet.*
- (3) *Supplier C is principally involved in the general trading in all types of goods and products.*

The names of Supplier A, Supplier B and Supplier C have not been disclosed as we have ended our relationship with Supplier A during the FYE 28 February 2021 and ended our relationships with Supplier B and Supplier C between February 2021 and May 2021. We have not faced any disruption from the transition to other suppliers and we did not experience any material impact on our raw material costs and profit margins for the FPE 31 October 2022 following the termination of these relationships with such suppliers.

7.17 Employees

As at the LPD, we have approximately 3,419 employees in our Malaysian and overseas branches, of which a total of 2,352 employees are in Malaysia. The 3,419 employees as at the LPD include not more than 544 contractual employees.

The following table sets out the number of our employees by function for the periods indicated:

Function	As at 28 February 2022	As at the LPD
Managerial	72	102
Manufacturing and Warehouse	1,522	1,923
Human Resources and General Affairs	113	141
Finance and Accounting	149	178
Internal Audit	16	13
Sales and Marketing	335	554
IT	58	95
Procurement and Publication	43	66
Laboratories and Product Development	259	207
F&B ⁽¹⁾	20	24
Others ⁽²⁾	191	116
Total	2,778	3,419

Notes:

- (1) *F&B comprises employees under our F&B subsidiaries, DXN Cafe and DXN Food Tech, and our associate, Box Park Management, with the principal function of promoting our F&B products to the public.*
- (2) *Others comprise general workers such as security and support staff.*

7. BUSINESS OVERVIEW (Cont'd)

The following table sets out the number of our employees by jurisdiction in which we operate for the periods indicated:

Jurisdiction	As at 28 February 2022	As at the LPD
Malaysia	1,855	2,352
India	251	270
Mexico	104	139
Indonesia.....	117	131
Bolivia.....	13	16
Thailand	28	23
Philippines.....	100	100
Europe.....	55	49
Peru.....	15	14
USA.....	12	13
China.....	126	185
Others	102	127
Total.....	2,778	3,419

Some of our employees belong to unions. Our branches have cooperated with the following unions: DXN Labour Union in DXN Manufacturing India in India, Mexico National Union of Workers and Employees in DXN Mexico in Mexico and Joint Trade Union Committee in DXN Corporation Ningxia in China. The rights and obligations under our relationship with the various unions are set out in collective labour agreements entered into by us and the respective unions. We have not experienced any material industrial disputes in the past three years.

In Malaysia, we actively recruit students from universities, colleges and technical schools through our internship programme, which provides students with industrial and practical training experience.

We conduct education and training programmes for employees throughout all levels of our organisation regularly throughout the year. We conduct OJT through continuous information and reminders to ensure that employees are complying with our standard operating procedures at all times. OJT topics include personal hygiene, standard operating procedures, Work In Progress systems, Halal training and safety briefings. In Malaysia, we also sometimes host events for employees with guest speakers from government agencies or non-governmental organisations to present on various issues. Guest speakers invited so far include representatives from the Employees Provident Fund Board (“EPF”), SOCSO, DOSH, Fire and Rescue Department, Royal Malaysia Police, Department of Labour and National Anti-Drugs Agency.

Our employees’ health and safety in the workplace is one of our main priorities. In addition to conducting on-going training and industrial accident prevention programmes to ensure that employees at all levels are aware of safety requirements, we have also formed emergency response teams to provide aid and assist with evacuations during emergencies.

Total remuneration for our employees includes monthly salary, SOCSO and EPF contributions (for Malaysia), bonuses, incentives, allowance and retirement benefits which is mandatory for employers in almost all countries where we operate. We also offer other benefits including health insurance. We maintain insurance policies for our employees such as group personal accident and group hospital and surgical insurance and make regulatory contributions to statutory insurance schemes under prevailing worldwide industry practices.

We also focused on building and maintaining our corporate culture. Before the COVID-19 pandemic, our employee engagement initiatives in Malaysia included an annual dinner to recognise employees for their performance and loyalty and an internal monthly newsletter. For employees in other jurisdictions, we variously provide free products, awards for long service and festive gatherings.

7. BUSINESS OVERVIEW (Cont'd)

We strongly believe and are committed to respecting human rights, including those of our employees and workers. The following are labour practices that we follow:

- We are committed to providing safe, confidential and accessible channels to our workers to speak out and have appointed workers' representatives, provided suggestion boxes and established grievance mechanisms and a whistleblowing policy.
- We do not impose hidden costs on our workers and have a zero-recruitment-fee policy.
- Our workers have freedom of movement outside of their working hours.
- Our working areas and accommodations are not isolated from nearby towns and opportunities for recreation.
- We have strict policies in place against sexual harassment, drugs and alcohol.
- Our workers have full access to all originals of their identity documents that are available to them at all times.
- We do not unlawfully withhold or deduct salaries.
- We provide our migrant workers who live on our premises with sufficient workspaces and accommodations that comply with all relevant laws.
- Our overtime is strictly voluntary and we limit the maximum working hours to within the maximum set by relevant national laws.
- Our Code of Conduct also prohibits all types of forced, bonded or indentured labour at our facilities and we require our suppliers to prohibit these activities as well.

7.18 Competition

We consider our primary competition to be other companies offering health-oriented and wellness consumer products and other direct selling companies in the markets where we operate.

We primarily compete based on quality, price, brand reputation and Member relationships. For example, we have been able to generate both a high volume of sales and high profit margin in our major markets by providing our Members with in-house manufactured differentiated products, with capital expenditure similar to that of comparable publicly listed direct selling companies with manufacturing capabilities.

We consider our "One World One Market" strategy to be a competitive advantage. See Section 7.6.4 of this Prospectus for further details on our global marketing strategy.

7.19 Seasonality

In Malaysia and other markets with a significant Muslim population, we observe a non-material fluctuation in sales during Ramadan. In other markets, we may observe decreases in sales around Christmas or summer vacation. We also experience seasonal trends in respect of our cultivation activities. Our Spirulina yield in India is typically lower during the rainy season which occurs from September to December and Ganoderma cultivation typically slows during the winter season which occurs from December to March the following year. These country-specific seasonal trends tend to even out when observed on a global basis and do not have a material impact on our sales.

7. BUSINESS OVERVIEW (Cont'd)

We also observe a global peak in demand on an annual basis in advance of our annual price increase.

7.20 Price Volatility

Prices of products in our industry are characterised by a gradual increase over time, primarily due to an increase in production costs and demand for products with higher value-add. The prices of some of the raw materials, packaging materials and finished products that we purchase from suppliers may also be impacted by fluctuations in inflation. We may also be impacted by currency rate fluctuations for items that we import.

We have sought to minimise price volatility. For example, we have set up multiple production and manufacturing facilities in the regions of our major markets. These regional facilities have allowed us to reduce certain costs relating to imports, operations and manufacturing, and the transportation and delivery of our products. We have also been able to benefit from currency exchange rates and buffer stock and incentives provided by local authorities.

Broadly speaking and with exceptions for particular SKUs and particular markets, we have been able to increase our prices across our business in recent years. If we can increase our prices without a detrimental effect on our sales volumes, we expect our revenue to increase; conversely, if either or both of our sales volumes and our prices were to decrease, we expect an adverse effect on our revenues. For further details on how prices of our products have affected our revenues, see Section 12.2.2(ii) of this Prospectus.

7.21 Insurance

We maintain insurance policies to cover a variety of risks relevant to our business needs and operations. We maintain property insurance with respect to our property, assets (save for certain biological assets) and inventory in our offices, factories, warehouses, sales centres and branches. We also carry public liability insurance as well as directors' and officers' liability insurance, group hospital and surgical, group personal accident, fidelity guarantee, money, burglary, marine cargo, aircraft, vehicle, goods-in-transit and product liability insurance related to our operations.

The following table sets forth certain information about the insurance policies covering key aspects of our business as taken by our Group as at the LPD:

Type of insurance	Coverage amount (RM'million) ⁽¹⁾
Aircraft	8.5
Burglary	31.6
Directors and Officers Liability	30.0
Earthquake	14.8
Fire / Property Insurance	557.2
Fire Consequential Loss	137.6
Goods In Transit	32.5
Group Personal Accident	174.3
Marine Cargo ⁽²⁾	630.0
Cash in safe, Cash within premises, Cash in Transits	14.7
Multirisk / All-risk	36.0

7. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) Refers to total coverage amount covering key aspects of our Malaysian and overseas businesses.
- (2) Marine cargo insurance covers shipments from Malaysia to overseas as well as shipments throughout Malaysia. The information provided covers two insurance policies with significant sums insured.

We conduct a periodic review of our insurance coverage and consider the amount of our insurance coverage to be adequate for a company of our size, considering the activities we conduct, and to meet the risks associated with our operations.

7.22 Major Licences and Permits

We have various licences and permits for our operations in Malaysia and other jurisdictions where we operate. Details of our major licences, permits and approvals are set out in Annexure A of this Prospectus. Save as disclosed in Annexure A of this Prospectus, our Group is not dependent on any major licences, permits and approvals for our business operations.

7.23 Interruption to our Business

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.

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. For example, we directed certain employees to work from home and pivoted from conducting face-to-face meetings with suppliers, Members (including stockists) and external distribution agencies to increasing our reliance on social media, webinars, video calls and other online tools. We seek to comply with all health and safety procedures that authorities prescribe and as such have implemented various sanitising and disinfecting procedures at our premises in accordance with government recommendations. In addition, we have also taken additional health and safety measures such as providing hand sanitiser and face masks to our staff, conducting daily temperature checks, sanitizing our offices and facilities and regular intervals and adopting a mask-on policy for our staff at our premises.

Since the outbreak of the COVID-19 pandemic, 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. For further details on the impact of the COVID-19 pandemic on our business, financial condition and results of operations, see Section 5.1.8 of this Prospectus.

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 continue 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.

7. BUSINESS OVERVIEW (Cont'd)

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 testing positive for COVID-19, as required by the MOH. For further details, see Section 5.1.8 of this Prospectus.

Other Interruptions

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, which is approximately three months' worth of stock. 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. Such inventory loss led to the temporary disruption of supply of certain products. We have, in part, relied on short-term arrangements on a purchase order basis with third-party and related-party manufacturers to make up for the lost inventory until the reconstruction of the manufacturing facility was completed in February 2022. We have also used excess capacity at another one of our warehouses to store these ingredients. We received an insurance pay out amounting to RM17.1 million up to the FYE 28 February 2022 in connection with the fire incident.

Except as set out in this Section and Section 5 of this Prospectus, there have been no material interruptions to our business.

7.24 Recent Developments

*Acquisition of Daxen Middle East LLC ("**Daxen Middle East**")*

Daxen Middle East was incorporated by our external distribution agent for the Middle East market, Mathew Purackal Kuncheria, for the initial purpose of operating a storage warehouse in Dubai to store large volume of our products. During the COVID-19 pandemic, movement was restricted and there were supply shortages. With our permission, the storage warehouse was converted into a repacking facility such that our products would be more efficiently supplied to the Middle East market with the understanding that we would subsequently acquire Daxen Middle East and convert it into a fully functioning manufacturing facility.

We intend to acquire 100.0% of the shares in Daxen Middle East for a purchase price of AED10 million (equivalent to RM12.2 million) (the "**Daxen Middle East Acquisition**"). We plan to develop the repacking facility into a manufacturing facility to manufacture our own line of FFB, HDS and PCC products for sales to customers in the Middle East market. Subject to the fulfilment of certain conditions precedent, the Daxen Middle East Acquisition is intended to be completed in or around May 2023.

Acquisition of industrial land in Chilca, Peru

Pursuant to the two purchase option agreements between DXN Peru and Inmobiliaria Salónica S.A.C. dated 29 March 2023 which granted DXN Peru the preferential option to purchase four adjacent industrial lots in two stages ("**Purchase Option Agreements**"), under the first stage, DXN Peru agreed to acquire Lot F4 and F5, Block ("*Manzana*") F, Second Stage, Urb, Parque Sector 62 – Chilca Industrial, province of Cañete department of Lima, for a total cash consideration of approximately USD2.3 million (equivalent to RM10.2 million). Subject to the fulfilment of certain conditions precedent, DXN Peru has the right to execute the option between 20 June 2023 up to 31 July 2023.

7. BUSINESS OVERVIEW (Cont'd)

For the second stage, DXN Peru agreed to purchase Lot F23 and Lot F24 Block ("Manzana") F, Second Stage, Urb, Parque Sector 62 – Chilca Industrial, province of Cañete department of Lima for a total cash consideration of approximately USD 2.2 million (equivalent to RM9.7 million). Subject to the fulfilment of certain conditions precedent, DXN Peru has the right to exercise the option between 20 June 2023 up to 31 December 2023.

See Section 14.6.4 of this Prospectus for further details on the Purchase Option Agreements.

A deposit of RM3.0 million has been paid as at the LPD. We intend to develop a manufacturing facility on the four lots acquired to manufacture our own line of FFB, HDS and PCC products for sales to customers in the Latin America market.

7.25 Material Properties and Equipment

Details of our material properties, whether owned or leased/tenanted, and our material equipment are set out in Annexure B of this Prospectus.

7.26 Intellectual Property and Trademarks

As at the LPD, we have registered over 500 trademarks (including trade dress) which are used for our operations in over 40 countries, some of which we have also licensed to our external distribution agencies for their operations and promotional materials. Save for our external distribution agencies, none of our trademarks have been licensed to other companies outside our Group. Our major trademarks include our DXN logos, Lingzhi, Cocozhi, Morinzyme, RG, GL, Ganozhi, Spica Tea, DXN Aloe.V, Gano Massage Oil, Morinzhi, and our "One World One Market" slogan.

Save as disclosed in Annexure C of this Prospectus, as at the LPD, we do not have any other material licenses, patents, trademarks, brand names, technical assistance agreements, franchises and other intellectual properties on which we are materially dependent.

7.27 Governing Laws and Regulations relating to our Industry

The relevant laws and regulations governing our Group in our core markets and which are material to our operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to. Non-compliance with the relevant laws and regulations below may result in monetary and/or custodial penalties and/or any other orders being made.

As at the LPD, we have obtained the requisite direct selling licences to carry on our direct selling activities as detailed in Annexure A of this Prospectus and we are not aware of any contravention of the requirements and provisions of any relevant laws and regulations in our core markets pertaining to direct selling business.

7.27.1 Governing laws and regulations relating to Malaysia

(i) Direct Sales and Anti-Pyramid Scheme Act 1993

Direct Sales and Anti-Pyramid Scheme Act 1993 is an act to provide for the licencing of persons carrying on direct sales business, for the regulation of direct selling, for prohibiting pyramid scheme or arrangement, chain distribution scheme or arrangement or any similar scheme or arrangement.

7. BUSINESS OVERVIEW (Cont'd)

Companies carrying on direct sales business will need to register for a direct sales licence granted by the controller appointed by the MDTCL pursuant to this act.

(ii) DSAM Code

The DSAM Code is a code of conduct endorsed by the MDTCL and adopted by DSAM to which member companies of the DSAM adhere in conducting their direct selling business. The DSAM Code covers conduct to be adhered to by member companies and direct sellers in order to provide protection to consumers of direct selling products, direct sellers within member companies and conduct between member companies.

Under the DSAM Code, the DSAM shall appoint an independent person or body as the code administrator to monitor compliance by the member companies and to settle any complaints made against the member companies or the direct sellers. The Code Administrator may require appropriate actions from member companies or direct sellers including cancellation of orders, return of products, refund of payments, warnings to both member companies and direct sellers and termination of direct sellers' contracts or relationships with the member companies.

(iii) Sale of Drugs Act 1952 ("SODA 1952") and CDCR

The SODA 1952 is an act relating to the sale of drugs and which includes any substance, product or article intended to be used or capable, or purported or claimed to be capable, of being used on human or any animal, whether internally or externally, for a medicinal purpose.

The CDCR which was issued pursuant to the SODA 1952 stipulates that save as otherwise provided therein, no person shall manufacture, sell, supply, import or possess or administer any product unless the product is a registered product, and the person is a holder of the appropriate licence required issued under the CDCR.

(iv) Food Act 1983, Food Regulations 1985 and Food Hygiene Regulations 2009

The Food Act 1983 and the Food Regulations 1985 are laws governing the food safety and quality control including standards, hygiene, import and export, advertisement and accreditation of laboratories. The objective is to protect the public from health hazards and fraud in the preparation, sale and use of foods and for other related matters. The legislation applies to all foods, locally produced or imported, which are sold in the country. It covers a broad spectrum from compositional standards to food additives, nutrient supplements, contaminants, packages and containers, food labelling, procedure for taking samples, food irradiation, provision for food not specified in the regulations and penalties.

The Food Hygiene Regulations 2009 governs and controls the hygiene and safety of food sold in Malaysia. The objectives are to ensure food premises are hygienic and satisfactory in terms of design and building, ensure food handlers maintain personal hygiene and avoid practices that can contaminate food, and, among others, to provide for requirements of mandatory food safety assurance programmes in food manufacturing factories. The legislation applies to all food premises including any building, tent or structure in Malaysia.

7. BUSINESS OVERVIEW (Cont'd)

(v) Trade Descriptions Act 2011, Trade Descriptions (Definition of Halal) Order 2011 and Trade Descriptions (Certification and Marking of Halal) Order 2011

The Trades Description (Definition of Halal) Order 2011 and the Trade Descriptions (Certification and Marking of Halal) Order 2011 give specific legal proviso on matters pertaining to Halal. It provides protection to traders and consumers from unhealthy trade practices.

The Trade Descriptions Act 2011 aims to facilitate good trade practices and protect the interest of consumers by eliminating false trade descriptions and false or misleading statements, conduct and practices in relation to the supply of goods and services. Halal certification and surveillance in Malaysia has been assigned to the government bodies by virtues of the act.

The Trade Descriptions Act 2011 further standardises the issuance of Halal certificates. JAKIM is appointed as the sole issuer of Halal certificates for any food, goods or related services.

(vi) Industrial Co-ordination Act 1975

The Industrial Co-ordination Act 1975 governs the licencing requirement of manufacturing licences in Malaysia. The objectives are to co-ordinate and ensure orderly development of manufacturing activities in Malaysia. The legislation requires any person engaging in any manufacturing activity in Malaysia with shareholders' funds of RM2.5 million and above or employing 75 or more full-time paid employees to obtain a manufacturing licence. A licence will have to be obtained for the manufacture of specified products at each separate manufacturing site. The licences are typically issued in accordance with national economic and social objectives and to promote the orderly development of manufacturing activities in Malaysia. They are issued by the MITI, subject to conditions of the licence and are non-transferable save with the prior approval of the MITI.

(vii) Street, Drainage and Building Act 1974 ("SDBA")

The SDBA is enforced by the local authorities of Peninsular Malaysia and it provides for the requirement of having a CCC or equivalent for the occupation of any building or any part thereof.

Under the Uniform Building By-Laws 1984 ("UBBL") which was issued pursuant to the SDBA, a CCC or equivalent will be issued by the local authority upon receipt of certification in relevant forms by a qualified person, including an architect, registered building draughtsman or engineer.

A qualified person must be satisfied that, to his/her best knowledge: (i) the relevant building has been constructed in accordance to UBBL; (ii) any conditions imposed by the local authority have been satisfied; (iii) all essential services has been provided; and (iv) responsibilities have been accepted for the portions that are being concerned with.

Any person who occupies or permits to be occupied any building or any part thereof without a CCC or equivalent commits an offence punishable with a fine not exceeding RM250,000 or with an imprisonment for a term not exceeding 10 years or with both under the SDBA.

7. BUSINESS OVERVIEW (Cont'd)

(viii) National Land Code 1965 (“NLC”)

The NLC is one of the governing laws on land matters within the States of Johor, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Selangor, Terengganu and the Federal Territory of Kuala Lumpur. Pursuant to the NLC, the state authority may alienate land subject to such express conditions and restrictions in interest which shall be determined by the state authority at the time when the land is approved for alienation and every condition or restriction in interest imposed under this section shall be endorsed on or referred to in the document of the title to the land.

In the event of breach of conditions, the land administrator has the right to either: (1) impose a fine under Section 127 of the NLC after serving a notice on and requesting the landowner to attend a hearing to show cause to the satisfaction of the land administrator, the reason that a fine should not be imposed in respect of such breach, failing which, the landowner may be liable to pay a fine of not less than RM500 (and in the case of a continuing breach, a further fine of not less than RM100 for each day of the continuing breach); (2) request the landowner to remedy the breach within the time stipulated in the notice served by the land administrator under Section 128 of the NLC, failing which, the land administrator may take action to enforce forfeiture of the land under Section 129 of NLC; or (3) hold an enquiry to forfeit the land under Section 129 of the NLC.

(ix) Environmental Quality Act 1974 and Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015

The Environmental Quality Act 1974 restricts pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without a licence, prohibits the discharge of oil into Malaysian waters without a licence, discharge of wastes into Malaysian waters without a licence and prohibits open burning. The agency responsible for implementing and monitoring Malaysian’s environmental regulations and policies is the Department of Environment (“DOE”) and the local environmental authority.

The Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015 requires any person who intends to carry out any prescribed activities to submit a report on the impact of the activities on the environment to the Director of Environmental Quality for examination. The environmental impact assessment ensures that potential environmental problems are foreseen and addressed at the early stage during project planning and design.

7. BUSINESS OVERVIEW (Cont'd)

7.27.2 Governing laws and regulations relating to India

(i) Consumer Protection (Direct Selling) Rules, 2021 (“Direct Selling Rules”)

Direct selling entities in India are required to comply with the provisions of the Consumer Protection Act, 2019 and the Direct Selling Rules, enacted by the Ministry of Consumer Affairs of India (“MCA India”). The Direct Selling Rules enacted pursuant to the Consumer Protection Act, 2019 (“Consumer Protection Act”), were notified by the MCA India, in the official gazette on 28 December 2021 and require compliance by direct selling entities within 90 days of such notification. The Direct Selling Rules include provisions that regulate marketing, distribution and sale of goods or provision of services through a network of direct sellers, other than through a permanent retail location. The Direct Selling Rules set out obligations and duties of direct selling entities and direct sellers in relation to the goods and services offered to consumers and prescribe the manner of maintaining requisite documents and providing relevant information on the website in a clear and accessible manner for buyers to make informed purchase decisions. The Direct Selling Rules mandate the establishment of an adequate grievance redressal mechanism and appointment of grievance redressal officers for redressal of consumers’ grievances by the direct selling entity. The Direct Selling Rules further require the appointment of a nodal officer by the direct selling entity to ensure compliance with the provisions of the Consumer Protection Act and the rules made thereunder. The provisions of the Consumer Protection Act apply in respect of any violation of the provisions of the Direct Selling Rules. Direct selling entities in India are currently not required to obtain any separate licence under the Direct Selling Rules.

(ii) Food Safety and Standards Act 2006 (“FSS Act”) and Food Safety and Standards Rules 2011 (“FSSR”)

The FSS Act consolidates the laws relating to food and to establish the FSSAI, for laying down science-based standards for articles of food and to regulate their manufacture, storage, distribution, wholesale, retail, sale and import, to ensure availability of safe and wholesome food for human consumption and for matters connected therewith or incidental thereto. The FSS Act, among others, also sets out requirements for licencing and registration of food businesses, general principles of food safety, and responsibilities of the food business operator and liability of manufacturers and sellers, and adjudication by the Food Safety Appellate Tribunal.

For enforcement, under the FSS Act, the Commissioner of Food Safety, Food Safety Officer and Food Analyst have been granted with detailed powers of seizure, sampling, taking extracts and analysis. Penalties are levied for various defaults such as for selling food not of the nature or substance or quality demanded, sub-standard food, misbranded food, misleading advertisement, food containing extraneous matter, for failure to comply with the directions of Food Safety Officer, for unhygienic or unsanitary processing or manufacturing of food, for possessing adulterant. Apart from the penalties, there are punishments prescribed for selling, storing, distributing or importing unsafe food, for interfering with seized items, for providing false information, for obstructing or impersonating a Food Safety Officer, for carrying out a business without a licence and for other subsequent offences.

Further, the FSSR provides, among others, the qualifications mandatory for the posts of Commissioner of Food Safety, Food Safety Officer and Food Analyst, and the procedure for taking extracts of documents, sampling and analysis.

7. BUSINESS OVERVIEW (Cont'd)

In order to address certain specific aspects of the FSS Act, the FSSAI has framed several regulations such as the following:

- (a) Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations 2011;
- (b) Food Safety and Standards (Packaging and Labelling) Regulations 2011;
- (c) Food Safety and Standards (Food Product Standards and Food Additives) Regulations 2011;
- (d) Food Safety and Standards (Prohibition and Restriction on Sales) Regulations 2011;
- (e) Food Safety and Standards (Contaminant, Toxins and Residues) Regulations 2011;
- (f) Food Safety and Standards (Laboratory and Sample Analysis) Regulations 2011; and
- (g) Food Safety and Standards (Health Supplements, Nutraceuticals, Food for Special Dietary Usage, Food for Special Medical Purpose, Functional and Novel Food) Regulations 2016.

The FSS Act requires every manufacturer, importer, exporter, retailer, wholesaler and distributor of the relevant food products to be registered under the FSS Act, as may be appropriate, and abide by the provisions of the FSS Act and applicable regulations thereunder.

(iii) **Drugs and Cosmetics Act 1940 (“DC Act”) and Drugs and Cosmetics Rules 1945 (“DC Rules”)**

The DC Act aims to regulate the importing, manufacturing, distribution and sale of drugs and cosmetics in India. The Drugs Technical Advisory Board, the Central Drugs Laboratory and the Drugs Consultative Committee have been established and composed as provided under the DC Act. The DC Act deals with “standard quality” in relation to drugs to be manufactured and imported into India. Chapter IVA of the DC Act specifically provides provisions relating to Ayurvedic, Siddha and Unani (“ASU”) drugs which encompass the herbal formulations traditionally used in the Indian system of medicine. Under the DC Act, all ASU formulations or products are covered under the common term of “drug”.

Further, the DC Rules give effect to the provisions of the DC Act, to regulate the manufacture, distribution and sale of drugs and cosmetics in India. The DC Rules prescribe the procedure for submission of report to the Central Drugs Laboratory, of samples of drugs for analysis or test, the forms of Central Drugs Laboratory’s reports thereon and the fees payable in respect of such reports. The DC Rules further prescribe the manner of labelling and packaging of drugs. The DC Rules lay down the process mechanics and guidelines for clinical trial, including procedure for approval for clinical trials. The DC Rules also prescribe the drugs or classes of drugs or cosmetics or classes of cosmetics for the import of which a licence is required, and prescribe the form and conditions of such licences, the authority empowered to issue the same and the fees payable therefore. The DC Rules provide for the cancellation or suspension of such licence in any case any provisions or rule applicable to the import of drugs and cosmetic is contravened or any of the conditions subject to which the licence is issued is not complied with.

7. BUSINESS OVERVIEW (Cont'd)

The GMP guidelines are provided under "Schedule T" of the DC Rules. The GMP guidelines are the practices required in order to confirm the guidelines recommended by agencies that control authorisation and licencing for manufacture and sale of food, drug products and active pharmaceutical products. These guidelines provide minimum requirements that a pharmaceutical or a food product manufacturer must meet to assure that the products are of high quality and do not pose any risk to the consumer or public. Good manufacturing practices, along with good laboratory practices and good clinical practices, are overseen by regulatory agencies in various sectors in India.

(iv) **Factories Act 1948 ("Factories Act")**

The Factories Act defines a "factory" to cover any premises which employs 10 or more workers and in which manufacturing process is carried on with the aid of power and any premises where there are at least 20 (twenty) workers, even while there may not be an electrically aided manufacturing process being carried on. State Governments in India have the authority to formulate rules in respect of matters such as prior submission of plans and their approval for the establishment of factories and registration and licencing of factories. The Factories Act mandates the "occupier" of a factory to ensure the health, safety and welfare of all workers in the factory premises. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment or with a fine or with both.

(v) **Environment (Protection) Act 1986 ("EPA") and the Environment Protection Rules 1986**

The EPA is designed to provide, a framework for the Central Government of India to co-ordinate the activities of various central and state authorities established under other laws, such as the Water (Prevention and Control of Pollution) Act 1974 ("**Water Act**") and the Air (Prevention and Control of Pollution) Act 1981 ("**Air Act**"). The EPA vests the Central Government of India with various powers including the power to formulate rules prescribing standards for emission of discharge of environment pollutants from various sources, as given under the Environment (Protection) Rules 1986, inspection of any premises, plant, equipment, machinery, and examination of processes and materials likely to cause pollution. The EPA provides for the protection and improvement of the environment and for matters connected therewith, including without limitation, the rule making power to the Central Government of India so as to determine the standards of quality of air, water or soil for various areas and purposes, the maximum allowable units of concentration of various environmental pollutants, procedure for handling of hazardous substances, the prohibition and restrictions on the location of industries and the carrying on of processes and operations in different areas. Among others, these rules regulate the environmental impact of construction and development activities, emission of air pollutants and discharge of chemicals into surrounding water bodies. Primary environmental oversight authority is given to the Ministry of Environment and Forests ("**MoEF**"), the Central Pollution Control Board and the SPCB. The EPA prescribes for fines and/or imprisonment in the event of non-compliance of the EPA, on the basis of the nature of the non-compliance. The MoEF receives proposals for expansion, modernisation and setting up of projects and the impact which such projects would have on the environment is assessed by the MoEF before granting clearances for the proposed projects.

7. BUSINESS OVERVIEW (Cont'd)

7.27.3 Governing laws and regulations relating to China

(i) Regulations related to food operation

Food Safety

In accordance with the Food Safety Law of the PRC, effective on 1 June 2009 and recently amended on 29 April 2021, a licence shall be obtained by business operators in order to engage in food production, sale or catering services. Furthermore, the State Council implements strict supervision and administration for special categories of foods such as health food, special formula foods for medical purposes and infant formula. Violations of these law and measures may result in civil liabilities and administrative penalties. The Administrative Measures for Food Operation Licencing promulgated by the State Food and Drug Administration (“**SFDA**”) regulates the food operation licencing activities, strengthens supervision and management of food operation, and ensures food safety. Food operation operators shall obtain the food operation licence or the Food Operation Permit, for each business venue where they engage in food operation activities. The food operation licence is valid for five years. Food operation operators shall properly keep their food operation licences and shall not forge, alter, resell, rent, lend or transfer any food operation licences. The SFDA promulgated the Measures for Investigation and Handling of Illegal Acts Involving Online Food Safety in 2016 which was amended by State Administration of Market Regulation (“**SAMR**”) and became effective on 1 June 2021. The SAMR takes charge of the supervision and guidance of the investigation and punishment on illegal conducts concerning online food safety nationwide, and the local market regulatory authorities at and above the county level take charge of the investigation and punishment on illegal conducts concerning online food safety within their administrative regions. Moreover, a third-party platform provider for online food trading in the PRC is mandatorily required to file a record with the food and drug administration at the provincial level and obtain a filing number.

Food production

According to the Administrative Measures for Food Production Licensing (Amended in 2020) promulgated by the SAMR, a food production licence shall be obtained in accordance with the law prior to engaging in food production activities within the territory of the PRC. Health food products shall refer to the Administration Rules of Health Food Products issued by the China Ministry of Health on 1996 for regulations and standard of food with specific health care functions. Furthermore, manufacturing or importation of dietary supplements using raw materials that are included in the raw materials catalogue for dietary supplements; and firstly imported dietary supplements that provide nutrients such as vitamin and minerals shall be subject to recording in accordance with the Administrative Measures for the Registration and Recording of Health Food (Amended in 2020) promulgated by the SAMR in 2020.

7. BUSINESS OVERVIEW (Cont'd)

(ii) Regulations related to the sales of products**Import and export**

The major PRC laws and regulations governing import and export of goods are Foreign Trade Law of the PRC, Regulations of the PRC on the Administration of Import and Export of Goods, Customs Law of the PRC and Provisions of the Customs of the PRC on the Administration of Recordation of Customs Declaration Entities. Pursuant to the Customs Law of the PRC amended in 2021, all inward and outward goods shall enter or leave the territory at a place where there is a customs office and must be declared and the duties on them must be paid. To undergo customs declaration formalities, the consignees or consigners for imported or exported goods and the customs declaration enterprises should apply for recordation in accordance with Provisions of the Customs of the PRC on the Administration of Recordation of Customs Declaration Entities.

(iii) Regulations related to land and development of construction projects

Although all land in the PRC is owned by the State or is collectively owned, individuals and entities may obtain land use rights and hold such land use rights for development purposes.

Under the Interim Regulations on Grant and Assignment of the State-owned Urban Land Use Right of the PRC promulgated by the State Council on 19 May 1990 and last amended in November 2020, the PRC adopts a system of granting and assigning state-owned land use right. A land user shall pay a land premium to the State as the consideration for the grant of the land use right by the State for a specified period of time, during which the land user may assign, lease, mortgage or otherwise commercially exploit the land use right.

Pursuant to the Regulations on Law of the PRC on Urban and Rural Planning promulgated by the Standing Committee of the National People's Congress in October 2007 and amended in April 2019, a construction land planning permit should be obtained from the municipal planning authority with respect to the planning and use of land and a construction work planning permit must be obtained from the competent urban and rural planning government authority.

Upon the completion of a construction project, the construction enterprise must submit an application to the competent department at or above county level where the project is located for examination upon completion of building and for filing purpose, and to obtain the filing form for acceptance and examination upon completion of construction project.

(iv) Regulations related to environmental protection

The major environmental laws and regulations applicable include the Environmental Protection Law of the PRC promulgated by the National People's Congress Standing Committee, which was last amended on 24 April 2014 and became effective on 1 January 2015, the Law on the Prevention and Control of Water Pollution of the PRC promulgated by the National People's Congress Standing Committee in 1984 and amended in 2017 and became effective in 2018, the Law on the Prevention and Control of Air Pollution of the PRC promulgated by the National People's Congress Standing Committee in 1987, and amended in 2018, the Law on the Prevention and Control of Solid Waste Pollution of the PRC promulgated by the National People's Congress Standing Committee in 1995, and amended in 2020, and the Law on the Prevention and Control of Noise Pollution of the PRC promulgated by the National People's Congress

7. BUSINESS OVERVIEW (Cont'd)

Standing Committee in December 2021 and became effective in June 2022. These laws and regulations set out detailed procedures that must be implemented throughout a project's construction and operation phases.

Pursuant to the above environmental laws and regulations, any company or enterprise shall implement environmental protection methods and procedures into their business operations and prepare environmental impact study report setting forth the impact on the environment and the measures to prevent or mitigate the impact for approval by the government authority.

7.27.4 Governing laws and regulations relating to Mexico

There is no specific regulation governing direct sales under Mexican law. However, this activity is not explicitly prohibited under Mexican law.

In accordance with the Mexican legal framework, direct sales entities do not require licences for its operations. In order to operate in compliance with the Mexican legal provisions, it is necessary to submit an operation notice for every manufacturing or commercial facility or establishment and to register its F&B products under the corresponding operation notice. For details of DXN Mexico's major licences, permits and approvals, see Annexure A of this Prospectus.

In Mexico, the Health Ministry, acting through its subsidiary agency, the Federal Commission for the Protection against Sanitary Risks (the Mexican FDA equivalent) as the authority responsible for monitoring and regulating the process, import, export, advertisement, and use of, all cosmetics and food supplements products. Additionally, the Consumer Protection Agency ("**PROFECO**") is responsible for monitoring the commercial information and advertisement of all cosmetics and food supplements products.

Thus, the Mexican General Health Law, the Products and Services Sanitary Control Regulations, the Mexican Official Standard NOM-141-SSA1/SCFI-2012 - Labelling for pre-packaged cosmetic products, the Mexican Official Standard NOM-251-SSA1-2009 – Hygienic practices for the processing of F&B or food supplements, the Mexican United States Pharmacopeia, the Consumer Protection Federal Law and the Regulations of the Consumer Protection Federal Law, between other Mexican applicable provisions, are Mexican legal provisions applicable to our operations in Mexico.

Among others, the following laws are also applicable to DXN Mexico:

- The Mexican Official Standard NOM-035-SCFI-2003, Commercial Practices – Information Criteria for Home Sale Systems ("**NOM 035**") is the technical regulations that regulate the industry, provide requirements of consumer quality services and technical specifications of the services, in order to mitigate any possible risk to consumers. NOM 035 is mandatory for suppliers and authorised dealers operating within the Mexican territory commercialising goods or supplying services through direct sales or distance marketing practices. However, e-commerce transactions are not considered in the scope of NOM 035.

7. BUSINESS OVERVIEW (Cont'd)

It is important to take into consideration that all the information and advertising regarding the products for sale issued by the suppliers or the authorized dealers shall be truthful, verifiable, and free of dialogues or images that mislead the consumer. NOM 035 regulates the procedure that should be followed before placing an order, the information that shall be provided to the consumer regarding the supplier and the product, the payments methods and the applicable terms and conditions for returns.

NOM 035 is not subject to any conformity assessment procedure and its fulfilment is verified by the PROFECO;

- General Law of Ecological Balance and Environmental Protection and its regulations which establish the obligations that all companies must comply with in terms of, among others, environmental impact, highly risky activities and emissions into the atmosphere. This rule creates the authorisations, permits or licences that must be obtained to prevent, mitigate and/or compensate for adverse environmental impacts and to provide sanctions;
- Ecology and Environmental Protection Law of the State of Tlaxcala which establishes the main obligations in environmental matters in the state of Tlaxcala, among others, on special management waste and risky activities as well as the sanctions that will be imposed on whoever that causes damages to the environment;
- Civil Code for State of Tlaxcala and the Civil Code for the Mexico City which establishes the legal framework mainly related to i) individuals and entities and the legal relationships among them; ii) the property rights, including the classification and characteristics of real and personal property and rights in rem; iii) successions, including the types of successions and the procedures for each of them; and iv) obligations; and
- General Law of Business Entities that regulates mercantile corporations as well as their creation, operation, activities, obligations and the principles on which they may operate.

7.27.5 Governing laws and regulations relating to Indonesia

(i) Regulations relating to the direct selling industry

In Indonesia, direct selling activities are currently regulated by the GR 29/2021, which contains obligations of direct selling companies to (i) have exclusive distribution rights to the products; (ii) have a marketing plan; (iii) have a code of conduct; (iv) recruit direct sellers through the networking; and (v) perform direct selling through marketing network developed by direct sellers. Pursuant to the MOT Reg 70/2019, every company carrying out direct selling and distribution of goods traded within the territory of Indonesia is required to have a trade business license from the authorised institution and/or agencies. Further, based on the implementation of the GR 5/2021, the trade business licence is valid as long as a company conducts its business activities.

7. BUSINESS OVERVIEW (Cont'd)

(ii) Regulations relating to industrial business activities

Provisions regarding industrial activities are regulated Indonesian Industrial Law and its implementing regulations issued by the central government and/or the Ministry of Industry. The Indonesian Industrial Law requires industrial companies to utilise natural resources in an efficient, environmentally friendly and sustainable manner. Supervision of the fulfillment and compliance of laws and regulations on the utilisation of natural resources including compliance with the submission of plans for the utilisation and the suitability of the use of natural resources that are efficient, environmentally friendly and sustainable.

Non-compliance with the Indonesian Industrial Law may lead to the related industrial company being subject to administrative sanctions in the imposition of various administrative sanctions in the form of, among others, a warning letter, an administrative fine, temporary business closure, and/or suspension or revocation of the industrial business licence.

(iii) Regulations relating to traditional medicine product industry

In Indonesia, traditional medicine product industry activities are currently regulated by the Indonesian Health Law and its implementing regulations issued by the Indonesia Minister of Health. Pursuant to the MOHI Reg 26/2018, prior to producing the traditional medicine product in Indonesia, every traditional medicine product industry company is required to obtain the traditional medicine industry business licence. Further, according to GR 5/2021, licence for traditional medicine product industry is valid for five years but subject to renewal. Non-compliance with such laws and regulations may lead to the imposition of various administrative sanction in the form of, among others, a warning letter, notification of cancellation of business licence, temporary cessation of business activities, imposition of administrative fines and/or revocation of business licence.

Furthermore, pursuant to the Indonesian Health Law and the Indonesian MOHI Reg 7/2012, medicine circulation permit (*Izin Edar Obat*) is required for any traditional medicine that will be circulated within the territory of Indonesia. Non-compliance with the Indonesian Health Law may lead to the imprisonment of up to 15 years and a fine of maximum IDR1.5 billion.

(iv) Regulations relating to function worthiness certificate for building

Pursuant to the GR 16/2021, the SLF is defined as a certificate that is given by the regional government to certify the function worthiness of a building (including houses).

The SLF has a certain validity period, which shall be extended: (i) 20 years for single and terraced residential houses; or (ii) five years for other buildings (other than single and terraced houses), as stipulated in Article 297 GR 16/2021.

7. BUSINESS OVERVIEW (Cont'd)

Based on Article 327 GR 16/2021, violation of the requirement to obtain the SLF by the building owner before the utilisation of the building is subject to administrative sanctions in the form of (i) written warnings; (ii) restriction of activities of development, utilisation and demolition; (iii) temporary or permanent suspension of activities of development stages, utilisation, and demolition; (iv) suspension of building approval, the SLF and demolition approval; (v) revocation of building approval, the SLF and demolition approval; (vi) temporary or permanent suspension of any implementation of development works; and/or (vii) temporary or permanent suspension of building utilisation.

7.27.6 Governing laws and regulations relating to Peru

There is no specific regulation governing direct sales under Peruvian law. However, this activity is not explicitly prohibited under Peruvian law, but is subject to licensing requirements such as business licences in accordance with the legal framework required by the local authorities to conduct commercial activities within the jurisdiction.

DXN Peru is required to comply with, among others, the following laws for its operations:

(i) Health Act, Act No. 26842 and its regulations

According to the Health Act, Act No. 26842 and its regulations, DXN Peru is authorised by the Medicines, Supplies and Drugs General Direction of the Health Ministry to act as a Drugstore and to import and market Generic Drugs, Brand Name Drugs, Dietary Products and Sweeteners, Cosmetic Products and Natural Products.

(ii) Pharmaceutical Products, Medical Devices and Sanitary Products Act, Act No. 29459 and its regulations

Under the Pharmaceutical Products, Medical Devices and Sanitary Products Act, Act No. 29459 and its regulations, the Health General Direction of the Health Ministry will grant a Sanitary Registry for DXN Peru's products.

The Sanitary Registry allows DXN Peru to import, store, distribute, market, promote, dispense, sale and use those products. Any change or amendment to the data or conditions to the products that have a Sanitary Registry must be informed and registered to be included to the corresponding product Sanitary Registry.

7.27.7 Governing laws and regulations relating to Bolivia

There is no specific regulation governing direct sales under Bolivian law. However, this activity is not explicitly prohibited under Bolivian law.

In the absence of specific regulation governing direct sales, regulations governing private and corporate law apply, for instance, there are regulations requiring operating licenses for the execution of economic activities, such as specific regulations, among others, requiring DXN Bolivia to obtain a foreign trade operator permit from the National Customs of Bolivia as well as regulations pertaining to the sale of food and health products.

7. BUSINESS OVERVIEW (Cont'd)

The products presently sold by DXN Bolivia are nutritional dietary supplements which are regulated depending on its formula under the Law of Medicine, enacted in 1996 and its regulations under the administration of the State Agency for Medicines and Health Technologies (AGEMED, by its acronym in Spanish), and the Agricultural Health and Food Safety Law, enacted in 2016 and administrated by the National Service of Agricultural Health and Food Safety hereinafter (SENASAG, by its acronym in Spanish). According to the dietary product's formula, the registration of the product itself before the aforementioned regulators for the authorisation of the manufacture, storage, import, commercialisation, and transport of F&B for human consumption will be mandatory for the importation company.

For details of DXN Bolivia's major licences, permits and approvals, see Annexure A of this Prospectus.

7.27.8 Governing laws and regulations relating to Mongolia

There is no specific regulation governing direct sales under Mongolian law. However, this activity is not explicitly prohibited under Mongolian law and there are certain direct selling companies which are operating in Mongolia. Under the Law on Licensing, fraudulent activities using multi-level marketing and/or pyramid scheme are prohibited. In other words, multi-level marketing scheme is permitted so long as it does not engage in fraudulent activity. In the absence of specific regulations governing direct sales, regulations governing private and corporate law matters such as the Civil Code, the Company Law and the Law on State Registration of Legal Entities shall apply as a general principle.

Depending on the type and specification of the product, the sale of products is regulated by various legislations such as the Law on Health, the Law on Medicines and Medical Devices, the Law on Hygiene, the Law on Food, the Law on Safety of Food Products and the Law on Licensing.

Under the above legislations, certain types of products require an import licence. In accordance with the Law on Medicines and Medical Devices and the Law on Licensing, this requirement applies to importation of biologically active products ("BAD"). Such licences are issued for the duration of three years subject to extension of not less than the initial duration of validity.

In addition to an import licence, under the Law on Medicines and Medical Devices and the Procedure on Registration of Medicines, raw medical products and BAD must be registered with the State Registration at the Ministry of Health prior to the sales and distribution in Mongolia. Such registration certificate is issued for five years subject to extension. As for the sale of food products, under the Law on Food, food products may be imported into Mongolia only by legal entities incorporated in Mongolia.

7.27.9 Governing laws and regulations relating to Thailand

(i) Direct Sales and Direct Marketing Act B.E. 2545 (2002) ("Direct Sales and Direct Marketing Act 2002")

The Direct Sales and Direct Marketing Act 2002 regulates the business of direct sales, which is the business of "selling or marketing goods and services directly to the consumer through direct sales representatives, or uni-level or multi-level independent distributors". No person shall operate a direct sales business unless such business is registered with the Office of the Consumer Protection Board.

7. BUSINESS OVERVIEW (Cont'd)

(ii) Foods Act B.E. 2522 (1979) (“Foods Act 1979”)

The Foods Act 1979 aims to protect consumers from and prevent health hazards occurring due to food consumption. It governs food-related activities (e.g., the manufacture, sale, importation and labelling of food) in Thailand. It stipulates that the manufacture or importation of food for sale is prohibited unless a licence from the Thai FDA has been obtained. In addition, certain types of foods (being controlled foods such as instant coffee and instant tea) are also required to be registered with the relevant authority. The products imported and sold by DXN Thailand include foods that are regulated by the Foods Act 1979, for example, coffee and tea.

(iii) Cosmetics Act B.E. 2558 (2015) (“Cosmetics Act 2015”)

The Cosmetics Act 2015 regulates the standards for cosmetics imported into, produced in and sold in Thailand. It requires any person that wishes to manufacture, import for sale or subcontract the manufacture and sale of cosmetics to register the details of such cosmetics with the Thai FDA prior to the manufacture, importation, or sale of such cosmetics. Cosmetics under the Cosmetics Act 2015 include any products intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering appearance (e.g. shampoo and soap). The products imported and sold by DXN Thailand include shampoo, soap and toothpaste, which fall under the definition of cosmetics under the Cosmetics Act 2015.

(iv) Drugs Act B.E. 2510 (1967)

The Drugs Act B.E. 2510 (1967) regulates the production, sale, and importation of drugs in and into Thailand. Drugs are broadly defined to include substances intended (i) for use in the diagnosis, treatment, relief, cure or prevention of human or animal disease or illness; and (ii) to affect the health, structure or function of the human or animal body. The production, sale or importation of drugs is prohibited unless a license from the Thai FDA has been obtained. In addition, the formulae of such drugs must also be registered with the Thai FDA before the production, sale or importation thereof.

7.27.10 Governing laws and regulations relating to Colombia

(i) Regulations governing multi-level marketing in Colombia

Companies carrying on multi-level marketing business in Colombia are required to be incorporated as commercial companies in the country and to comply with the requirements of Law 1700 of 2013 (“**Law 1700**”) and Regulatory Decree 24 of 2016 (“**Decree 24**”) which regulate the development and exercise of multi-level marketing activities, including, among others, network marketing in any of its forms.

Pursuant to article 2 of Law 1700, multilevel activity is understood in Colombia as any organized marketing, promotion or sales activity carried out by commercial companies, including branches of foreign companies and those multilevel business activities carried out through a commercial representative, in which the following elements converge: (a) search for or the incorporation of natural persons in order for the latter to in turn incorporate other natural persons, with the ultimate purpose of selling certain goods or services; (b) payment or obtaining of compensation or other benefits of any nature for the sale of goods and services through the incorporated persons and/or earnings through discounts from the sale price; and (c) coordination, within the same commercial network, of the persons incorporated for the respective multilevel activity.

7. BUSINESS OVERVIEW (Cont'd)

Multi-level marketing entities in Colombia are not required to obtain any separate specific licence under Law 1700 and Decree 24. However, the sale of dietary supplements, foods and beverages and cosmetics in Colombia, either by way of multi-level marketing or otherwise require either a sanitary registration or obligatory health notification granted by the National Institute for Drugs and Food Surveillance (“**INVIMA**”).

(ii) Regulations related to product registration or certification

Cosmetics products, household hygiene products and nutritional supplements are regulated by the INVIMA which is in-charge of the protection and promotion of health, by managing the risks associated with the consumption and use of food, medicines, medical devices and other products subject to health surveillance. The INVIMA develops a continuous surveillance of the products that are under its charge through a systematic development of activities to verify quality and safety standards.

The INVIMA may impose sanitary safety measures aimed at impeding or preventing the occurrence of an event or situation that may pose a danger to human health ranging from among others, temporary closure of the establishment, seizure of products and destruction of products. In addition, the INVIMA may initiate administrative sanctioning process that may vary between a warning, seizure of the products and fines. To authorise a natural or legal person to produce, market, import, export, package, process and/or sell dietary supplements, it is necessary to obtain a sanitary registration from the INVIMA that can be granted for a maximum of 10 years, renewable for equal periods.

Nutritional supplements

Nutritional supplements are regulated by Decree 3249 of 2006 and Resolution No. 3096 of 2007. The regulatory framework establishes: (i) the requirements for the manufacture and marketing of these products; (ii) the types of sanitary registration (manufacture and sell, import and sell and import, package and sell); (iii) the responsibility of the holder of the registration for the adverse effects caused by the product; (iv) the requirements for containers and labelling; and (v) the requirements for the packaging and labelling of the products.

Cosmetics

On cosmetic products, the INVIMA must issue an authorisation known as the Mandatory Health Notification (“**NSO**”) to the manufacturer, importer or seller to commercialise a product in the Colombian market after complying with all the requirements established in the sanitary regulations in force.

Decision No. 516 of the Andean Community (“**Decision No. 516**”) established the need of the NSO for the commercialisation of cosmetic products. The Decision No. 516 was regulated through Resolution No. 797 which implemented the requirements and procedures for the NSO, its renewal and the recognition of the identification code. In 2018, the Andean Community issued Decision No. 833 updating the NSO regulatory framework which, among others, established (i) a list of the international approved ingredients that can be incorporated in cosmetics; (ii) the application for the issuance of the NSO code which must be submitted by means of an affidavit; (iii) that any modification of the product must be reported, prior to the marketing of the cosmetic product in question; and (iv) that the NSO will be granted for a maximum of seven years.

7. BUSINESS OVERVIEW (Cont'd)

Household hygiene products

On household hygiene products, the INVIMA must issue an authorisation corresponding to the NSO. Decision No. 721 of the Andean Community (“**Decision No. 721**”) established the need of the NSO for the commercialization of household hygiene products. The Decision No. 721 determines all legal and technical requirements that products must comply with, to be commercialised.

7.27.11 Governing laws and regulations relating to Morocco

There is no specific regulation governing direct sales under Moroccan law. However, this activity is not explicitly prohibited under Moroccan law subject to any licensing requirements as may be required by the local authorities in carrying out commercial activities within the jurisdiction.

In the absence of specific regulation governing direct sales, under Moroccan law, regulations governing private and corporate law apply. There are specific regulations relating to the sanitary safety of food products as set out below:

Law n° 28-07 relating to the sanitary safety of food products, promulgated by the Dahir n°1-10-08 of February 11, 2010

This law establishes the general principles of food and feed safety. It determines the conditions under which primary products, food and feed must be handled, treated, processed, packaged, packed, transported, stored, distributed, displayed for sale or exported in order to be qualified as a safe product, whether in a fresh or processed state, regardless of the processes and systems of preservation, processing and manufacture used. Further, this law provides for general requirements to allow only safe products to be placed on the market, including products, by laying down general rules on hygiene, healthiness, the use of cleaning and disinfection products, the permissible levels of contamination in primary products, food and feedstuffs to which they must conform, including the standards to be met by including the standards that have been made compulsory. It also indicates the mandatory rules for consumer information, through the labelling of primary products, food and feed, and the determination of accompanying documents.

7.27.12 Governing laws and regulations relating to the Philippines

There are no specific laws in the Philippines that govern multi-level marketing. The Consumer Act of the Philippines however, prohibits “chain distribution plans” or “pyramid sales”. The regulators primarily responsible for implementing the Consumer Act prohibition against “chain distribution plans” or “pyramid sales schemes”, the Department of Trade and Industry and the Securities Exchange Commission, have clarified that the said prohibition should not be seen as prohibiting legitimate multi-level marketing, which is a legitimate marketing strategy designed to generate increased business volume. In legitimate multi-level marketing, the primary purpose is to sell a product and profits are derived mainly therefrom. Whereas in illegal “chain distribution plans” or “pyramid sales schemes”, the primary purpose is to receive earnings primarily from recruiting into the network, rather than from sales.

7. BUSINESS OVERVIEW (Cont'd)

The Philippines' Department of Trade and Industry ("DTI") Department Administrative Order 21-09, Guidelines on the Grant of the DTI Seal of Legitimacy for Legitimate Direct Selling and Multi-Level Marketing (Philippines) ("**Guidelines**"), as amended by DTI Department Administrative Order 22-04, are a set of guidelines issued by the DTI on the issuance of a "DTI Seal of Legitimacy" to entities engaged in legitimate direct selling and multi-level marketing to confirm that these entities are not engaged in pyramid sales schemes. The Guidelines, which took effect on 2 February 2022 and which were further amended on 2 June 2022, are not a mandatory licensing requirement and instead apply to entities that voluntarily apply for the DTI Seal of Legitimacy. DIPL Philippines Branch had on 16 September 2022 voluntarily applied for the DTI Seal of Legitimacy.

In the absence of specific regulation governing direct sales, under Philippines law, regulations governing private and corporate law apply, which include, among others, the regulations issued by the Philippines FDA regulating the importation and distribution of products:

Philippines FDA Act and Relevant Philippines FDA Issuances

The Philippines FDA is the designated regulatory agency empowered to implement Republic Act No. 9711. The Philippines FDA regulates certain products and activities, which consequently require entities to register and obtain the approval of the Philippines FDA prior to rolling out the regulated products and carrying out certain activities. Thus, the Philippines FDA issuances require all food establishments to secure a License to Operate ("**LTO**") before engaging in food manufacturing, importation, exportation, sale, offer for sale, distribution, transfer and where applicable, the use, testing, promotion, advertisement and/or sponsorship of food products.

Pursuant to Department of Health ("**DOH**") Administrative Order No. 2014-029 in relation with DOH Administrative Order No. 2020-017 and DOH Administrative Order 2016-003, all establishments are required to secure an LTO before engaging in manufacturing, importation, exportation, sale, offer for sale, distribution, transfer and where applicable, the use, testing, promotion, advertisement and/or sponsorship of food, cosmetic and household products. For this purpose, the Philippines FDA defines an LTO as an authorisation issued by the Philippines FDA to an establishment to grant permission to undertake a trade or carry out a business activity, such as manufacturing, importation, exportation, sale, offering for sale, distribution or transfer of food products.

DOH Administrative Order No. 2014-029 in connection with DOH Administrative Order No. 2020-017 and DOH Administrative Order 2016-003 also provides that establishments shall first apply for LTOs, and once such LTO has been obtained from the Philippines FDA, applications for Certificate of Product Registration ("**CPR**") should be filed. For this purpose, the Philippines FDA defines CPR as an authorisation issued by the Philippines FDA for specific health products after evaluation and approval of submitted registration requirements.

7.27.13 Governing laws and regulations relating to United States

The activities of Daxen USA are subject to regulation by the United States Federal Government and the State of California.

The operations are regulated federally by Section 5 of the Federal Trade Commission Act ("**FTC Act**") covering Unfair and Deceptive Trade Practices, 15 U.S.C. § 45.

7. BUSINESS OVERVIEW (Cont'd)

There are no specific laws governing direct selling under the FTC Act. However, under California law where Daxen USA operates its principal activity, there are specific California regulations concerning direct selling. These laws include the California Penal Code Sections 319 and 327, regulating lottery schemes and pyramid schemes respectively. Additionally, California Business and Professions Code Section 1700 contains the Unfair Practices Act.

Section 5 of the FTC Act covering Unfair and Deceptive Trade Practices, 15 U.S.C. § 45 prohibits "unfair or deceptive acts or practices in or affecting commerce." The prohibition applies to all persons and entities engaged in commerce in the United States.

California Penal Code Section 319 defines what constitutes a lottery as "is any scheme for the disposal or distribution of property by chance, among persons who have paid or promised to pay any valuable consideration for the chance of obtaining such property or a portion of it, or for any share or any interest in such property, upon any agreement, understanding, or expectation that it is to be distributed or disposed of by lot or chance, whether called a lottery, raffle, or gift enterprise, or by whatever name the same may be known."

California Penal Code Section 327 states that people who orchestrate or operate any scheme in which "the disposal or distribution of property whereby a participant pays a valuable consideration for the chance to receive compensation for introducing one or more additional persons into participation in the scheme or for the chance to receive compensation when a person introduced by the participant introduces a new participant," are guilty of a public offense punishable by jail or prison sentencing.

California Business and Professions Code Section 1700 contains the Unfair Practices Act which prohibits any unlawful, unfair or fraudulent business practices and any unfair, deceptive, untrue or misleading advertising.

There are no permits or licenses required to undertake direct selling activity.

7.28 Non-compliances with the relevant laws, regulations, rules and requirements governing the conduct of the operations of material subsidiaries of our Group

7.28.1 Non-compliances in respect of the material properties of our Group's material operations in Malaysia

In Malaysia, we are required to comply with land use and express conditions on the land titles. Further, CCCs or equivalent are required for the occupation of buildings or part thereof. The issuance of a CCC is preceded by the issuance of a KM and a building plan approval. Where a CCC is not able to be obtained, a KMT and PS are to be applied for in accordance with the directions of the relevant local council.

7. BUSINESS OVERVIEW (Cont'd)

The table below summarises the total estimated costs (being the estimated rectification costs and potential maximum penalties applicable) relating to the non-compliances of both our material and non-material properties in Malaysia:

Description of properties	Estimated cost to rectify non-compliances (A) (RM'000)	Potential maximum penalty (B) (RM'000)	Total estimated costs (C)= (A) + (B) (RM'000)	% of our Group's PBT for the FYE 28 February 2022 (%)
Material properties in Malaysia ⁽¹⁾	2,899.0	1,673.0	4,572.0	1.2
Non-material properties in Malaysia ⁽²⁾	530.0	1,146.7	1,676.7	0.5
Total	3,429.0	2,819.7	6,248.7	1.7

Notes:

- (1) Refers to properties consisting of manufacturing and cultivation facilities used for our operations, the details of which are set out in Annexure B of this Prospectus.
- (2) Refers to non-material properties such as a bungalow, farm toilet, surau, guard post, fishery farm buildings and plastic houses.

In relation to our material properties in Malaysia which consist of manufacturing and cultivation facilities used for our operations, where the non-compliances include not having obtained the requisite CCC or equivalent and/or where there is a breach of land use and/or express condition of title, the details of which are set out in Annexure B of this Prospectus, our Group has vacated and ceased operations at the non-compliant buildings and where applicable, relocated the operations to other buildings with CCC.

The foregoing non-compliances with respect to our material properties in Malaysia do not have a material impact on the business operations and financial condition of our Group for the following reasons:

- (i) In the FYE 28 February 2023, DXN Pharma's cultivation facility in Kedah, Malaysia had temporarily ceased production of RG powder, while Daxen Agritech (Odisha) and DXN Manufacturing India (Telangana) produced 8.0 tonnes and 0.2 tonnes of RG powder respectively. Our Group used approximately 63.5 tonnes of RG powder in our production of Ganoderma-based products in the FYE 28 February 2023, all of which were sourced from available stocks from our in-house cultivation facilities of DXN Pharma located at GM 1109 Lot 2116, Mukim of Malau, District of Kubang Pasu, Kedah, Malaysia (namely 12 sheds used for the cultivation of Ganoderma ("**Gano Sheds (A)**") and 14 sheds used for the cultivation of Ganoderma ("**Gano Sheds (C)**")), the said cultivation facilities in Odisha and Telangana, India and third party suppliers.

The non-compliant Gano Sheds (A) and Gano Sheds (C) and Agro Dryer Building were previously used for Ganoderma cultivation (for the harvesting of RG) and drying process in Malaysia, while 30 sheds used for the cultivation of Ganoderma located at GM 16 Lot 832, Mukim of Malau, District of Kubang Pasu ("**Gano Sheds (B)**") were dormant. Approximately 14.0% of the total RG powder used in our Group's production of Ganoderma-based products in the FYE 28 February 2023 was cultivated in India, with the remaining 86.0% being sourced from third party suppliers.

7. BUSINESS OVERVIEW (Cont'd)

Although our Group has ceased operations at the non-compliant Gano Sheds (A) and Gano Sheds (C) since September 2021 while Gano Sheds (B) is dormant and is currently not in operation, we have sufficient dried Ganoderma supply for our Malaysian operations from our existing reserve stock and a third party supplier in China. As and when required, we will continue to enter into similar supply arrangements to cater for our operations and we do not foresee any issue in securing further supply of dried Ganoderma from other third party suppliers; and

- (ii) In the FYE 28 February 2023, DXN Pharma's cultivation facilities in Kedah, Malaysia had temporarily ceased production of Spirulina powder, while DXN Agrotech Ningxia, DXN Manufacturing India (Pondicherry) and DXN Manufacturing India (Telangana) produced 149.4 tonnes, 2.7 tonnes and 0.4 tonnes of Spirulina powder respectively. In addition, DXN Agrotech Ningxia and DXN Manufacturing India (Pondicherry) also purchased 120.5 tonnes of Spirulina powder from third party suppliers. From the above, 55.9% of the Spirulina powder is derived from our in-house cultivation facilities in China and India, while 44.1% is from third party suppliers. Our Group used approximately 201.4 tonnes of Spirulina powder in our production of Spirulina-based products in the FYE 28 February 2023.

Although our Group has ceased operations at the non-compliant Spirulina ponds since September 2021, we have more than sufficient Spirulina powder for our Malaysian operations from our existing reserve stock and supply from DXN Agrotech Ningxia which has 250 Spirulina ponds that is able to produce approximately 150 tonnes of Spirulina annually as well as from third-party suppliers. As and when required, we will continue to enter into similar supply arrangements to cater for our operations and we do not foresee any issue in securing further supply of Spirulina powder from other third party suppliers.

As at the LPD, the details of the requisite applications to obtain the requisite CCC or equivalent, including steps taken or to be taken to demolish existing non-compliant buildings, are set out in Annexure B of this Prospectus against the respective lands.

7.28.2 Non-compliances in respect of our Group's operations in China

In relation to Florin Fujian's operations in China, DXN Corporation Ningxia had on 17 May 2022 entered into the Florin Fujian SSA to dispose of Florin Fujian including its wholly-owned subsidiary, Anxi Gande Foluohua, to the other remaining shareholder of Florin Fujian, Fujian Anxi Jinjiang Source Tea Technology Co., Ltd. The disposal has not been completed as at the LPD. In the event the Florin Fujian SSA is terminated, Anxi Gande Foluohua will have to undertake the following rectification measures to rectify the non-compliances in respect of Anxi Gande Foluohua's tea cultivation and manufacturing facility at No. 99 Fuxiyang, Huaidong Village, Gande Town (leased by Anxi Gande Foluohua) as shown in the table below. Our Board is of the view that the termination risk of the Florin Fujian SSA is not material.

No.	Description of non-compliances	Rectification measures to be taken
1.	County-level permit for the use of a one-storey steel building has not been obtained by Anxi Gande Foluohua. The one-storey building is used as a warehouse for temporary storage of raw materials and preliminary processing of certain raw materials.	Anxi Gande Foluohua to relocate the existing operations to the main factory which has the necessary permit and to demolish the one-storey steel building.

7. BUSINESS OVERVIEW (Cont'd)

<u>No.</u>	<u>Description of non-compliances</u>	<u>Rectification measures to be taken</u>
2.	Parts of factory gate and guard booth located in the open space on the south side ("Plot No. 2") of the factory leased by Anxi Gande Foluohua are not in compliance with the category of land use for tea plantation, barren land and forested land.	Anxi Gande Foluohua to demolish the affected parts of the factory gate and guard booth which are non-compliant.
3.	Prior written consent of at least two thirds (2/3) of Huaidong village members or representatives has not been obtained for the lease of the open space on the west side ("Plot No. 1") and south side (Plot No. 2) of the factory leased by Anxi Gande Foluohua which is required pursuant to PRC law on land contract in rural areas and PRC land administration and administrative measures for the transfer of rural land management right.	Anxi Gande Foluohua to terminate the lease for Plot No. 1 and Plot No. 2.
	Parts of the factory gate and guard booth located on Plot No. 2 are affected.	
4.	Anxi Gande Foluohua has yet to complete the environmental check and acceptance for the construction and usage of its office building and plants. Our Group does not foresee any major issues in obtaining the acceptance for the construction and usage of its office building and plants.	Proposal for Anxi Gande Foluohua to engage a consultant to conduct the environmental appraisal procedure and make the relevant submission to the relevant authorities.
5.	DXN Corporation Ningxia has yet to complete the environmental check and acceptance for the construction and usage of an existing factory building for the healthy beverages processing project at No. 11, Zi Qiang Road, Shizuishan, High Tech Industry Development Zone, Dawukou District, Shizuishan City, Ningxia 753000. Our Group does not foresee any major issues in obtaining the acceptance for the construction and usage of the abovementioned factory building.	DXN Corporation Ningxia has already engaged a consultant to conduct the environmental appraisal procedure and make the relevant submission to the relevant authorities and expects to obtain the relevant approval by the second quarter of 2023.

The non-compliances in respect of our Group's operations in China do not have a material impact on the business operations and financial condition of our Group as:

- (i) sales of our tea-related products manufactured by Anxi Gande Foluohua for the FYE 28 February 2022 is only RM0.5 million, representing less than 0.1% of the total gross sales of our Group. For clarification, the tea plantations are not located on Plot No. 1 and Plot No. 2, and are situated on another leased land close to Plot No. 1 and Plot No. 2. The tea leaf powder (as a raw material) from Anxi Gande Foluohua makes up only 1.5% of the total tea leaf powder used by our Group in the FYE 28 February 2022. Our remaining raw material requirement of tea leaf powder is sourced from third party suppliers in China. As such, our Group is not dependent on Anxi Gande Foluohua for the supply of tea leaf powder; and
- (ii) sales of our solid beverages, enzyme concentrated drink and fermented jam manufactured by DXN Corporation Ningxia for the FYE 28 February 2022 is only RM3.7 million, representing less than 0.3% of the total gross sales of our Group.

We had on 12 April 2023 obtained permission from the relevant authority to continue production at the existing factory building for the healthy beverages processing project at No. 11, Zi Qiang Road, Shizuishan, High Tech Industry Development Zone, Dawukou District, Shizuishan City, Ningxia 753000 while the environmental check is ongoing.

7. BUSINESS OVERVIEW (Cont'd)

In the event that Florin Fujian (including Anxi Gande Foluohua) is disposed, our Group will continue to source tea leaf powder from Anxi Gande Foluohua as a third party supplier as well as from other third party suppliers in China.

7.28.3 Non-compliance in respect of our foreign investments in India

Our Indian Subsidiaries have undertaken certain transactions in the past in violation of the FEMA (read with the FEMA and then prevailing rules/regulations) including failing to notify or obtaining approval from the RBI and other regulatory authorities in India in respect of certain transactions, filing of annual Foreign Liabilities and Assets returns with the RBI, or registering for entity user registration. To rectify the non-compliances, we have engaged a consultant in India to assist our Indian Subsidiaries to submit the relevant applications, firstly, to regularise and subsequently, to compound the non-compliant transactions before the regulatory authorities. While some of the non-compliances have been regularised as at the LPD, the filing of regularisation applications and processing thereof by the relevant authorities, in totality may take up to one year from the date of this Prospectus, and we expect to incur monetary penalties of a non-material amount for the relevant non-compliance.

The table below summarises the total estimated costs (being the estimated rectification costs and potential maximum penalties being the compounding penalty) and the non-compliance amounts relating to these non-compliances:

No.	Entity involved in the non-compliances in respect of foreign investments	Estimated cost to rectify non-compliances (A) (RM'000)	Potential maximum penalty			% of our Group's PBT for the FYE 28 February 2022 ⁽²⁾ (%)
			Compounding penalty (B) (RM'000)	Non-compliance amount ⁽¹⁾ (RM'000)	Total estimated costs (C)= (A) + (B) (RM'000)	
1.	Daxen Agritech	54.1	84.3	1,636.5	138.4	*
2.	DXN Marketing India	30.9	19.0	10.9	49.9	*
3.	DXN Manufacturing India	-	10.0 ⁽³⁾	-	10.0	*
4.	Esen Lifesciences	34.3	35.3	2,120.4	69.6	*
Total		119.3	148.6	3,767.8	267.9	<0.1

Notes:

* *Negligible.*

(1) *As the non-compliance amounts are not directly levied on a company under Section 13 of the FEMA unless a particular non-compliance results in undue gains and flouts money laundering laws, these non-compliance amounts are excluded from the total estimated costs relating to the non-compliances on foreign investments in India.*

(2) *Computed as the total estimated costs (being the estimated rectification costs and potential maximum penalties being the compounding penalty) divided by our Group's PBT for the FYE 28 February 2022.*

(3) *Actual compounded penalty pursuant to RBI's Compounding Order dated 27 March 2023. We have paid the compounded penalty on 5 April 2023. Accordingly, DXN Manufacturing India's foreign investment non-compliances were rectified.*

7. BUSINESS OVERVIEW (Cont'd)

The non-compliances in respect of our foreign investments in India, individually and collectively, do not have a material impact on the business operations and financial condition of our Group as:

- (i) our shareholding in our Indian Subsidiaries are not rendered void by virtue of the non-compliances; and
- (ii) the actions or non-actions of our Indian Subsidiaries which gave rise to the non-compliances are procedural in nature and not substantive and therefore, should not lead to imposition of Section 13 of the FEMA which is generally invoked for contraventions involving substantive violation of the FEMA provisions resulting in undue gains or flouts money laundering laws.

7.28.4 Overall impact of the outstanding non-compliances as at the LPD

The table below summarises the total estimated costs (being the estimated rectification costs and potential maximum penalties applicable) relating to all the non-compliances mentioned in Sections 7.28.1 to 7.28.3 of this Prospectus.

No.	Summary description of non-compliances	Reference to section in this Prospectus	Estimated cost to rectify non-compliances	Potential maximum penalty	Total estimated costs	% of our Group's PBT for the FYE 28 February 2022
			(RM'000)	(RM'000)	(RM'000)	(%)
(1)	Non-compliances in respect of material properties of our Group's operations in Malaysia	7.28.1	2,899.0	1,673.0	4,572.0	1.2
(2)	Non-compliances in respect of our Group's operations in China	7.28.2	324.5	3,971.7	4,296.2	1.2
(3)	Non-compliances in respect of foreign investments in India	7.28.3	119.3 ⁽¹⁾	148.6 ⁽²⁾	267.9	<0.1
Total			3,342.8	5,793.3	9,136.1	<2.5

Notes:

* *Negligible.*

(1) *Inclusive of the actual compounded penalty paid for DXN Manufacturing India's non-compliances on 5 April 2023. Accordingly, DXN Manufacturing India's foreign investment non-compliances stand rectified.*

(2) *Exclusive of non-compliance penalties amounting to RM32.3 million which are not directly levied on a company under Section 13 of the FEMA unless a particular non-compliance results in undue gains and flouts money laundering laws.*

The total estimated costs (including the potential maximum penalties) of approximately RM9.1 million to rectify the non-compliances 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.

7. BUSINESS OVERVIEW (Cont'd)

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 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.

Our Board has implemented the following measures to enhance the internal control system of our Group and prevent the recurrence of the non-compliance incidents set out in Sections 7.28.1 to 7.28.3 of this Prospectus:

- (i) on 10 February 2022, we have established, among others, our Audit Committee and Risk Management Committee. Our Audit Committee's terms of reference which set out its duties and obligation include overseeing our Group's internal control framework to ensure operational effectiveness and efficiency and encourage legal and regulatory compliance. Our Risk Management Committee's terms of reference include reviewing the risk management framework and its related policies within our Group, ensuring the infrastructure, resources and systems are in place and adequate for risk management, and that processes for the identification, measurement and analysis, reporting, and mitigation of risks are in place. See Sections 9.2.6 and 9.2.9 of this Prospectus for further details on the composition and function of our Audit Committee and Risk Management Committee respectively;
- (ii) in April 2022, we have established a legal and regulatory compliance committee ("**LRCC**") comprising members from different departments and functions in our Group such as finance, project investments, sustainability, legal, marketing, compliance and factory operations. The LRCC is responsible for monitoring and overseeing our Group's legal and regulatory compliance matters including the compliance with licensing, permits and approvals for the various businesses in the various jurisdictions and to ensure that non-compliance incidents are adequately investigated and the reporting of issues to appropriate parties in a timely manner. All entities within our Group shall report to the LRCC on matters relating to legal and regulatory non-compliances. The LRCC shall monitor the status of our Group's compliance with our requisite legal and regulatory obligations and where necessary, shall then report to our Executive Committee the progress of rectification plans and status of our Group's overall compliance. Our Executive Committee shall in turn report our Group's compliance obligations, issues and breaches to our Board. Our Executive Committee also evaluates the adequacy of tools, resources, trainings and subject matter expert for our Group to meet our compliance obligations;
- (iii) in September 2021, we have also established a Group Governance and Risk Management ("**GGRM**") department for purposes of co-ordinating and advising on risk and control activities to ensure that the management of our Group's response to mitigate risks identified is carried out effectively, and also performing quarterly risk reviews in line with our Group's enterprise risk management framework. Our Risk Management Committee shall in turn report our Group's risk management issues to our Board. With regard to the non-compliance incidents as set out in Sections 7.28.1 to 7.28.3 of this Prospectus, the GGRM will be responsible for evaluating the compliance risk faced by our Group resulting from the non-compliance incidents, and reviewing the effectiveness of internal policies, procedures and processes implemented by our Group in ensuring compliance. The GGRM will report directly to our Risk Management Committee on the compliance risks faced by our Group;

7. BUSINESS OVERVIEW (Cont'd)

- (iv) our Group's Internal Audit department will also undertake an independent review and assessment on the effectiveness of the internal control measures implemented by our Group in accordance with our legal and regulatory compliance framework to prevent future non-compliance incidents. Our Group's Internal Audit department provides independent assurance to our Board (via our Audit Committee) and management regarding our Group's internal controls through audit procedures designed to evaluate effectiveness of internal controls and assessing compliance with policies and laws and regulations and provide recommendations on improving the compliance of our Group, among others. Our Group's Internal Audit department will report directly to our Audit Committee on the audit findings pertaining to internal controls;
- (v) Tricor Axcelasia Sdn Bhd ("**Tricor Axcelasia**") was engaged to, among others, review our legal and regulatory compliance framework including related policies and procedures that were put in place to address the non-compliance incidents set out in Sections 7.28.1 to 7.28.3 of this Prospectus and we have implemented the recommendations suggested by Tricor Axcelasia for our legal and regulatory compliance framework including its related policies and procedures;
- (vi) implemented compliance incident management process and appointed dedicated personnel to monitor the various policies, procedures and framework which were put in place for our operations locally and globally and to report any findings of non-compliances of which the impact is expected to exceed internal materiality thresholds to the LRCC and GGRM who will then define the appropriate course of action and to report to our Executive Committee and Risk Management Committee, respectively; and
- (vii) where necessary, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and compliance, and to provide us updates on the applicable laws related to our business operations from time to time after our Listing. We will also engage professionals where necessary to provide training to our Directors and employees to develop a clear understanding of matters related to our internal controls and compliances for them to leverage on their understanding to enhance our policies and processes and implementation of the same.

7.29 Material Dependency on Commercial Contracts, Agreements or Other Arrangements

As at the LPD, there are no commercial contracts, agreements, other arrangements or other matters entered into by or issued to us which we are materially dependent on, and which are material to our business and profitability.

7. BUSINESS OVERVIEW (Cont'd)

7.30 Health, Safety and Environmental Matters

7.30.1 Health and Safety

The health and safety of our employees and any third-party visitors to our premises is important to us. To minimise accidents, injury or occupational diseases, we endeavour to comply with the relevant statutory requirements such as the Occupational Safety and Health Act 1994 and regulations from the DOSH for our operations in Malaysia as well as comparable regulators and regulations in other jurisdictions for our operations elsewhere, provide and enforce codes of practice and procedures relating to health and safety, and provide employees with the necessary skills and knowledge to meet their occupational health and safety responsibilities at the workplace.

7.30.2 Environmental

In addition to complying with regulatory and statutory environmental requirements (such as the Malaysian Environmental Quality Act 1974, Environmental Quality (Clean Air) Regulations 1978 and Environmental Quality (Scheduled Waste) Regulations 2005), we have sought to voluntarily implement self-regulations in accordance with suggestions by the DOE. We have taken internal steps such as establishing an Environmental Policy, Environmental Performance Monitoring Committee and Environmental Regulatory Compliance Monitoring Committee to continuously plan, check, react and improve on our environmental efforts and comply with regulatory and statutory requirements.

In 2000, DXN Pharma's facility received the ISO 14001 certification, which is the international standard that specifies requirements for an effective environmental management system. See Section 7.14 of this Prospectus for further details on our quality control. The stated goals of our environmental management system are to: (1) protect the environment, (2) reduce our waste and toxic emissions, (3) maximise our resources and productivity, and (4) to reduce our activities that may impair future generations' enjoyment of resources.

In accordance with these regulations, policies and standards, we take steps at our facility in Kedah, Malaysia such as testing and treating wastewater before it is discharged; sending waste and by-products from the Ganoderma harvest (known as "bag logs" or "bag waste") to a biomass collector to be recycled as biofertilisers; and ensuring that our carbon dioxide, smoke and other air emissions are in compliance with Malaysian law. This includes meeting permissible levels set by the Malaysian Environmental Quality Act 1974 and rules and regulations administered by the DOE.

We seek to act in accordance with environmental regulations in India such as the Air (Prevention and Control of Pollution) Act, 1981, the Water (Prevention and Control of Pollution) Act, 1974 and the Environment (Protection) Act 1986. At DXN Manufacturing India, we have taken steps in accordance with such environmental regulations such as establishing an environmental policy and continuously planning, checking, reacting and improving on our environmental efforts and complying with regulatory requirements. At Daxen Agritech, we have taken steps such as using our accumulated combustion technologies and water filtration technologies to construct a resource-saving system to minimise our pollution through our waste management practices, implementing a procedure for purchasing good quality raw materials that seeks to reduce waste and pollution, using scientific techniques of disposal and waste management, training employees for pollution control, identifying and documenting any activity or equipment that has the potential to pollute or otherwise degrade the environment, and regularly monitoring our operations in every department to identify opportunities to reduce our environmental impact.

7. BUSINESS OVERVIEW (Cont'd)

Similarly, in accordance with environmental regulations in China such as the Environmental Protection Law of the PRC, Law on the Prevention and Control of Water Pollution of the PRC, Law on the Prevention and Control of Air Pollution of the PRC, Law on the Prevention and Control of Solid Waste Pollution of the PRC and Law on the Prevention and Control of Noise Pollution of the PRC, we have taken steps in the construction of a new production plant such as engaging third party consultants to provide write-ups on project feasibility and project environmental impact for submission to local authorities as part of the approval process before commencing our new project. These reports state that project construction meets the requirements of national and local industrial policies. These reports also conclude that it is feasible to set up the production plant on the proposed site. We intend to adopt the pollution prevention and control measures that are proposed in the reports to ensure our pollutant emissions are up to the relevant standards, have little impact on the environment and will not cause changes in regional environmental functions.

As certain of our natural ingredients are certified organic by authorities such as the EU, the USDA's NOP and the Ministry of Agriculture and Food Security (*formerly known as* Ministry of Agriculture and Agro-Based Industry Malaysia), no chemicals are used in the cultivation processes of those crops (which include Ganoderma, Spirulina and Cordyceps).

Further, as we cultivate Ganoderma in bags as opposed to planting Ganoderma in soil, we are able to avoid issues of soil contamination.

7.31 Corporate Social Responsibility and Environment

We operate our business with social and environmental responsibility with an awareness that climate change is impacting human lives and health in a variety of ways, and aim towards a high standard of corporate governance.

7.31.1 Environmental

We successfully renewed the ISO14001 Environmental Management System, which is a set of international standards for designing and implementing an environment management comprising policies, processes, plans, practices and records which define the rules governing how we interact with the environment and preventing our operations from causing negative impact on the environment. To demonstrate our commitment to ESG, our Group had invested in a solar panel system in 2021 for a factory in Malaysia, which we believe will reduce the use of non-renewable energy sources and greenhouse gases emissions. As a big part of our environmental impact arises from our factory and farm operations, we take every effort to mitigate wastage from these operations and manage the resources available well.

Our key areas of focus in our environmental and climate change management emphasis are to enhance energy consumption efficiency, ensure efficient use of water and maximise the effectiveness of our 5Rs (Refuse, Reduce, Reuse, Repurpose and Recycle) initiatives. For example, steps to tackle our Group's emission through air and noise pollution were managed through efforts ranging from internal monitoring of air quality, engaging license party to independently review air quality, noise assessment, implementation of preventive action plans (including provision of personal hearing protectors, trainings, audiometric testing, medical examination, etc), and re-engineering business processes (including modification and installation of equipment) to ensure both air and noise emission are managed in accordance with the rules and regulations by the DOE. To minimise water pollution, sewage treatment plants and industrial effluent treatment systems are put in place to remove contaminants from sewage or wastewater to produce effluent suitable for discharge to the surrounding environment. An approved scheduled waste collector submits an inventory waste

7. BUSINESS OVERVIEW (Cont'd)

record through our Electronic Scheduled Waste Information System every month. We also continuously improve existing controls and practices in waste management ranging from improving scheduled waste storage area and segregation methods, and conducting pre-planned preventive maintenance to ensure existing plant, machine and equipment are operating at an optimum level, thus minimising the possible waste generated from our operation processes. We have built our transportation and logistics arrangements with a goal to minimise environmental harm, putting in place systems which allow us to plan delivery routing based on the optimal safety stock levels, reducing trips per delivery and carbon footprint. We also adopt a purchasing strategy which enable resources to be utilised with minimal wastage of materials and overstocking

7.31.2 Social

We recognise our responsibility to all stakeholders in the supply chain, including shareholders, employees, customers, trade partners, communities and government agencies, and strive to balance business development and the needs of our stakeholders. In promoting transparency and accountability in our Group, we have taken steps to communicate and create awareness (including by training) on anti-bribery/corruption to all directors, employees, suppliers and business associates, to seek their commitment to comply with the policies. Our partners are carefully identified and assessed, possess the right skills and whose corporate values are aligned with our own standards and required to comply with our procurement policy developed based on universally accepted principles and local laws, as the basic standards for social compliance. In adhering to standards of ethical conduct, we design our internal approach to ensure that our procurement teams are aware of the environmental and social impact of purchasing decisions. In addition, measures are initiated to ensure that the relationships with our suppliers are handled fairly and in our Group's best interests.

Our employees have equal opportunities for career advancement based on merit, performance, experience, and academic qualification regardless of race and gender. Our Group supports the upgrading of employees' skills and knowledge to enhance each of our employee's competency, including sponsoring training/educational programs via training bond for eligible employees and providing Internal Trainer Incentive for eligible employees who conducted internal trainings for the others. For the FYE 28 February 2022, we recorded a total of 17,025 training hours, incurring training cost totalling RM165,298.11 covering both internal and external organised training programmes. The average training hours per employee was 1.14 hours.

We actively participate in projects and activities that benefit the society. In 2020, we launched the "One Dollar One Child" campaign against childhood malnutrition and have so far coordinated the distribution of free Spirulina to underprivileged children in India. We continued to distribute free Spirulina to underprivileged children as part of this campaign in other jurisdictions. We encouraged our Members to donate to this charitable cause by giving them an equivalent amount of "One Dollar One Child" points (redeemable for certain of our products) for every dollar contributed.

We have also conducted a range of local charity and engagement efforts including: hosting educational tours at our facilities in Kedah, Malaysia; making direct donations to charitable organisations such as the International Buddhist College in Thailand; contributing health supplement products to children suffering from Night Blindness in Pakistan; organising one-to-one matching donations for natural disaster relief, such as the 2015 Nepal Earthquake (for every one dollar our Members contribute, we contribute the same amount); as well as local blood donation drives at our headquarters in Kedah, Malaysia.

7. BUSINESS OVERVIEW (Cont'd)

In response to the COVID-19 pandemic and crisis in India, we also donated oxygen concentrators, masks, personal protective equipment kits and other supplies in India.

7.31.3 Governance

We have in place a code of conduct and ethics which sets out our internal control policies and procedures, which include managing conflicts of interest, preventing bribery and corruption, money laundering and insider trading:

- in accordance with our insider trading policy, our Directors and employees are discouraged from engaging in speculative trading in our securities and are required to observe the prohibitions imposed on “insiders” under the CMSA. Directors and employees in possession of material or price sensitive non-public information may not trade in our securities, and are in general required to comply with the Listing Requirements;
- our anti-money laundering policy requires our Directors, employees and associates to ensure that business is conducted with reputable customers, for legitimate business purposes and with legitimate funds. Our Directors, employees and associates are required to report suspected money laundering activities to our Group’s human resources or legal department, and comply with the Anti-Money Laundering and Anti-Terrorism Financing Act 2001; and
- we have established an anti-bribery and corruption policy to ensure compliance with applicable anti-bribery and corruption laws and regulations, including the Malaysian Anti-Corruption Commission Act 2009. Our Directors and employees are required to keep prompt and accurate records of transactions and payment, be alert to and flag suspicious transactions, and report violations or suspected violations of our policies via our whistleblowing mechanism. Our Directors, employees and associates are required to declare actual or potential conflicts of interest.

7.32 Awards

The table below sets out certain key awards that we have received:

Year	Award
2004	DXN received the “3rd Asia Pacific International Honesty Enterprise” award.
2004	DIPL Philippines Branch received the “Most Outstanding Direct Selling Company” and “Top Innovative Company of the Year” award.
2005	DXN received the “2nd Super Excellence Master Award of Direct Sales 2005” award for its outstanding performance in the development of innovative marketing strategies, good business practices and effective planning.
2006	DXN received the “5th Asia Pacific International Honesty Enterprise - Keris Award 2006” for its vision and mission, innovation and strategies, management of human resources, operations efficiency, and research and technology for the production of quality products.
2006	DXN received the “Asia Pacific Super Excellent Brand Book of Records 2006” award for its outstanding achievements, excellent service and good quality products.
2007	DXN Pharma and DXN Industries received the “28th International Award for Technology and Quality (New Millennium Award)” for its trajectory and business excellence.

7. BUSINESS OVERVIEW (Cont'd)

Year	Award
2008	DXN was selected as the "Most Outstanding Participant" at the First Direct Selling Festival (Middle East) in Dubai.
2009	DXN received the "Direct Selling Award for Outstanding Management" award at the Direct Selling Festival (Middle East) in Dubai.
2010	DXN Spirulina was selected as the "best food supplement in Pakistan" and received the "Brand of the Year Award 2010".
2011	DXN received the "Most Successful Network Marketing Company in the UAE" award at the 2nd Malaysia Business Awards in Dubai organised by the Malaysian Business Council UAE.
2012	DXN Pharma received the "Industry Excellence Award" from the National Pharmaceutical Control Bureau, MOH.
2012	DXN Peru was ranked #5,225 by sales in the 2012 Edition of "Peru: The Top 10,000 Companies".
2013	DXN Peru was ranked #4,427 by sales in the 2013 Edition of "Peru: The Top 10,000 Companies".
2013	DXN Pakistan received the "Brands Scientist Certificate for the Year" award.
2013	DIPL Philippines Branch received the "Perfect 10 Award".
2014	DXN Peru was ranked #3,032 by sales in the 2014 Edition of "Peru: The Top 10,000 Companies".
2015	DXN Peru was ranked #2,870 by sales in the 2015 Edition of "Peru: The Top 10,000 Companies".
2017	DXN Pakistan received the "Brand of the Year Award" under the "Herbal Food Supplement" category from the Federation of Pakistan Chambers of Commerce & Industry.
2020	DXN received the "Best Direct Selling Company (Global) Award" in the Domestic Trade Award (APDN 2020) from the MDTCL.

7.33 Key Accreditations

The table below sets out the key certifications and accreditations we have received:

Name of Standard	Certifying Authority	Purpose/Scope	Recipient
ISO 9001:2015	Lloyd's Register	Quality management system	DXN Pharma
ISO 14001:2015	Lloyd's Register	Environmental management system	DXN Pharma
ISO 22716:2007	Lloyd's Register	Manufacture of PCC products	DXN Industries
MS ISO/IEC 17025:2017	Department of Standards Malaysia	Quality management system	Bio Synergy

7. BUSINESS OVERVIEW (Cont'd)

Name of Standard	Certifying Authority	Purpose/Scope	Recipient
myOrganic	Ministry of Agriculture and Agro-Based Industry Malaysia (now Ministry of Agriculture and Food Security)	Cultivation of Ganoderma, Spirulina, elm oyster mushroom, Lion's Mane mushroom, Tiger Milk mushroom, Cordyceps, Porea cocos fungus, Splitgill mushroom and Noni	DXN Pharma
GMP	MOH	Manufacture of food products	DXN Industries
Organic EU Certificate	Control Union Certifications	Cultivation of RG, GL, Cordyceps and Lion's Mane mushroom	DXN Pharma
USDA-NOP Certificate	Control Union Certificates	Cultivation of RG, GL, Cordyceps and Lion's Mane mushroom	DXN Pharma
HACCP	MOH	Manufacture of food products	DXN Industries
Halal Certificate	JAKIM	Halal products certification	DXN Industries DXN Pharma

8. INDUSTRY OVERVIEW

F R O S T  S U L L I V A N**Frost & Sullivan GIC Malaysia Sdn. Bhd.**

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Malaysia

Date: 14 April 2023

The Board of Directors

DXN Holdings Bhd.

Wisma DXN

213, Lebuhraya Sultan Abdul Halim,
05400 Alor Setar,
Kedah Darul Aman

Dear Sirs / Madams,

Independent Market Research on the Fortified Food and Beverages, Health and Dietary Supplements and Personal Care and Cosmetics Products in the Direct Selling Industry for DXN Holdings Bhd. ("DXN")

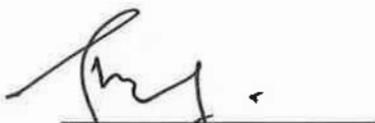
We, Frost & Sullivan GIC Malaysia Sdn Bhd ("**Frost & Sullivan**"), have prepared this Independent Market Report on the Fortified Food and Beverages, Health and Dietary Supplements and Personal Care and Cosmetics Products in the Direct Selling industry ("**IMR Report**") for inclusion in DXN's prospectus in conjunction with the listing of and quotation for the entire enlarged issued ordinary shares in DXN on the Main Market of Bursa Malaysia Securities Berhad ("**Prospectus**").

We are aware that this IMR Report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act, 2007.

We acknowledge that if we are aware of any significant changes affecting the content of this IMR Report between the date hereof and the issue date of the Prospectus, we have an ongoing obligation to either cause this IMR Report to be updated for the changes and, where applicable, cause DXN to issue a supplementary prospectus or withdraw our consent to the inclusion of this IMR Report in the Prospectus.

Frost & Sullivan has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of this IMR Report. We believe that this IMR Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this IMR Report. This IMR Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this IMR Report or otherwise.

For and on behalf of Frost & Sullivan GIC Malaysia Sdn Bhd:


June Liang Pui San

Country Head, Malaysia

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Methodology

For the purpose of preparing this report, Frost & Sullivan has conducted primary research encompassing interviews with industry experts and industry players, and secondary research, which included reviews of company reports, official websites/social media pages, independent research reports, information from industry associations/authorities/international organisations, and information from Frost & Sullivan research database. Unless being made available in the publicly available sources, projected data was derived by Frost & Sullivan using historical data analysis with the consideration of the social, economic, and political environments for the forecasted period.

Comparable key direct selling companies identified in this report have been selected from a long list of companies developed by screening directories in each respective country as well as discussing with industry players. Subsequently, the list was presented and discussed with industry players and experts¹ that agreed to be interviewed for the purpose of the analysis. Information were further validated via public information through secondary research (which covers reviews of company reports, official websites/social media pages, independent research reports, information from industry associations/authorities/internal organisations, and information from Frost & Sullivan research database) and fine-tuned by contacting identified companies (e.g., telephonic method, official social media platforms, among others).

Profile of Frost & Sullivan GIC Malaysia Sdn Bhd

FROST & SULLIVAN is a global independent industry research and consulting organisation headquartered in the United States of America with over 60 years of establishment. In Malaysia, FROST & SULLIVAN's subsidiary, Frost & Sullivan GIC Malaysia Sdn Bhd, operates two offices (Selangor and Iskandar Malaysia) with more than 200 employees offering market research, marketing and branding strategies and business advisory services across 12 industries. FROST & SULLIVAN is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other related fund-raising and corporate exercises.

Profile of the IMR Report signee, June Liang Pui San ("June Liang")

June Liang is the Country Head for Frost & Sullivan GIC Malaysia Sdn Bhd. June Liang possesses over 25 years of experience in market research and consulting, including over 16 years in independent market research and due diligence exercises for capital markets across the Asia Pacific region. June Liang holds a LLB (hons) from University of Wales, Cardiff and MBA from Imperial College.

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¹ Industry players are individuals currently or previously working for direct selling companies. Industry experts are individuals with in-depth knowledge on the industry (e.g. industry analysts).

8. INDUSTRY OVERVIEW (Cont'd)

F R O S T & S U L L I V A N

1 INTRODUCTION

The demand for health-oriented and wellness and other products via direct selling is growing fast. It continues to be driven, among other factors, by the growing ageing population, urbanisation trend, rising household income, changing consumer preferences towards natural/herbal products that are safe to consume and have attributed health benefits, and the increasing propensity to self-medicate and adopt preventive solutions. On the supply side, the industry is driven, among other factors, by product innovations, higher consumer penetration, the expansion of distribution channels, and the opportunity for self-employment and additional income that the direct selling industry provides to its independent representatives.

2 MARKET SIZE

2.1 THE DIRECT SELLING INDUSTRY

Direct selling means the person-to-person sale of a product or service by independent representatives². The global direct selling industry grew at a compounded annual growth rate ("CAGR") of 2.2% from 2016 to 2018. However, the market declined by 5.4% in 2019 compared to 2018 due to lower sales in China (one of the largest markets globally). In 2020, the market grew by 2.3% compared to 2019 notwithstanding the impact from the novel coronavirus disease ("COVID-19") and continued to grow by 1.6% in 2021. In 2022, the direct selling industry is estimated to have decreased by 1.3%, dampened by low sales value in China due to COVID-related factors as well as global inflationary pressure that caused an increase in product prices which negatively impacted sales in the global direct selling industry. The global market of direct selling is forecasted to grow in the forecasted period up to 2026, driven by various factors, including the expanding base of independent representatives and the greater e-commerce penetration. The demand for direct selling is expected to grow fast between 2022 to 2026 in Latin America and Asia Pacific. The demand from these regions will also be supported by the rapid urbanisation and the changes of the lifestyle among populations with a fast-growing income.

Table 2-1: Retail Sales via Direct Selling (USD million), Selected Countries, 2016-2026F

	2016	2020	2021	2022E	2026F	CAGR 2016-2022E	CAGR 2022E-2026F
Global	150,705.9	152,400.0	154,839.5	152,826.6	183,268.9	0.2%	4.6%
Peru	1,844.2	1,810.9	1,997.5	2,161.6	2,839.6	2.7%	7.1%
Mexico	7,783.8	7,366.5	8,098.6	8,466.6	9,376.3	1.4%	2.6%
India	1,996.0	2,715.2	2,932.3	2,612.8	3,411.4	4.6%	6.9%
Bolivia	361.8	459.5	463.6	478.9	618.2	4.8%	6.6%
Philippines	1,385.7	1,566.0	1,498.4	1,326.0	1,552.8	-0.7%	4.0%
Malaysia	3,625.6	6,114.8	6,515.6	6,298.5	8,997.2	9.6%	9.3%
Middle East	NA	NA	NA	NA	NA	NA	NA
US	25,233.4	27,669.0	29,442.3	26,939.7	30,122.9	1.1%	2.8%
Thailand	2,858.5	3,246.6	2,923.7	2,562.9	3,419.0	-1.8%	7.5%
Morocco	360.7	400.1	402.7	410.9	574.4	2.2%	8.7%

Note: Retail sales value at current prices. Countries and region namely Peru, Mexico, India, Bolivia, Philippines, Malaysia, the United States of America ("US"), Thailand, Morocco, and the Middle East region respectively, are the top sources of revenue for DXN and its subsidiaries' (the "Group"). These ten selected countries and region totalled to 36.3% of the Group's revenue for the financial year ended ("FYE") 28 February 2022. The data on the retail sales value for the Middle East is not available ("NA").

Source: Frost & Sullivan

2.2 DIRECT SELLING OF FORTIFIED FOOD AND BEVERAGES ("FFB")

The FFB segment accounted for 8.7% of the global direct selling industry in 2022. The direct selling of FFB products is growing, driven by the higher awareness of consumers towards a healthy lifestyle and diet, and the greater availability of innovative products to fit the local consumption demand. The direct selling of FFB is forecasted to grow at a CAGR of 10.1% between 2022 and 2026.

² Independent representatives refer to individuals that have entered into independent contractor agreements with direct selling companies, to purchase products and services from the companies and be compensated for the sales and for the marketing and promotional services. Sometimes also referred to as distributors, members, consultants or other titles.

8. INDUSTRY OVERVIEW (Cont'd)

F R O S T & S U L L I V A N

Table 2-2: Retail Sales via Direct Selling of FFB (USD million), Selected Countries, 2016-2026F

	2016	2020	2021	2022E	2026F	CAGR 2016-2022E	CAGR 2022E-2026F
Global	8,010.6	11,598.9	12,631.2	13,338.6	19,635.1	8.9%	10.1%
Peru	217.3	257.1	271.8	307.3	401.5	5.9%	6.9%
Mexico	370.9	427.3	475.6	503.5	590.3	5.2%	4.1%
India	75.8	135.8	164.5	183.8	317.3	15.9%	14.6%
Bolivia	62.6	119.0	146.0	168.0	236.7	17.9%	8.9%
Philippines	100.3	105.2	101.2	89.2	117.7	-1.9%	7.2%
Malaysia	114.4	214.0	208.3	190.0	305.1	10.2%	12.6%
Middle East	NA	NA	NA	NA	NA	NA	NA
US	1,464.5	2,064.7	2,054.3	2,095.4	2,655.3	6.2%	6.1%
Thailand	202.2	207.4	198.4	177.9	254.2	-2.1%	9.3%
Morocco	20.4	38.7	50.2	55.9	82.1	18.3%	10.1%

Note: Retail sales value at current prices.

Source: Frost & Sullivan

2.3 DIRECT SELLING OF HEALTH AND DIETARY SUPPLEMENTS (“HDS”)

HDS comprised 17.1% of the global direct selling industry in 2022. HDS has proven to be popular from 2020 to 2022 due to consumers opting for supplements to boost their immune system pursuant to the COVID-19 pandemic. The direct selling of HDS will continue to grow due to the greater awareness on the benefit of these products for the prevention of diseases. The development and introduction of new products with natural herbal ingredients, probiotics and known health benefits continue to attract consumers. The direct selling of HDS is forecasted to expand at a CAGR of 3.6% between 2022 and 2026.

Table 2-3: Retail Sales via Direct Selling of HDS (USD million), Selected Countries, 2016-2026F

	2016	2020	2021	2022E	2026F	CAGR 2016-2022E	CAGR 2022E-2026F
Global	22,159.7	23,976.9	25,247.7	26,131.3	30,044.3	2.8%	3.6%
Peru	131.8	210.1	215.0	234.6	326.4	10.1%	8.6%
Mexico	521.0	635.0	709.0	768.3	931.8	6.7%	4.9%
India	274.0	431.7	528.2	579.0	792.2	13.3%	8.2%
Bolivia	28.3	43.2	54.2	60.2	80.7	13.4%	7.6%
Philippines	122.8	160.2	179.2	154.5	195.1	3.9%	6.0%
Malaysia	199.7	417.2	473.9	497.0	840.6	16.4%	14.0%
Middle East	NA	NA	NA	NA	NA	NA	NA
US	3,312.1	4,123.9	4,392.0	4,523.7	5,032.3	5.3%	2.7%
Thailand	297.8	453.4	483.5	486.1	718.5	8.5%	10.3%
Morocco	55.9	100.0	133.0	156.0	237.2	18.7%	11.0%

Note: Retail sales value at current prices.

Source: Frost & Sullivan

2.4 DIRECT SELLING OF PERSONAL CARE AND COSMETICS (“PCC”)

PCC represented approximately 27.0% of the global direct selling industry in 2022. In 2020 and 2021, the demand for cosmetics declined as consumers stayed at home due to the lockdown measures implemented as a result of the COVID-19 pandemic. Nevertheless, the sales of PCC were supplemented by the higher demand for personal hygiene products. The demand for PCC is estimated to have recovered in 2022 upon the reopening of economies globally. Moving forward, the direct selling of PCC is forecasted to be driven by continuous product innovations by industry players and greater preference for natural ingredients and chemical-free products. The direct selling of PCC is forecasted to expand at a CAGR of 2.0% between 2022 and 2026.

8. INDUSTRY OVERVIEW (Cont'd)

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Table 2-4: Retail Sales via Direct Selling of PCC (USD million), Selected Countries, 2016-2026F

	2016	2020	2021	2022E	2026F	CAGR 2016-2022E	CAGR 2022E-2026F
Global	42,595.3	42,728.1	40,634.4	41,325.2	44,775.1	-0.5%	2.0%
Peru	891.8	919.1	964.6	1,053.2	1,384.9	2.8%	7.1%
Mexico	2,359.2	2,361.7	2,709.3	2,936.2	3,355.1	3.7%	3.4%
India	469.2	589.3	608.7	585.4	710.4	3.8%	5.0%
Bolivia	143.9	163.0	144.3	153.5	203.3	1.1%	7.3%
Philippines	417.2	382.5	320.3	300.8	350.4	-5.3%	3.9%
Malaysia	621.8	1,083.2	1,063.5	1,057.1	1,551.9	9.2%	10.1%
Middle East	NA	NA	NA	NA	NA	NA	NA
US	4,779.4	5,544.4	5,588.8	5,717.3	6,541.4	3.0%	3.4%
Thailand	809.7	1,025.9	772.7	742.3	997.3	-1.4%	7.7%
Morocco	133.6	143.2	142.1	150.0	194.5	1.9%	6.7%

Note: Retail sales value at current prices.

Source: Frost & Sullivan

2.5 USE OF NATURAL INGREDIENTS FOR THE PRODUCTION OF FFB, HDS AND PCC

FFB, HDS and PCC products can be produced with natural and/or synthetic ingredients. Natural ingredients, including those which are herbal-based, may contain various active compounds that are beneficial to individuals. Companies with in-house integrated research and development ("R&D") processes develop innovative products to differentiate their offering from that of competitors. Companies also benefit from having greater control over the cultivation and manufacturing processes by ensuring the original form of the natural ingredient is preserved across the value-chain without losing its efficacy.

The Group is involved in the cultivation of various natural ingredients, including but not limited to Ganoderma and Spirulina. The global market of Ganoderma is forecasted to grow at a CAGR of 8.7% from USD4.8 billion in 2022 to USD6.7 billion in 2026³. Meanwhile, the global market of Spirulina is forecasted to grow at a CAGR of 8.7% from USD465.1 million in 2022 to USD648.6 million in 2026. Both market growths are driven by the application in end products, such as FFB, HDS and PCC.

Some of the benefits of these products include the following: **Ganoderma** contains natural constituents, including polysaccharides, adenosine, triterpenoids, protein, fibre, minerals and vitamins, that improve body functions and general well-being^{4,5}; **Spirulina** contains a variety of nutrients, including protein, lipids (high level polyunsaturated fatty-acids), antioxidants (beta-carotene), chlorophyll, phycocyanin, vitamins and minerals (iron). In general, it is used to promote an alkaline body condition and to keep people healthy and energetic⁶; **Cordyceps** contains cordycepin acids, amino acid, glutamic acid and polysaccharides. Although not scientifically proven, it is used in Chinese medicine to promote better stamina, energy, libido, sleeping patterns, longevity and maintain a healthy respiratory system⁷.

3 DEMAND DRIVERS

Consumers' Preference for Products with Natural Ingredients: Consumers increasingly opt for safer products with natural ingredients that involve minimal processing, with no artificial preservatives or colouring, due to the lower risk of negative side effects⁸. The understanding of the efficacy of natural ingredients and the proven positive effect build trust and create stickiness among consumers. Besides, plant-based, organic and vegan products are also gaining

³ Frost & Sullivan analysis

⁴ The Functional Medicine Center. (n.d.). *Ganoderma Lucidum*. Retrieved from the Functional Medicine Center: <https://fxmedicinecenter.com/ganoderma/>

⁵ Ahmad, M. F. (2018). Ganoderma lucidum: Persuasive biologically active constituents and their health endorsements. *Elsevier*, 107, 507-519. <https://doi.org/10.1016/j.biopha.2018.08.036>

⁶ Japan Algae Co., Ltd. (n.d.). *For a healthy daily life superfood spirulina*. Retrieved from Japan Algae Co., Ltd: <http://www.sp100.com/pdf/Spirulina%20Leaflet.pdf>

⁷ Kumar, R., Negi, P.S., Singh, B., Ilavazhagan, G., Bhargava, K., & Sethy, N.K. (2011). Cordyceps sinensis promotes exercise endurance capacity of rats by activating skeletal muscle metabolic regulators. *Journal of Ethnopharmacology*, 136(1), 260-266. <https://doi.org/10.1016/j.jep.2011.04.040>

⁸ US National Library of Medicine National Institutes of Health "Cosmetic benefits of natural ingredients", 2014.

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popularity as consumers become more aware and concerned about the impact on the environment brought about by certain synthetic ingredients. Google searches relating to sustainable goods increased by 71% between 2016 and 2020⁹. The number of businesses in the food, cosmetic and natural pharmaceutical industries globally committed to sourcing practices that protect biodiversity under the membership of the Union for Ethical Biotrade (“UEBT”) increased by 45% between 2016 and 2020. In 2021 and 2022, there were 22 and 58 new members respectively under the UEBT¹⁰. These trends will likely continue moving forward driven by consumers and responsible businesses.

Growing Awareness on Health-Oriented and Wellness Products and Propensity for Self-Medication: The health-oriented and wellness sector is a large and growing global market on the back of favourable demand and supply dynamics. The total retail sales of health-oriented and wellness products (across different channels, including via direct selling) grew at a CAGR of 5.2% between 2016 and 2022¹¹. In 2020 alone this market grew by 4.8% year-on-year, and it continued to grow by 5.8% year-on-year in 2022 due to the increasing awareness and demand for products to boost the immune system following the spread of the COVID-19 pandemic.

Due to the increasing prevalence of chronic diseases and rising healthcare costs, consumers are taking a preventive approach and seeking products with health benefits. Consumers also actively seek health-related information and are increasingly capable of understanding it. They are generally prone to continue purchasing a product if proven to be effective and make it part of their daily diet. Besides prevention, consumers increasingly adopt self-medication practices for mild illnesses based on previous experiences in treating similar illnesses. This propensity is also driven by the inability to access healthcare centres due to travel restrictions and the avoidance of high risks areas, among other reasons, during the outbreak of COVID-19. These factors continue to drive the consumption of health-oriented and wellness products. This market is estimated to grow at a faster CAGR of 5.5% between 2022 and 2026 as compared to the period between 2016 and 2022.

Ageing Population: The world's population aged 65 years old and above grew at a CAGR of 3.4% from 641.6 million in 2016 to 783.0 million in 2022¹². This age group accounted for 8.5% of the total population of the world in 2016 and 9.8% in 2022. By 2026, the elderly population is forecasted to be 881.4 million people and contribute to 10.7% of the world's population¹³. The elderly population growth positively correlates with the rising demand for FFB and HDS. The elderly is encouraged to take more vitamins and minerals than younger adults to prevent deficiencies due to reduced metabolism and declined organs' functions. In addition, the rising emphasis on physical appearance is likely to drive the demand for selected PCC products for anti-aging, starting at a young age¹⁴.

Urbanisation and Rising Income: In mid-2022, 57.0% of the world population was estimated to reside in urban areas. Urban population is forecasted to reach 58.8% of total by mid-2026¹⁵. The urbanisation process, with citizens relocating from rural to urban areas seeking a higher standard of living, better job prospects and salaries, leads to a higher average income. However, lifestyle changes related to the urbanisation process, such as longer working hours, unhealthy eating habits and stress, may lead to the higher demand for packaged food which can be fortified with key nutrients. The category of packaged food includes ready-to-eat products which can be conveniently consumed on-the-go and ready-to-cook products which can be easily prepared in and out from home. A higher income indicates higher purchasing power, which leads consumers to seek healthier options (and natural products) including HDS products.

⁹ The Economist Intelligence Unit, An Eco-Wakening: Measuring Global Awareness, Engagement and Action for Nature, 2021.

¹⁰ UEBT Org., Annual Report 2021 and Annual Report 2022.

¹¹ Frost & Sullivan analysis

¹² United Nations (“UN”) World Population Prospects 2022.

¹³ Percentage calculated on elderly population by UN World Population Prospects 2022 using total population and elderly population data.

¹⁴ Social Standards, Anti-Aging Data – July 2020.

¹⁵ UN, World Urbanisation Prospects: The 2018 Revision.

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Expanding Personal Care Products Range: The growth of social media raised both the awareness on the availability of various personal care products and the demand for these products. Consumers are increasingly looking for personalised products that fit their needs, budget and lifestyle. They are increasingly following a multi-step skin care routine and practicing a proactive approach towards skin care¹⁶.

Government Support and Acceptance in Complementary Medicine: The use of natural herbal ingredients with medicinal value by the traditional and complementary medicine ("T&CM") industry received encouraging responses around the world. This is proven by 88% of World Health Organization's ("WHO") Member States acknowledging the use of T&CM as at 2018, which is in line with the WHO's Traditional Medicine Strategy 2014-2023¹⁷.

Demand of Personalised Services through Direct Selling: Consumers find value through personalised services, such as recommendations of products tailored to their needs. To understand customer needs, independent representatives usually build a relationship with their customers, provide usage instructions and collect after-sales feedback. This may lead to a satisfactory and positive experience associated with the brand and the company. Additionally, independent representatives are usually users of the products who can provide first-hand testimonials, thus increase the acceptance of products and credibility for the new users.

4 COVID-19 IMPACT

During the outbreak of COVID-19, the production and distribution of FFB, HDS and PCC products were affected by the movement restrictions of workers and closure of production facilities. However, the global rollout and uptake of COVID-19 vaccines in 2021 and 2022, contributed to a normalisation of business operations, including of the production and distribution of consumer products.

The direct selling industry was impacted as COVID-19 restricted person-to-person physical meetings, leading to challenges in closing sales. Nevertheless, direct selling companies and independent representatives are increasingly building their online presence. Physical meetings are gradually replaced by instant messaging, online meetings, virtual product demonstrations and home deliveries. Social media platforms are increasingly used for member engagement and community-building initiatives (e.g. sharing tips, stories, product launches). Online shopping may become habitual even after the economic activity returns to a new normality as consumers become familiar and comfortable transacting online.

The COVID-19 pandemic caused an economic downturn, leading to higher unemployment or pay cuts. Accordingly, more people seek ways to generate additional income. Direct selling is an attractive alternative to generate a side income besides having a full-time job, leveraging on the flexible working hours or to be dedicated fully as entrepreneurs. The COVID-19 pandemic accelerated the growth of independent representatives from 127.2 million in 2020 to 128.2 million in 2021¹⁸. As representatives of a direct selling company, they also benefit from related company policies, including purchasing products at reduced prices. The benefits attract more independent representatives in the direct selling industry which expand and drive the growth of this industry. This direct selling industry becomes a mutually beneficial distribution channel for all stakeholders, including industry players (that can grow sales), members (that can earn a side income) and customers. Customers ultimately benefit from the availability of products at affordable prices due to the lower costs across the whole distribution system and from the after-sales customer service directly by members.

5 VALUE CHAIN

A simplified version of the value chain of the direct selling industry includes four main steps, comprising (i) R&D, (ii) cultivation / raw material supply, (iii) manufacturing, and (iv) distribution and sales. Integrated industry players have presence across all these four steps of the value chain, while non-integrated players are generally only involved in manufacturing and distribution and sales via direct selling. The Group has presence across the value chain.

¹⁶ Skin Care in Asia Pacific, "Key Trends and Opportunities, In-Cosmetics Asia Presentation Summary", 12 April 2018.

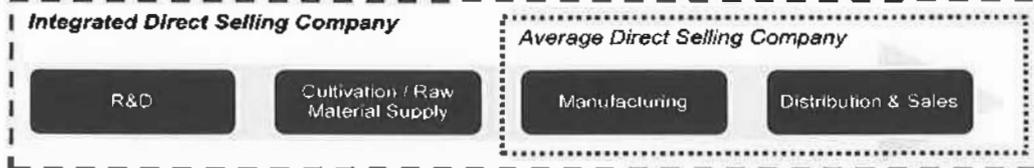
¹⁷ WHO, WHO Global Report on Traditional and Complementary Medicine 2019.

¹⁸ World Federation of Direct Selling Association (WFDSA), Statistical Database, 2018-2021.

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Chart 5-1: Simplified Value Chain of FFB, HDS, PCC Products through Direct Selling



Note: The dashed line box indicates the operations of integrated direct selling companies.

Source: Frost & Sullivan

A balanced mix of in-house cultivation and supply from external parties has its benefits. It helps to provide greater control, build competencies and achieve efficient cultivation volumes of a few selected products (optimising land cost and staff availability), while sourcing externally from trusted partners for products that other industry players are able to produce more efficiently and at a lower cost.

To penetrate new markets, some industry players partner with external distribution agencies that have the advantage of local market know-how, better knowledge of the customers' needs, demand forecasts and better networks with local stakeholders. For sales activities, industry players increasingly rely on digital platforms that help direct selling companies and their members to stay connected, grow sales and widen the customer base.

6 KEY SUCCESS FACTORS AND BARRIERS TO ENTRY

Integrated Business Model / Economies of Scale / Scalability: Fully-owned operations and the integration along the value chain allow industry players to control processes and reduce costs, thus operate efficiently and achieve better margins. For instance, the ownership of production facilities in strategic locations allows industry players to leverage local resources including land and labour, and different climatic characteristics which can reduce the risk of disruptions in the supply-chain, while ensuring production reliability, cost-efficiency with proximity to the target markets and minimising the impact of exchange rate fluctuations, among other advantages. Integrated players may also benefit from incentives provided by local authorities. In addition, it is easier for integrated players with vast localised operations to comply with regulatory requirements. Integrated players can make the relevant adjustments or modifications to the product across the different stages of the value chain and ensure its compliance with the requirements of the local authorities. New market entrants may take longer to achieve scale and compete with integrated players. Direct selling companies also have generally lower fixed costs (e.g. advertising and marketing, management overhead, salaries and compensation) compared to the physical traditional retailers. With an asset-light structure, direct selling companies are able to leverage the extra savings for investments or incentives to their members. Due to the lower fixed costs, direct selling companies benefit from a greater degree of flexibility to scale-up and scale-back their production and operations based on the latest sales figures and changes in demand from consumers.

Strong Distribution Network through a Large Global Base of Highly-Engaged Members: A large global base of highly-engaged members allows companies to reach end consumers fast and build brand visibility through different channels. It also allows for an effective and cost-efficient distribution network across geographies to counter cyclical downturns. To ensure that members are engaged and to create a sense of belonging to the community, direct selling companies may support their outreach and help them in achieving sales targets. Some of the key approaches include assisting the members to create personal websites with the latest and coherent marketing content. Key industry players also generally set aside a portion of the revenue/profit for events and training programs for products (retailing), network marketing (recruitment) and recognition and motivation (retention). A large diversified global distribution network also allows industry players to mitigate their financial exposure to any particular market.

Quality Assurance through Accreditation and Certifications: Accreditations and certifications increase consumers' confidence in purchasing a product. Companies that have solid track records are in a better position to attract new and retain existing customers.

Smart Operations Driven by Intelligence and Information Technology ("IT") Solutions: Successful integrated players leverage on market intelligence and insights, gathered via IT solutions, such as integrated business platforms, to make informed decisions and grow their

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business. These players invest in automated processes that gather real-time information across the various steps of the value chain, from cultivation to sales, and can trigger cross-functional activities between departments. This information helps with the internal planning (human resource management), optimise the procurement of raw materials and the production volume (based on sales and inventories), optimise logistics (sourcing and delivery) and selling processes (invoicing and collection), track recruitment and auto calculate the member's rewards and bonuses, among others. Companies operating in multiple geographies benefit from a solid IT system that integrates and standardises different sets of information across countries (due to different tax reporting standards, different product registration requirements, etc.).

Technological Advancement in Cultivation and Production: The adoption of technological advancements in cultivation and production activities creates opportunities to improve the harvesting yield and pull nutrients out of base ingredients to be further used for product innovation, among other benefits. Companies that have in-house R&D can better reap the full potential of biotechnological advancements. In addition, the adoption of machinery for production at scale improves the speed and efficiency of the operations, and minimises wage costs, thus supporting healthy profit margins. Some of the machinery offers the flexibility to manufacture different range of products to enhance the efficiency of production.

Product Innovation: Companies with a diverse and evolving portfolio of new high-quality products sold at different price-points are able to constantly build excitement among consumers and satisfy their ever-changing needs, while meeting different local regulatory requirements, and accordingly grow the addressable market. Product innovations include the enhancement of existing products or the development of new products. Innovations related to natural ingredients, backed by science-based product development approaches, are able to enhance the credibility of a product while meeting consumer demand. Generally, industry players choose to selectively roll out products when entering new markets to collect feedback from customers and have a higher success rate. New product launches are vital for member and customer engagement / excitement, and provide companies with ongoing future revenue streams.

Sustainable Strategies: Direct selling companies offer different compensation or incentive models to attract, engage and retain members. The key to success is to strike the right balance between members' sales and recruitments. Attractive compensation plans offered by direct selling companies motivate the members to be actively involved in promoting and selling the products, while expanding the network. Generally, direct selling companies that do not require an upfront membership fee, that have transparent marketing plans with clear incentives and career-path structures for the members, and that incentivise sales to customers rather than inventory loading may have an advantage in attracting new members and expanding the distribution network sustainably while building a strong reputation. These practices allow direct selling companies to build a business that can sustain over the long-term, do not exploit members in generating "inflated" sales figures and nurture them with the proper incentives and support to generate tangible revenue opportunities.

Adoption of Modern Marketing Tools: Direct selling companies continuously look for new and innovative ways to promote their products and brands following the latest trends in consumer habits and preferences. For instance, influencer marketing via social media platforms and the use of recommendations or endorsements from influencers or content creators are increasingly gaining traction to attract and engage customers. Due to the higher internet and smartphone penetration, industry players are also adopting technological solutions to support their members and engage their customers, such as virtual make-up applications and nutrition apps or supplement trackers that trace health data and provide personalised recommendations.

Experienced Management Team: The experience and diverse capabilities of the management team are crucial for a company to be successful. A long list of various certifications and industry awards gathered over the years by an organisation testifies the capabilities of a management team in building a successful business.

Strong Brands and Established Customer Relationship: Direct selling companies build their brand by selling quality products that are suitable for local consumption at an acceptable price. To achieve this, direct selling companies build a strong network of members and partners that understand the products and the target customers, building customers relationship and loyalty. This creates customer stickiness and strong barriers to entry for new market players.

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7 COMPETITIVE LANDSCAPE

The direct selling market of FFB, HDS and PCC products is highly fragmented. It comprises both small localised and large multinational companies, with different product offerings and geographical presence. In this fragmented market, the Group has positioned itself with innovative differentiated products which are manufactured in-house with level of capital expenditure similar to that of comparable direct selling companies. Its success is demonstrated by high profit margins and a substantial market share in selected products and countries. The analysis below provides information on key direct selling players comparable with the Group, covering FFB, HDS and PCC products and having a broad geographical presence.

7.1 PROFILE OF KEY INDUSTRY PLAYERS

All selected players comparable with the Group sell all three of the product categories (FFB, HDS and PCC) covered in this report. Among the selected players, three of the players are vertically integrated with presence across the value chain. The Group has more cultivation and manufacturing facilities than these selected players. Among the selected players, the Group has the largest percentage of in-house manufactured product (about 91% of the products sold (based on gross sales) for the FYE 28 February 2022).

The key selected players require a payment for members to join, either a one-off fee or an annual fee, except for the Group, Amway and Nu Skin. The Group has the same compensation model and marketing plan across different countries while other selected players have localised compensation model and marketing plan. The Group's total member count is growing fast at a CAGR of 16.1% from 2020 to 2022.

Table 7-1: Operational Details of Selected Direct Selling Players ⁽¹⁾⁽²⁾

Company	Geographical presence/distribution footprint 2020 (# countries) ⁽³⁾	Geographical presence/distribution footprint 2022 (# countries) ⁽³⁾	R&D facility 2022 ⁽⁴⁾	Cultivation facility 2022 ⁽⁴⁾	Manufacturing facility 2022 ⁽⁴⁾	Indicative % of products produced in-house (% of sales value in 2022) ⁽⁵⁾
DXN	48	50	Yes (2)	Yes (6)	Yes (10)	~91%
Amway Corporation	>100	>100	Yes (10)	Yes (4)	Yes (5)	35-55%
Herbalife Nutrition Ltd ("Herbalife")	94	95	Yes (3) ⁽⁶⁾	Yes (1)	Yes (4)	~51% ⁽⁷⁾
Nu Skin Enterprises Inc ("Nu Skin")	~50	~50	Yes (2)	NA	Yes (4)	~23% ⁽⁸⁾
Oriflame Holdings AG ("Oriflame")	>60	>60	Yes (2)	No	Yes (6)	>70% ⁽⁹⁾
USANA Health Sciences, Inc ("USANA")	24	24	Yes (2)	No	Yes (4)	~65%

Notes: The information is provided for reference only and is indicative in nature. The information provided for the years stated is based on a best effort basis of publicly available information as at March 2023 and interviews with industry players / stakeholders. Information available may be limited and not available in a standardised form. Accordingly, Frost & Sullivan makes no warranties, expressed or implied, on the accuracy and/or on the comprehensiveness of the information in this table.

(1) The list of players may not be comprehensive. (2) The players are selected based on the presence in the three main product categories (FFB, HDS and PCC) of the Group, based on a global presence in more than 20 countries, and based on the availability of selected financial information. (3) Geographical presence/distribution footprint refers to where the players have branches or subsidiaries. (4) "Yes" denotes the presence in the value chain. The number in bracket denotes the number of facilities owned. (5) Products produced in-house for DXN is as at 28 February 2022 while for other companies is as at 31 December 2022. (6) The R&D facility for Herbalife refers to Center of Excellence of Herbalife. (7) Products produced in-house for Herbalife is based on the "Inner Nutrition" product line. (8) Products produced in-house for Nu Skin are beauty and wellness products sourced for markets other than China. (9) Products produced in-house for Oriflame is based on the percentage (%) of manufactured products in 2022.

Source: Frost & Sullivan; key selected players' websites, annual reports, publicly available sources

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Table 7-2: Members Details of Selected Direct Selling Players

Company	Member-ship Fee ⁽¹⁾	Total Members 2020 ⁽²⁾⁽⁴⁾	Total Members 2022 ⁽²⁾⁽⁴⁾	Total Members CAGR 2020-2022 ⁽⁴⁾	Details of Members as at 31 st December 2022	Unified Compensation Model and Bonus Structure
DXN	No	10.6 mil	14.3 mil	16.1%	4.4 mil active members, i.e. members who have purchased a product and any newly registered members in the preceding and current calendar year	Yes
Amway Corporation	No	10-20 mil	10-20 mil	NA	~7.0-8.0 mil members who purchased a product and completed 30 Point Value in the last six months	No
Herbalife	Yes	6.2 mil	6.2 mil	0%	~0.8 mil Sales Leaders who achieved certain levels within Herbalife's marketing plan as at 31 st Dec 2022	No
Nu Skin	No	NA	NA	NA	1.1 mil customers ⁽³⁾ who purchased a product directly from the company in the previous 3 months period	No
Oriflame	Yes	2.9 mil	2.2 mil	-12.9%	~1.0-1.5 mil Brand Partners who purchased a product in campaigns in the preceding calendar year	No
USANA	Yes (for associate)	NA	NA	NA	490,000 Associates and Preferred Customers who purchased a product in the recent 3 months period	No

Notes: The information is provided for reference only and is indicative in nature. The information provided for the years stated is based on a best effort basis of publicly available information as at March 2023 and interviews with industry players / stakeholders. Information available may be limited and not available in a standardised form. Accordingly, Frost & Sullivan makes no warranties, expressed or implied, on the accuracy and/or on the comprehensiveness of the information in this table. (1) Refer to a monetary membership fee. It excludes registration packages with products. The US has been used as a benchmark country for the membership fee comparison, except for Oriflame in the United Kingdom. (2) Total member denotes overall membership number. (3) "Customers" for Nu Skin refer to the number of persons who purchased products directly from the company during the previous 3 months. (4) NA indicates that the data is not available.

Source: Frost & Sullivan; key selected players' websites, annual reports, publicly available sources

Table 7-3: Revenue of the Group and Selected Publicly Listed Direct Selling Players

Selected players	DXN	Herbalife	Nu Skin	Oriflame	USANA	Amway (Malaysia) Holdings Berhad
Revenue FYE 2022 (in USD mil)	282.6	5,204.4	2,225.7	974.8	998.6	344.4

Notes: Information based on the latest financial statements publicly available as at March 2023. (1) The revenue of DXN is for the FYE 28 February 2022; The revenue of other selected publicly listed players is for the FYE 31 December 2022; The revenue of the industry players is converted in USD based on the average exchange rate in 2022: USD1=RM 4.3982; Euro1=USD 1.0534, as retrieved from the Federal Reserve's website.

Source: Frost & Sullivan; key selected players' websites, annual reports, publicly available sources; The Federal Reserve, US

Compared to the average financial results of selected publicly listed players with manufacturing capabilities, the Group recorded the fastest revenue growth and consistently higher gross margins in the latest financial years. Overall, the Group also recorded higher earnings before interest, tax, depreciation and amortisation ("EBITDA") margin, while manufacturing in-house innovative differentiated products with capital expenditure similar to that of comparable publicly listed players with manufacturing capabilities.

Table 7-4: Financial Benchmarking of the Group and Selected Publicly Listed Direct Selling Players

Company	Revenue CAGR FYE 2022 vs FYE 2020	Gross Margin (%) FYE 2020	Gross Margin (%) FYE 2022	EBITDA Margin (%) FYE 2022	Depreciation and Amortisation/ Revenue (%) FYE 2022
DXN ⁽¹⁾	6.1%	82.7%	81.4%	32.3%	3.1%
Average of selected companies with in-house manufacturing capabilities ⁽²⁾	-6.7%	75.6%	74.0%	8.8%	2.9%
Selected company without in-house manufacturing capabilities ⁽³⁾	14.6%	19.5%	20.5%	8.0%	1.1%

Notes: Information based on the latest financial statements publicly available as at March 2023. (1) The financial information for DXN is based on the FYE 28 February 2022 and FYE 29 February 2020, while the financial information for other selected publicly listed players is based on the FYE 31 December 2022 and FYE 31 December 2020; (2) Analysis based on Herbalife, Nu Skin, Oriflame, USANA. Oriflame was delisted from the Nasdaq Stockholm Exchange in July 2019; (3) Analysis based on Amway (Malaysia) Holdings Berhad.

Source: Frost & Sullivan; key selected players' websites, annual reports, publicly available sources

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7.2 MARKET SHARE

The Group has a stronger presence in the direct selling of FFB as compared to HDS and PCC. Based on total retail sales of FFB via direct selling, the Group ranked among the top 3 players respectively in Bolivia and Peru, and among the top 5 players in the Philippines in 2022. Other top direct-selling players in the FFB segment include Herbalife and Omnilife in Bolivia and Peru, and Personal Collection, Amway Corporation, Herbalife, and 4Life in the Philippines. In the same year, the Group also ranked among the top 10 players, based on retail sales of HDS via direct selling in the Philippines. Overall, the Group ranked among the top 10 players based on total sales in the direct selling industry in Peru and Bolivia in 2022.

Table 7-5: Indicative Market Share of the Group on the Direct Selling of FFB, HDS and PCC, Based on Sales Value, Global and Selected Countries, 2020 and 2022

Country	FFB		HDS		PCC	
	2020	2022E	2020	2022E	2020	2022E
Global	2%	2%	<1%	<1%	<1%	<1%
Peru	27%	33%	3%	3%	<1%	<1%
Mexico	9%	9%	1%	1%	<1%	<1%
India	11%	10%	5%	3%	1%	1%
Bolivia	33%	36%	3%	2%	Not present	Not present
Philippines	15%	16%	7%	6%	<1%	<1%
Malaysia	4%	3%	3%	3%	<1%	<1%
Middle East	NA	NA	NA	NA	NA	NA
US	<1%	<1%	<1%	<1%	<1%	<1%
Thailand	1%	<1%	1%	1%	<1%	<1%
Morocco	1%	20%	2%	16%	1%	4%

Note: The market share is provided for reference only and is indicative in nature. It is based on a best effort basis of primary interviews with industry players / stakeholders and publicly available information. Estimation based on the sales data provided by the Group to Frost & Sullivan. 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.

Source: The Group; Frost & Sullivan

8 SUMMARY PROSPECTS AND OUTLOOK FOR THE GROUP

The Group is positioned with a portfolio of innovative differentiated products, manufactured in-house with capital expenditure similar to that of comparable publicly listed players with manufacturing capabilities. Its success is demonstrated by high profit margins and a substantial market share in selected products and countries. The Group has the potential to further penetrate the market for FFB, HDS, PCC and other products within the direct selling industry. Leveraging on its established presence across the value chain, with integrated and majority-owned production facilities, the Group has full control on the quality of its products. This aids in obtaining and retaining relevant certifications, and ultimately enhances trust among its members and customers. The R&D capabilities allow the Group to be innovative in expanding its product offerings with natural ingredients. Its cultivation capability with facilities located in different countries also allows it to have a stable supply of raw materials and be less affected by exchange rate fluctuations. The combined capability to cultivate and manufacture, coupled with technological advancements, enable the Group to produce the majority of its innovative products in-house. Drawing on its extensive experience in cultivating and manufacturing health-oriented and wellness products, the wellness and retreat centre gives the Group another avenue to serve and sell its natural products to its members, further strengthening the brand. The sustainable membership model adopted by the Group allows it to expand the base of members while keeping them active and engaged with reasonable income and rewards. The large base of active members helps to build a strong global distribution network for the Group and focused on sales. The members of the Group are supported by digital tools, such as the members' messaging app, the eWorld web and DXN mobile application, and the possibility to build a personalised website for marketing initiatives. The direct selling activities allow the Group to have a scalable and asset-light business model, which can be easily replicated in new geographical markets, driven by a founder-led and experienced management team.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

9.1 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

9.1.1 Profiles of our Promoter and substantial shareholders

(i) LSJ Global as Promoter and substantial shareholder

LSJ Global is our Promoter and substantial shareholder having 74.3% equity interest in our Company, out of which 0.3% is held on trust for DLSJ and 26.0% is held on trust for DLBL.

LSJ Global was incorporated in Malaysia under the Companies Act, 1965 on 8 June 2011 as a private limited company under the name of Deras Capital Sdn Bhd and is deemed registered under the Act. LSJ Global changed its name to DXN Global Sdn Bhd on 29 March 2012 and to its present name on 13 September 2022. LSJ Global is principally engaged in investment holding activities with investments in property development, property investment, buying, selling, renting and operating self-owned or leased real estate and residential buildings.

As at the LPD, the issued share capital of LSJ Global is RM1,000 comprising 1,000 LSJ Global Shares.

The shareholders of LSJ Global and their respective shareholding in LSJ Global as at the LPD are as follows:

Shareholder	Nationality / Country of incorporation	Direct		Indirect	
		No. of LSJ Global Shares	%	No. of LSJ Global Shares	%
DLBL	Malaysian	500	50.0	-	-
DLSJ	Malaysian	499	49.9	-	-
Gano Global ⁽¹⁾	Singapore	1	0.1	-	-

Note:

(1) Gano Global has disposed its entire shareholding representing 0.1% equity interest in LSJ Global to DLSJ for a cash consideration of RM1 subsequent to the LPD on 14 April 2023.

(ii) DLSJ as substantial shareholder

DLSJ, a Malaysian, is our Non-Independent Executive Chairman and our substantial shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global. Details of his profile are set out in Section 9.2.1(i) of this Prospectus. For his family relationship with our substantial shareholders, Promoter and Directors, see Section 9.4 of this Prospectus.

(iii) DLBL as substantial shareholder

DLBL, a Malaysian, is our substantial shareholder by virtue of her interest in LSJ Global and her beneficial ownership representing approximately 26.0% equity interest in our Company that is held on trust by LSJ Global. For her family relationship with our substantial shareholders, Promoter and Directors, see Section 9.4 of this Prospectus.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(iv) Gano Global as substantial shareholder

Gano Global was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 3 March 2017 as a private company limited by shares under its present name. Gano Global is principally engaged in investment holding and was incorporated as a special purpose vehicle to hold the investment of KACMF in our Company. Gano Global is wholly-owned by KACMF, which in turn is wholly-owned by KACF LP.

KACMF was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 17 October 2012 as a private company limited by shares under its present name. KACMF is registered with the Accounting and Corporate Regulatory Authority in Singapore. KACF LP is an exempted limited partnership formed on 24 April 2012 under the laws of the Cayman Islands.

As at the LPD, the issued share capital of Gano Global is USD46,032,132 comprising 943,001 ordinary shares and 45,089,131 preference shares.

KACF LP and KACMF are managed by their fund manager, KV Asia Capital Pte Ltd, a private equity firm based in Singapore with offices also in Kuala Lumpur, Jakarta, Ho Chi Minh City and Hanoi ("**KV Asia Capital**" or "**Fund Manager**"). Our Non-Independent Non-Executive Director, Vibhav Panandiker, is an executive director and an indirect substantial shareholder of the Fund Manager. The Fund Manager was formed under the Companies Act (Chapter 50) of Singapore on 5 August 2010 as a private company limited by shares under its present name and holds a capital market services licence granted by the Monetary Authority of Singapore. The Fund Manager is responsible for the conduct and affairs and management of KACF LP and KACMF with full discretion to allocate investments.

KACF LP and KACMF's interests in our Company, being one of their investee companies, are for investment purposes only where they do not participate in the day-to-day management and operations of such investee companies.

As at the LPD, KACF LP is diversely owned by one general partner, KV Asia GP Limited (4.9%) and 20 limited partners consisting of institutional investors such as pension funds and investment funds from the U.S., Germany, Denmark, Switzerland, United Kingdom, Jersey, Guernsey and the Cayman Islands with interests ranging from 1.1% to 11.4% in KACF LP.

No single limited partner of KACF LP has the ability to control or to participate in the management of KACF LP and KACMF or KACMF's investee companies, including Gano Global.

The shareholders of Gano Global and their respective shareholding in Gano Global as at the LPD are as follows:

Shareholder	Nationality / Country of incorporation	Direct		Indirect	
		No. of ordinary shares in Gano Global	%	No. of ordinary shares in Gano Global	%
KACMF	Singapore	⁽¹⁾ 943,001 ordinary shares	100.0	-	-
KACF LP	Cayman Islands	-	-	⁽²⁾ 943,001 ordinary shares	100.0

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Notes:

- (1) *KACMF also holds 44,129,787 (97.9%) preference shares in Gano Global. The remaining 719,508 (1.6%) and 239,836 (0.5%) preference shares of Gano Global are held by Ang Kong Hua and Edwin Gerungan respectively. Ang Kong Hua and Edwin Gerungan are members of the Fund Manager's International Advisory Committee.*
- (2) *Deemed interested by virtue of its shareholding in KACMF, applying Section 8(4) of the Act.*

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.1.2 Shareholding of our 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/ Country/ 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	Indirect	No. of Shares (%)	Direct	Indirect	No. of Shares (%)	Direct	Indirect	No. of Shares (%)	Direct	Indirect	No. of Shares (%)		
	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)		
Promoter and substantial shareholder														
LSJ Global / Malaysia	3,584,640	-	(⁽⁵⁾ 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

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

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.*

9.1.3 Changes in our Promoter's and substantial shareholders' shareholdings in our Company for the past three years

There has been no change in our Promoter's and substantial shareholders' shareholdings in our Company for the past three years preceding the LPD.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.2 BOARD OF DIRECTORS

Our Board acknowledges and takes cognisance of the MCCG which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and culture of such companies.

Our Board comprises at least 30% women Directors and a majority of Independent Directors as per the recommendations under the MCCG.

With that, our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to govern our Group effectively. Our Board is also committed to achieving and sustaining high standards of corporate governance.

Within the limits set by our Constitution, our Board is responsible for the governance and management of our Group. To ensure the effective discharge of its functions, our Board has set out the following key responsibilities in the board charter:

- (i) review and adopt a strategic plan for our Group to ensure sustainability of our business and our Group's operations and support long-term value creation;
- (ii) oversee, together with our management, the governance on sustainability including setting strategies, priorities and targets on economic, environmental and social consideration underpinning sustainability and communication on the same (including performance against targets) to internal and external stakeholders;
- (iii) oversee the conduct of our Group's business to evaluate whether our business is being properly managed (which includes managing conflicts of interest, preventing the abuse of power, fraud, bribery and corruption, insider trading and money laundering);
- (iv) identify principal risks and recognise that business decisions involve taking appropriate risks. Determine the risk appetite within which our management is to operate and ensure the implementation of a risk management framework (incorporating mitigation measures) to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- (v) ensure that all members of our Board and our management team are of sufficient calibre and oversee succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing our Board members and senior management;
- (vi) oversee the development and implementation of an investor relations programme or shareholder communications policy for our Group;
- (vii) review the adequacy and the integrity of our Group's risk management, internal control systems and management information systems, including systems/reporting framework for compliance with applicable laws, regulations, rules, directives and guidelines;
- (viii) ensure the integrity of our Company and our Group's financial and non-financial reporting particularly that our financial statements are true and fair and conform with the laws; and
- (ix) ensure that our Company has in place the appropriate corporate disclosure procedures to ensure effective communication with our shareholders and other stakeholders.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

In addition, the roles and responsibilities of our Non-Independent Executive Chairman and Chief Executive Officer are clearly segregated to further enhance and preserve a balance of authority and accountability. Our Non-Independent Executive Chairman is primarily responsible for, among others, the following:

- (i) providing leadership for our Board so that our Board can perform its responsibilities effectively;
- (ii) leading our Board in setting the values and standards as well as the adoption and implementation of good corporate governance practices in our Group;
- (iii) maintaining a relationship of trust with and between our Executive and Non-Executive Directors;
- (iv) setting the Board agenda and ensuring the provision of accurate, timely, complete and clear information to our Directors as well as ensuring that our Board committee meetings are conducted separately from our Board meetings;
- (v) ensuring the adequacy and integrity of the governance process and issues including upgrading and monitoring good corporate governance practices within our Group;
- (vi) chairing our Board and shareholder meetings, and ensuring the proceedings thereof comply with good conduct and practices;
- (vii) functioning as a facilitator at meetings of our Board to ensure that no member, whether Executive or Non-Executive, dominates discussion and that relevant discussions take place with relevant opinions among members forthcoming, encouraging active participation and allowing dissenting views to be freely expressed and ensuring that discussions result in logical and understandable outcome;
- (viii) leading our Board in its collective oversight of our management; and
- (ix) ensuring that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to our Board as a whole.

On the other hand, our Chief Executive Officer is primarily responsible for the day-to-day operations of our Group's business, leading the implementation of policies, strategies and decisions adopted by our Board as well as monitoring the operating and financial results of our Group against plans and budgets.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

The details of the members of our Board and the details of the date of expiration of the current term of office for each of our Director and the period that each of our Directors has served in that office as at the LPD are as follows:

Director	Designation	Age	Nationality	Date of appointment as Director	Date of expiration of the current term of office at AGM	No. of years and months in office
DLSJ	Non-Independent Executive Chairman	62	Malaysian	3 April 1996	Subject to retirement by rotation at our AGM in 2023	26 years 11 months
Teoh Hang Ching	Non-Independent Executive Director and Chief Executive Officer	64	Malaysian	9 February 2022	Subject to retirement by rotation at our AGM in 2025	1 year 1 month
DLBY	Non-Independent Non-Executive Director	59	Malaysian	22 November 1998	Subject to retirement by rotation at our AGM in 2025	24 years 4 months
Vibhav Panandiker	Non-Independent Non-Executive Director	59	Singaporean	12 May 2017	Subject to retirement by rotation at our AGM in 2025	5 years 10 months
Datuk Noripah Binti Kamso	Senior Independent Non-Executive Director	65	Malaysian	10 February 2022	Subject to retirement by rotation at our AGM in 2023	1 year 1 month
Tunku Afwida Binti Tunku A. Malek	Independent Non-Executive Director	57	Malaysian	10 February 2022	Subject to retirement by rotation at our AGM in 2024	1 year 1 month
Stefan Heitmann	Independent Non-Executive Director	57	German	10 February 2022	Subject to retirement by rotation at our AGM in 2024	1 year 1 month
Abraham Verghese A/L T V Abraham	Independent Non-Executive Director	66	Malaysian	10 February 2022	Subject to retirement by rotation at our AGM in 2024	1 year 1 month
Ong Huey Min	Independent Non-Executive Director	64	Malaysian	1 August 2022	Subject to retirement by rotation at our AGM in 2023	8 months

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

None of our other Directors represent any corporate shareholder on our Board except for DLSJ who is a representative of LSJ Global and Vibhav Panandiker who is a representative of Gano Global. Further, there are no family relationships between our Directors save for DLSJ and DLBY, who are brothers.

9.2.1 Profiles of our Directors

(i) DLSJ

DLSJ, a Malaysian aged 62, is our Non-Independent Executive Chairman. He was appointed to our Board on 3 April 1996 as our Non-Independent Executive Chairman/Chief Executive Officer. He relinquished his position as Chief Executive Officer in May 2022.

He obtained a Bachelor of Technology from the Indian Institute of Technology Kharagpur, India in 1984. While studying in India, he developed an interest in alternative medicine, in particular, the benefits of Ganoderma on human health.

From 1984 to 1994, he worked as an engineer at Muda Agriculture Development Authority in Kedah, a government agency established under the Ministry of Agriculture and Food Industries of Malaysia to improve and manage economic development projects in the Muda area in Kedah and to plan and manage all agricultural development assigned to it by the state governments of Kedah and Perlis.

He is the founder of our Group with over 25 years of experience in the direct selling industry and the business operations of our Group. Our Group started with DXN Marketing which commenced operations in 1995. Due to his keen interest in Ganotherapy as a holistic approach to alternative medicine, he set on his mission to promote the benefits of Ganoderma on human health and he advocated the scientific cultivation and processing of Ganoderma into health supplements and various food and personal care products. Under his stewardship, our Group ventured beyond the Malaysian borders into the international markets. As our Chief Executive Officer between 1996 and May 2022, he oversaw the entire business operations of our Group and played a key pivotal role in key operational matters, marketing and was responsible for the overall expansion of our Group. He continues to be responsible for overseeing our Group's strategic business strategies, marketing plans and R&D, which are integral to our Group's continued development and expansion potential.

He currently sits on the board of various subsidiaries of our Group and several other private limited companies as disclosed in Section 9.2.3 of this Prospectus.

(ii) Teoh Hang Ching

Teoh Hang Ching, a Malaysian aged 64, is our Non-Independent Executive Director and Chief Executive Officer. He has over 37 years of experience in various industries such as auditing, trading and manufacturing including over 14 years in the direct selling industry. He was appointed to our Board on 9 February 2022.

He obtained his Chartered Institute of Management Accountants ("CIMA") qualification and was admitted as an Associate member and Fellow of CIMA in 1994 and 2002 respectively. He has been a member of MIA since 1994.

He began his career in 1982 with the National Audit Department of Malaysia until 1993 as an auditor responsible for the audits on statutory bodies, district offices and local councils.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

From 1994 to 1997, he was Group Management Accountant of Tan Kar Pin Holding Sdn. Bhd., a company involved in the manufacturing and trading of aluminium and stainless steel. In 1997, he joined Chiang Jiang Aluminium Sdn. Bhd. ("**Chiang Jiang**") as General Manager until 2003 where he was responsible for assisting in setting up the company and its overall management.

He joined our Group as Senior Manager – Chief Executive Officer office in 2003. He subsequently held various positions in our Group including as International Business Senior Manager, Country Manager of our Philippines branch and India, and President of our U.S. operations and marketing activities. He left our Group in 2008 and re-joined Chiang Jiang as General Manager until 2010 before joining Alumac Sdn Bhd, a company involved in the manufacturing and trading of aluminium where he served as General Manager between 2011 and 2012.

He returned to our Group in 2012 as Regional Manager, responsible for our Philippines branch and oversaw our operations in India. He was subsequently promoted and held several senior positions in our Group including as our Chief Operating Officer where he was tasked with overseeing the operations of our Group's foreign subsidiaries which are involved in direct selling and our factory operations in China and India, as our Marketing Executive Director and subsequently as Chief Marketing Officer in 2016 before he assumed his current position as our Chief Executive Officer in May 2022.

(iii) DLBY

DLBY, a Malaysian aged 59, is our Non-Independent Non-Executive Director. He was appointed to our Board on 22 November 1998 as our Non-Independent Executive Director and was re-designated as our Non-Independent Non-Executive Director in May 2022.

He obtained a Bachelor of Business Administration in International Trade and Accounting from the Soochow University, Taipei, Republic of China in 1991 and a Master of Business Administration from the National University of Singapore in 2001.

He began his career in 1990 as Assistant Audit Manager with Reality United Firm, CPAs, an accounting firm in Taiwan and left in 1996 to join our Group in 1997.

Since 1997, he has been a director of DXN Marketing and a key senior member of DXN Marketing's management primarily responsible for its management, administration and licensing as well as assisting in setting up its branches. From 1998 to May 2022 (including the period when DXN was listed on the Kuala Lumpur Stock Exchange), he served as our Managing Director responsible for our Group's management, administration and licensing.

He currently sits on the board of various subsidiaries of our Group and several other private limited companies as disclosed in Section 9.2.3 of this Prospectus.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(iv) Vibhav Panandiker

Vibhav Panandiker, a Singaporean aged 59, is our Non-Independent Non-Executive Director. He was appointed to our Board on 12 May 2017.

He obtained both his Bachelor of Engineering (Honours) in the Electrical and Electronics branch and Master of Science (Honours) in Economics from the Birla Institute of Technology and Science, India in 1987, and Post Graduate Diploma in Management from the Indian Institute of Management, Bangalore, India (“IIMB”) in 1991.

He began his career in 1986 as Product Marketing Executive at Wipro Systems Limited, an information technology consulting and business process services company. He left in 1989 to pursue his post graduate studies at the IIMB.

Upon graduating from IIMB in 1991, he joined Citibank N.A. in India as Product Manager responsible for enhancing product offering for cash management, monitoring profitability and managing controls and efficiency of products in India. He left in 1995 to join Standard Chartered Bank, India as Product Manager where he was responsible for setting up cash management products in India. He moved to Singapore in 1996 to join Citibank N.A., Singapore as Regional Product Manager until 2000. Between 2000 and 2001, he was the Industry Practice Director for financial services responsible for building a practice for e-business consulting for financial services sector at Web Connection Pte Ltd, an internet services company in Singapore.

Between 2001 and 2009, he was a director at Standard Chartered Bank (Singapore) Limited, Private Equity Division where he was responsible for originating, analysing and structuring investment opportunities and monitoring portfolio companies. He was appointed as Managing Director of Global Special Opportunities to look after J.P. Morgan (S.E.A.) Limited’s (“JP Morgan”) private equity investments in Southeast Asia and India in 2009. In 2010, he left JP Morgan to co-found and is currently a partner of KV Asia Capital, a private equity firm headquartered in Singapore that is focused on making equity investments in companies across Southeast Asia.

He currently sits on the boards of several investee companies as representative of KV Asia Capital as disclosed in Section 9.2.3 of this Prospectus.

(v) Datuk Noripah Binti Kamso

Datuk Noripah Binti Kamso, a Malaysian aged 65, is our Senior Independent Non-Executive Director. She was appointed to our Board on 10 February 2022.

She obtained a Diploma in Business Studies from Institut Teknologi Mara, Malaysia (the predecessor of Universiti Teknologi Mara (“UiTM”)) in 1978, a Bachelor of Science from Northern Illinois University in the U.S. in 1980 and a Master of Business Administration from Marshall University, U.S. in 1981. She is a member of the Institute of Corporate Directors Malaysia.

She began her career in 1980 as Development Officer, Project Division at Urban Development Authority of Malaysia (“UDA”) where she was responsible for overseeing the overall implementation of development projects. She left UDA and joined Bank of Commerce (M) Berhad in 1983 (which subsequently became part of CIMB Group Holdings Berhad (together with its subsidiaries and associated companies, “CIMB Group”)) as an Executive Trainee and rose up the ranks to Senior Manager of the corporate banking department.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

She remained with the CIMB Group for the next 30 years until 2014 where she held various key positions including Deputy General Manager, General Manager and director of the corporate banking department of Commerce International Merchant Bankers Berhad ("**CIMBB**") responsible for all corporate lending businesses from 1993 to 2004. While she was serving at CIMBB, she was also the Chief Executive Officer of CIMB Futures Sdn Bhd ("**CIMB Futures**") in-charge of derivatives broking from 1996 to 2004. She was Chief Executive Officer of CIMB Principal Asset Management Berhad ("**CPAM**") from 2004 to 2008 and the founding Chief Executive Officer of CIMB Principal Islamic Asset Management Sdn. Bhd. ("**CPIAM**") from 2008 until 2012. During her tenure, CPAM evolved into a regional asset management house and CPIAM extended its reach to various jurisdictions offering investment capabilities in equities and sukuk for global institutional investors. Her last position was as an advisor to CIMB Islamic Wholesale Banking of the CIMB Group from 2013 until 2014. She had also served as executive director of CIMB Futures, CPAM and CPIAM during her tenure with the CIMB Group.

In 2015, she lectured graduate and undergraduate students in Islamic Capital Market at the College of Business and Public Administration as Global Practitioner in Residence in the Centre for Global Citizenship of Principal Financial Group at Drake University, U.S.. In the academic year from 2016 to 2017, she was a visiting fellow in Islamic finance at the Oxford Centre for Islamic Studies, an independent centre of the University of Oxford, United Kingdom where she pioneered the establishment of the Islamic finance department. She has been a visiting lecturer at St. Joseph University in Beirut, Lebanon since 2015, lecturing on the fundamentals of Islamic finance contracts to practising lawyers pursuing their Master in Law degree. She was an adjunct professor in the School of Economics, Finance & Banking of Universiti Utara Malaysia between 2014 and 2019 and she was also an adjunct professor in the Faculty of Business and Management of UiTM between 2019 and 2021.

Between 2015 and 2017, she was appointed by the SC to serve as Public Interest Director of the Federation of Investment Managers Malaysia, recognised by the SC as a self-regulatory organisation for the unit trust industry. Between 2016 and 2020, she was a member of the Appeals Committee of Securities Industries Dispute Resolution Centre, an expert, independent and impartial alternative dispute resolution body established by the SC as part of its investor protection framework. She was also the Chairman of Bank Kerjasama Rakyat Malaysia Berhad from 2018 to 2020 and the Chairman of the board of trustees of Yayasan Bank Rakyat from 2019 to 2020. Between 2015 and January 2023, she was an independent director of Top Glove Corporation Berhad, a public company listed on the Main Market of Bursa Securities. In 2022, she was appointed chairwoman (designate) of the Malaysian operations of Arabesque Holding Ltd, a United Kingdom based financial technology company.

She has been an independent director of Swift Haulage Berhad since 2021, a public company listed on the Main Market of Bursa Securities and also holds directorships in several companies as disclosed in Section 9.2.3 of this Prospectus.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(vi) Tunku Afwida Binti Tunku A. Malek

Tunku Afwida Binti Tunku A. Malek, a Malaysian aged 57, is our Independent Non-Executive Director. She was appointed to our Board on 10 February 2022.

She obtained a Bachelor of Science (Honours) in Economics and Accountancy from The City University, London (the predecessor of City, University of London) in 1988 and qualified as a Chartered Accountant of the Institute of Chartered Accountants in England and Wales in 1992. Currently, she is a member of MIA.

She left the United Kingdom in 1993 to return to Malaysia and joined Rashid Hussain Asset Management (the predecessor of RHB Asset Management Sdn Bhd) as a fund manager and analyst until 1994 when she joined UOB Asset Management Ltd in Singapore as an equities analyst and manager and left in 1995. Between 1995 and 2003, she served as an executive director and Chief Investment Officer at Commerce Asset Fund Managers Sdn Bhd (the predecessor of CPAM).

Between 2003 and 2008, she held senior and leadership positions in two investment banks. She joined MIMB Investment Bank Berhad (*now known as* Hong Leong Investment Bank Berhad) in 2003 and served as Chief Executive Officer until 2006. She was then appointed as Chief Executive Officer of Kenanga Investment Bank Berhad ("**Kenanga IB**") between 2006 and 2008. She also served as an executive director of both banks during her tenure with the banks.

During the period after she left Kenanga IB, she served on the boards of a number of public and private companies including Cagamas Berhad, i-VCAP Management Sdn Bhd, Universiti Tun Abdul Razak Sdn Bhd, Transnational Insurance Brokers (M) Sdn Bhd and Benih Semaian Sdn Bhd. Between 2016 and 2022, she was a director and co-owner of Asia Equity Research Sdn Bhd, a company licensed by the SC to provide advisory services in corporate finance including compliance and funding advisory related services.

She is currently the Chairman of Affin Hwang Investment Bank Berhad. She has been an independent director of Telekom Malaysia Berhad since 2016, SAM Engineering & Equipment (M) Berhad since 2020 and Enra Group Berhad since March 2022, all public companies listed on the Main Market of Bursa Securities and also holds directorships in several companies as disclosed in Section 9.2.3 of this Prospectus.

(vii) Stefan Heitmann

Stefan Heitmann, a German aged 57, is our Independent Non-Executive Director. He was appointed to our Board on 10 February 2022.

He graduated with a degree in Business Administration (*Diplom- Betriebswirt (FH)*) from the University of Applied Sciences, Rheinland Pfalz, Germany (*Fachhochschule Rheinland Pfalz*) (the predecessor of Mainz University of Applied Sciences (*Hochschule Mainz*)) in 1993. He is a member of the Institute of Corporate Directors Malaysia.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

He began his career in 1985 as an Apprentice Industrial Business Management Assistant at Hoechst AG, a pharmaceutical and chemical company in Germany. He was conscripted for mandatory military service in Germany from 1987 until 1988. Subsequent thereto, he returned to Hoechst AG in 1988 as a marketing executive (Eastern Europe) and rose through the ranks to become a pharmaceutical representative and thereafter international pharmaceutical representative at Hoechst Australia Ltd. between 1993 to 1994, business service (distribution) & business development manager at Hoechst Thai Ltd in Bangkok, Thailand between 1994 and 1996, regional controller & marketing coordinator for South East Asia and Pakistan at Hoechst Marion Roussel AG (Singapore Representative Office) in Singapore between 1997 and 1998 and finally as Country Business Analyst, Asia Pacific at Hoechst Marion Roussel AG, Frankfurt from 1998 to 1999.

He subsequently joined the Zuellig Pharma group from 1999 until 2012 across its operations in the Philippines, Indonesia, Vietnam, Brunei and Malaysia where he held various senior positions including as Vice President of operations at Metro Drug, Inc., Manila, Philippines in 1999 and his last position was as President & General Manager in 2003. He was then transferred to PT Wigo Distribusi Farmasi, Jakarta, Indonesia where he was General Manager and subsequently President Director before he was transferred in 2006 to serve as General Director of Zuellig Pharma Vietnam Co. Ltd., Vietnam until his subsequent transfer in 2011 to serve as the Chief Executive at Zuellig Pharma Sdn Bhd, Malaysia overseeing operations in Malaysia and Brunei until 2012.

Since 2012, he has been providing healthcare consultancy services, initially privately on his own and subsequently under Windira Ltd and thereafter under Windira (HK) Limited, where he is Managing Director and co-owner. He has provided advisory services to, among others, healthcare manufacturer and distributors.

He currently sits on the board of several companies as disclosed in Section 9.2.3 of this Prospectus.

(viii) **Abraham Verghese A/L T V Abraham**

Abraham Verghese A/L T V Abraham, a Malaysian aged 66, is our Independent Non-Executive Director. He was appointed to our Board on 10 February 2022.

He became an associate member of Association of Chartered Certified Accountants (“**ACCA**”) in 1982 and has been a Fellow member of ACCA since 1987. He has been a member of Malaysian Institute of Certified Public Accountants (*formerly known as* Malaysian Association of Certified Public Accountants) (“**MICPA**”) since 1989 and is currently a member of MIA. He is a member of the Institute of Corporate Directors Malaysia.

He began his career with T Chellapah & Co, an accounting firm, in 1979 as an Audit Assistant and left in the same year to join Hanafiah Raslan & Mohamad, an accounting firm. He remained with the firm after its merger in 1990 with Arthur Anderson (“**AA**”) and the subsequent merger in 2002 with Ernst and Young (“**EY**”), an international accounting firm, until his retirement in 2016. In the 37 years with the firm, he held various senior positions and gained vast experience in accounting, auditing and financial consulting, initial public offering, corporatisation and privatisation of entities in varying industries, including financial institutions, stockbroking, asset and fund management, manufacturing, real estate, education, construction and healthcare. He was appointed as National Partner from 1994 to 1997 and subsequently Worldwide Partner of AA from 1997 to 2001 and went on to become a Partner at EY from 2002 until 2016.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

He has been an independent director of Maxim Global Berhad since 2019, a public company listed on the Main Market of Bursa Securities.

(ix) Ong Huey Min

Ong Huey Min, a Malaysian aged 64, is our Independent Non-Executive Director. She was appointed to our Board on 1 August 2022.

She completed her secondary school education at Sekolah Menengah King Edward VII, Taiping in 1977. She is a member of MICPA and MIA since 1983 and 1988 respectively. She is also a member of Chartered Tax Institute of Malaysia (*formerly known as Malaysian Institute of Taxation*) since 2003.

She began her career in 1978 as an Articled Clerk at Peat Marwick, Mitchell & Co (*now known as KPMG PLT*) and rose through the ranks of supervisor, manager and director over her years of service with the firm. In 2003, she was appointed as Executive Director/Partner heading the Penang tax division of KPMG Tax Services Sdn Bhd ("**KPMG Tax**"), her last position before her retirement in 2014. She stayed on as a Consultant at KPMG Tax for 3 months in 2015. During her tenure of more than 35 years at KPMG, she gained extensive experience in tax advisory and tax compliance matters and was the engagement partner for public listed and multinational companies in various industries. She also advised foreign investors on various tax incentives accorded by the Government and setting up initial operations in Malaysia.

In 2015, she co-founded YNWA Advisory PLT, a corporate advisory firm which provides, among others, business management consultancy, investment advisory and tax consultancy services.

She has been an independent director of Pensonic Holdings Bhd and Globetronics Technology Bhd since 2017, both public companies listed on the Main Market of Bursa Securities.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.2.2 Shareholding of our Directors

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

Director	Before our IPO ⁽¹⁾			After our IPO									
	Direct No. of Shares ('000)	Indirect No. of Shares ('000)	%	Assuming the Over-allotment Option is not exercised ⁽²⁾			Assuming the Over-allotment Option is fully exercised ⁽²⁾			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)	%	
DLSJ	-	3,584,640	(6)74.3	-	3,390,465	(5)68.0	-	3,250,564	(5)65.2	3,000	0.1	3,250,564	(5)65.8
Teoh Hang Ching	-	-	-	1,000	*	-	1,000	*	-	-	-	3,500	0.1
DLBY	-	-	-	5,000	0.1	-	5,000	0.1	-	-	-	5,250	0.1
Vibhav Panandiker	-	-	-	-	-	-	-	-	-	-	-	-	-
Datuk Noripah Binti Kamsu	-	-	-	200	*	-	200	*	-	-	-	400	*
Tunku Afwida Binti Tunku A. Malek	-	-	-	-	-	-	-	-	-	-	-	200	*
Stefan Heitmann	-	-	-	-	-	-	-	-	-	-	-	200	*
Abraham Verghese A/L T V Abraham	-	-	-	-	-	-	-	-	-	-	-	-	-
Ong Huey Min	-	-	-	-	-	-	-	-	-	-	-	200	*

Notes:

* Negligible

(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.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

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

9.2.3 Principal business activities performed by our Directors outside our Group in the past five years

The principal business activities performed by our Directors outside our Group as at the LPD and the directorships of our Directors outside our Group at present and in the past five years preceding the LPD are as follows:

Name of company/entity	Principal activities	Involvement in business activities
DLSJ		
• Bio Synergy Engineering	• R&D on other natural science and engineering N.E.C. ⁽¹⁾	• Substantial shareholder (indirect)
• Bulgano Ltd.	• Dormant ⁽²⁾	• Substantial shareholder (direct)
• CM2H Holding Sdn Bhd	• Activities of holding companies with investments in mining, sawmilling and plantation	• Director (Appointed on 18 June 2019) and substantial shareholder (direct)
• LSJ Agrotech Inc.	• Dormant with plans for organic mega farming in Guyana	• Director (Appointed on 13 September 2022) and substantial shareholder (direct)
• LSJ Biotech	• Manufacturing, trading, export and import and dealing in Ganoderma mushroom, Cordyceps mushroom and similar mushroom products and producing RG and GL capsules and powder	• Director (Appointed on 17 July 2012) and substantial shareholder (direct)
• Daxen Marketing Sdn Bhd (winding up)	• Sale of chemists' goods	• Director (Appointed on 10 October 1994) and substantial shareholder (direct)
• DXN Eco Lodge PLC	• Dormant ⁽³⁾	• Substantial shareholder (direct)
• LSJ Global	• Investment holding activities	• Director (Appointed on 26 July 2011) and substantial shareholder (direct)
• DXN Green Tech Sdn Bhd (winding up)	• Research and development and experimental work in relation to biotechnology, bio-chemical and agricultural products	• Director (Appointed on 1 March 2013) and substantial shareholder (direct)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<ul style="list-style-type: none"> • LSJ Holistic Medicine Institute Sdn Bhd (<i>formerly known as</i> DXN Holistic Medicine Institute Sdn Bhd) 	<ul style="list-style-type: none"> • Conducting health courses on traditional medical treatment and related activities 	<ul style="list-style-type: none"> • Director (<i>Appointed on 4 July 2001</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • LSJ Land 	<ul style="list-style-type: none"> • Property development and investment holding 	<ul style="list-style-type: none"> • Director (<i>Appointed on 17 September 1998</i>) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • LSJ Plantation 	<ul style="list-style-type: none"> • Timber logging, agricultural farming and crops plantation, trading timber and its related products and all kinds of agricultural produce and crops 	<ul style="list-style-type: none"> • Director (<i>Appointed on 3 April 1996</i>)
<ul style="list-style-type: none"> • GTM Indah Purnama Sdn Bhd 	<ul style="list-style-type: none"> • Mining, sawmilling and plantation 	<ul style="list-style-type: none"> • Director (<i>Appointed on 16 June 2020</i>) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • Lim Siow Jin Estate Sdn Bhd (<i>Striking off in process</i>) 	<ul style="list-style-type: none"> • Investment holding with investments in rubber, sesame and palm plantation 	<ul style="list-style-type: none"> • Director (<i>Appointed on 2 June 2010</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • LSJ Coal Trading Pte Ltd 	<ul style="list-style-type: none"> • Coal trading 	<ul style="list-style-type: none"> • Director (<i>Appointed on 11 May 2010</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Nutraceutical Sdn Bhd (<i>formerly known as</i> DXN Nutraceutical Sdn Bhd) 	<ul style="list-style-type: none"> • Other manufacturing N.E.C.; agricultural activities for crops production on a fee or contract basis; R&D on agricultural sciences 	<ul style="list-style-type: none"> • Director (<i>Appointed on 27 October 2022</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Pasukhas Cherating Sdn Bhd 	<ul style="list-style-type: none"> • Activities of holding companies, real estate activities with own or leased property N.E.C.⁽¹⁾, export and import of a variety of goods without any particular specialization N.E.C.⁽¹⁾ 	<ul style="list-style-type: none"> • Director (<i>Appointed on 14 January 2020</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Pine Biotech Private Limited 	<ul style="list-style-type: none"> • Production, processing and preservation of meat, fish, fruit vegetables, oils and fat 	<ul style="list-style-type: none"> • Director (<i>Appointed on 2 July 2012</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Pusat Rawatan Komplementari LSJ Sdn Bhd (<i>formerly known as</i> Pusat Rawatan Komplementari DXN Sdn Bhd) 	<ul style="list-style-type: none"> • Provision of therapeutic and herbal treatments through traditional Chinese methods, medicine and herbs; Conducting courses on homeopathy and nutrilogy 	<ul style="list-style-type: none"> • Director (<i>Appointed on 18 August 1999</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Richmont Sapphire 	<ul style="list-style-type: none"> • Construction of buildings 	<ul style="list-style-type: none"> • Substantial shareholder (indirect)
<ul style="list-style-type: none"> • Suria Sinarjaya Sdn Bhd 	<ul style="list-style-type: none"> • Engaged in the business of fish farming 	<ul style="list-style-type: none"> • Director (<i>Appointed on 22 October 2015</i>) and substantial shareholder (direct)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<ul style="list-style-type: none"> • Yiked 	<ul style="list-style-type: none"> • Property development and property investment, buying, selling, renting and operating of self-owned or leased real estate – residential buildings 	<ul style="list-style-type: none"> • Substantial shareholder (indirect)
<ul style="list-style-type: none"> • Zaman Biotech 	<ul style="list-style-type: none"> • General trading 	<ul style="list-style-type: none"> • Director (Appointed on 29 October 2015) and substantial shareholder (direct)
<ul style="list-style-type: none"> • DNC Food Industries 	<ul style="list-style-type: none"> • Manufacture of spices and curry powder, mixed farming 	<ul style="list-style-type: none"> • Director (Appointed on 15 March 2018 and resigned on 23 May 2018) and substantial shareholder through DXN (indirect)
<ul style="list-style-type: none"> • Eco Tree Resources Sdn Bhd 	<ul style="list-style-type: none"> • To carry out R&D of food, agriculture and agro-based products and to provide consulting and support services; to cultivate, grow, produce harvest, raise or deal in, export, import and distribute Ganoderma, all kinds of mushroom, herbs and all kinds of related herbal fungi and agriculture produce or products of all description and items derived from agricultural farming or relevant activities. 	<ul style="list-style-type: none"> • Director (Appointed on 4 January 2019 and resigned 29 July 2022)
<ul style="list-style-type: none"> • Gemsinar Sdn Bhd 	<ul style="list-style-type: none"> • Trading and marketing activities for commodity and its related products, provision of services in commodity trading and its related products 	<ul style="list-style-type: none"> • Director (Appointed on 31 January 2020 and resigned on 18 February 2021)
<ul style="list-style-type: none"> • Sunyatee 	<ul style="list-style-type: none"> • Charitable organisation established for, among others, improving living standards of farmers and reducing malnutrition among children in the agricultural society in India 	<ul style="list-style-type: none"> • Director (Appointed on 20 November 2019 and resigned on 13 March 2022)
Teoh Hang Ching		
<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • Nil
DLBY		
<ul style="list-style-type: none"> • Bio Synergy Engineering 	<ul style="list-style-type: none"> • R&D on other natural science and engineering N.E.C.⁽¹⁾ 	<ul style="list-style-type: none"> • Director (Appointed on 17 December 2007)
<ul style="list-style-type: none"> • Brilliant Pillar Sdn Bhd 	<ul style="list-style-type: none"> • Investment holding, with no current investments 	<ul style="list-style-type: none"> • Substantial shareholder (direct)
<ul style="list-style-type: none"> • DCT Tours 	<ul style="list-style-type: none"> • Travel agents and tour operators, provides flights and hotel booking services, inbound and outbound tour packages 	<ul style="list-style-type: none"> • Director (Appointed on 21 April 2014) and substantial shareholder (direct)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<ul style="list-style-type: none"> • Stargate Capital Sdn Bhd (<i>formerly known as DXN Construction Sdn Bhd</i>) 	<ul style="list-style-type: none"> • General contractor and provision of contract management services 	<ul style="list-style-type: none"> • Director (<i>Appointed on 2 December 1998</i>) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • Stargate Land 	<ul style="list-style-type: none"> • Construction and property development and trading in construction material 	<ul style="list-style-type: none"> • Director (<i>Appointed on 21 September 1997</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • LSJ Global 	<ul style="list-style-type: none"> • Investment holding activities 	<ul style="list-style-type: none"> • Director (<i>Appointed on 14 April 2021</i>)
<ul style="list-style-type: none"> • LSJ Holistic Medicine Institute Sdn Bhd (<i>formerly known as DXN Holistic Medicine Institute Sdn Bhd</i>) 	<ul style="list-style-type: none"> • Conducting health courses on traditional medical treatment and related activities 	<ul style="list-style-type: none"> • Director (<i>Appointed on 7 April 2000</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • LSJ Land 	<ul style="list-style-type: none"> • Property development and investment holding 	<ul style="list-style-type: none"> • Director (<i>Appointed on 22 November 1998</i>)
<ul style="list-style-type: none"> • Fusion Development & Construction Sdn Bhd 	<ul style="list-style-type: none"> • General building contractor 	<ul style="list-style-type: none"> • Director (<i>Appointed on 1 February 2012</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Fusion Land Sdn Bhd 	<ul style="list-style-type: none"> • Property development 	<ul style="list-style-type: none"> • Director (<i>Appointed on 7 September 2011</i>) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • Fusion Multiways Sdn Bhd 	<ul style="list-style-type: none"> • Produce precast concrete, hire of machinery and general contractor 	<ul style="list-style-type: none"> • Director (<i>Appointed on 2 June 2013</i>) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • Giltlink Ventures Sdn Bhd 	<ul style="list-style-type: none"> • Property development 	<ul style="list-style-type: none"> • Director (<i>Appointed on 8 October 2005</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Jati Foundation 	<ul style="list-style-type: none"> • To organise, establish, carry out, participate, assist, aid and give relief to the poor; to foster, fund, develop and improve education; to establish and/or support or to aid in the establishment and/or support of making donations 	<ul style="list-style-type: none"> • Director (<i>Appointed on 4 July 2017</i>)
<ul style="list-style-type: none"> • Keat Hwa (K) Primary 	<ul style="list-style-type: none"> • Property management for SRJK (C) Keat Hwa (K), foundation fund 	<ul style="list-style-type: none"> • Director (<i>Appointed on 17 September 2008</i>)
<ul style="list-style-type: none"> • Keat Hwa Guo Zhong (KD) 	<ul style="list-style-type: none"> • To hold land and building for Keat Hwa Secondary School for education purposes 	<ul style="list-style-type: none"> • Director (<i>Appointed on 20 October 2019</i>)
<ul style="list-style-type: none"> • Prosperity Structure Sdn Bhd 	<ul style="list-style-type: none"> • Property development and investment holding 	<ul style="list-style-type: none"> • Director (<i>Appointed on 22 January 2003</i>) and substantial shareholder (direct)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<ul style="list-style-type: none"> • Pusat Rawatan Komplementari LSJ Sdn Bhd (<i>formerly known as Pusat Rawatan Komplementari DXN Sdn Bhd</i>) • Richmond Sapphire • Yiked • LSJ Plantation 	<ul style="list-style-type: none"> • Provision of therapeutic and herbal treatments through traditional Chinese methods, medicine and herbs; Conducting courses on homeopathy and nutrilogy • Construction of buildings • Property development and property investment, buying, selling, renting and operating of self-owned or leased real estate – residential buildings • Timber logging, support service for forestry and forest plantation for forest service activities, support service for logging services 	<ul style="list-style-type: none"> • Director (Appointed on 18 August 1999) and substantial shareholder (direct) • Director (Appointed on 12 October 2015) • Director (Appointed on 11 August 2006) • Director (Appointed on 31 January 2021 and resigned on 7 September 2021)
Vibhav Panandiker		
<ul style="list-style-type: none"> • Asia Pacific Education Holdings Sdn Bhd • Beauty Brands International Pte. Ltd. • Gano Global • Hyper I International Pte. Ltd. (in liquidation) • IMR Offshore Pte. Ltd. • IMR Power Pte. Ltd. • Infinity Forward Holdings Pte. Ltd. 	<ul style="list-style-type: none"> • Investment holding with investments in the education business • Investment holding with investments in personal care business in Indonesia • Special purpose vehicle to hold investments of KACMF in our Company • Investment holding⁽²⁾ • Investment holding with investments in the business of industrial machinery and equipment installation and mechanical engineering works • Investment holding with investments in the business of industrial machinery and equipment installation and mechanical engineering works • Investment holding with intention to invest in the logistics freight forwarding business in Vietnam 	<ul style="list-style-type: none"> • Director (Appointed on 29 August 2018) • Director (Appointed on 30 July 2021) • Director (Appointed on 13 March 2017) • Director (Appointed on 4 December 2015) • Director (Appointed on 8 June 2015) • Director (Appointed on 27 June 2019) • Director (Appointed on 6 September 2022)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<ul style="list-style-type: none"> • International Offshore Pte. Ltd. 	<ul style="list-style-type: none"> • Investment holding with investments in the business of industrial machinery and equipment installation and mechanical engineering works 	<ul style="list-style-type: none"> • Director (Appointed on 8 June 2015)
<ul style="list-style-type: none"> • Knowledge Capital Pte. Ltd. 	<ul style="list-style-type: none"> • Investment holding with investments in the education business 	<ul style="list-style-type: none"> • Director (Appointed on 28 June 2017)
<ul style="list-style-type: none"> • KV Asia Capital 	<ul style="list-style-type: none"> • Advising and managing private equity and other funds 	<ul style="list-style-type: none"> • Director (Appointed on 5 August 2010) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • KV Asia Capital Consulting Pte Ltd 	<ul style="list-style-type: none"> • Management and consultancy services 	<ul style="list-style-type: none"> • Director (Appointed on 12 October 2012) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • KV Asia Capital Consulting Sdn Bhd 	<ul style="list-style-type: none"> • Management consultancy services 	<ul style="list-style-type: none"> • Director (Appointed on 11 June 2014) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • KV Asia Capital Interest II Limited 	<ul style="list-style-type: none"> • Investment holding company set up for future investments 	<ul style="list-style-type: none"> • Director (Appointed on 26 July 2019) and substantial shareholder (direct)
<ul style="list-style-type: none"> • KACMF 	<ul style="list-style-type: none"> • Investment holding with subsidiaries involved in the businesses of personal care, engineering, technology, healthcare, education and food processing 	<ul style="list-style-type: none"> • Director (Appointed 19 October 2012)
<ul style="list-style-type: none"> • KV Asia Capital Master Fund II Pte. Ltd. 	<ul style="list-style-type: none"> • Investment holding company, set up for future investments 	<ul style="list-style-type: none"> • Director (Appointed on 25 January 2019)
<ul style="list-style-type: none"> • KV Asia GP Limited 	<ul style="list-style-type: none"> • General partner of KACF LP 	<ul style="list-style-type: none"> • Director (Appointed on 17 April 2012) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • KV Asia GP II Limited 	<ul style="list-style-type: none"> • General partner of KV Asia Capital Fund II L.P. 	<ul style="list-style-type: none"> • Director (Appointed on 10 September 2018) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • KV Asia Holdings Limited 	<ul style="list-style-type: none"> • Investment holding with interest in the investment manager of KV Asia Capital's investment funds 	<ul style="list-style-type: none"> • Director (Appointed on 6 February 2013) and substantial shareholder (direct)
<ul style="list-style-type: none"> • KV Asia Special LP II LLC 	<ul style="list-style-type: none"> • Investment holding for future investments 	<ul style="list-style-type: none"> • Member
<ul style="list-style-type: none"> • Modern Trade Holdings Pte. Ltd. (In liquidation) 	<ul style="list-style-type: none"> • Investment holding⁽²⁾ 	<ul style="list-style-type: none"> • Director (Appointed on 4 December 2015)
<ul style="list-style-type: none"> • Protect Kapital Pte. Ltd. 	<ul style="list-style-type: none"> • Investment holding with plans to invest in companies producing protective equipment 	<ul style="list-style-type: none"> • Director (Appointed on 5 January 2022)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<ul style="list-style-type: none"> • Power Diesel Engineering Pte. Ltd. 	<ul style="list-style-type: none"> • Installation of industrial machinery and equipment, and mechanical engineering works 	<ul style="list-style-type: none"> • Director (Appointed on 21 October 2020)
<ul style="list-style-type: none"> • Teramachine Private Limited 	<ul style="list-style-type: none"> • Renting of industrial machinery and equipment 	<ul style="list-style-type: none"> • Director (Appointed on 7 September 2021)
<ul style="list-style-type: none"> • Derma-RX Laboratories Pte. Ltd. 	<ul style="list-style-type: none"> • Manufacture and wholesale of cosmetics and toiletries 	<ul style="list-style-type: none"> • Director (Appointed on 17 August 2018 and resigned on 23 May 2020)
<ul style="list-style-type: none"> • The DRX Clinic Pte. Ltd. 	<ul style="list-style-type: none"> • Clinics and other general medical services 	<ul style="list-style-type: none"> • Director (Appointed on 17 August 2018 and resigned on 23 May 2020)
<ul style="list-style-type: none"> • The DRX Medispa Pte. Ltd. 	<ul style="list-style-type: none"> • Beauty salons and spas (including slimming, skin care and hair care centres) 	<ul style="list-style-type: none"> • Director (Appointed on 17 August 2018 and resigned on 23 May 2020)
Datuk Noripah Binti Kamso		
<ul style="list-style-type: none"> • Swift Haulage Berhad (listed on the Main Market of Bursa Securities) 	<ul style="list-style-type: none"> • Provision of container haulage services and warehousing 	<ul style="list-style-type: none"> • Director (Appointed on 22 June 2021) and shareholder (direct)
<ul style="list-style-type: none"> • Bank Kejasama Rakyat Berhad 	<ul style="list-style-type: none"> • Banking activities based on Shariah principles through accepting deposits and providing financial services for retail and commercial needs 	<ul style="list-style-type: none"> • Director (Appointed on 11 December 2018 and resigned on 3 April 2020) and shareholder
<ul style="list-style-type: none"> • BIMB Investment Management Berhad (subsidiary of BIMB Holdings Berhad, which is listed on the Main Market of Bursa Securities) 	<ul style="list-style-type: none"> • Managing Islamic unit trust funds 	<ul style="list-style-type: none"> • Director (Appointed on 10 February 2015 and resigned on 14 December 2018)
<ul style="list-style-type: none"> • Good Logistics Holdings Sdn Bhd (formerly known as Swift Logistics Holdings Berhad) 	<ul style="list-style-type: none"> • Investment holding⁽⁴⁾ 	<ul style="list-style-type: none"> • Director (Appointed on 14 June 2021 and resigned on 2 August 2021)
<ul style="list-style-type: none"> • Top Glove Corporation Berhad (listed on the Main Market of Bursa Securities) 	<ul style="list-style-type: none"> • Investment holding and provision of management services with subsidiaries involved in the manufacture and trading of gloves, healthcare & other hospital related products and homecare & personal products, and other investments 	<ul style="list-style-type: none"> • Director (Appointed on 18 March 2015 and retired on 6 January 2023) and shareholder (direct)
<ul style="list-style-type: none"> • Uniutama Education and Consultancy Sdn Bhd 	<ul style="list-style-type: none"> • Providing training and consultancy services, operation and management of academic programmes and operator of international school 	<ul style="list-style-type: none"> • Director (Appointed on 1 April 2018 and resigned on 31 December 2018)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<p>Tunku Afwida Binti Tunku A. Malek</p>	<ul style="list-style-type: none"> • Affin Hwang Investment Bank Berhad (<i>subsidiary of Affin Bank Berhad which is listed on the Main Market of Bursa Securities</i>) 	<ul style="list-style-type: none"> • Director (<i>Appointed on 9 May 2022</i>)
<ul style="list-style-type: none"> • Areum Sdn Bhd 	<ul style="list-style-type: none"> • Wholesale of perfumeries, cosmetics, soap and toiletries 	<ul style="list-style-type: none"> • Director (<i>Appointed on 1 December 2020</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Benih Semaian Sdn Bhd 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Director (<i>Appointed on 17 March 2008</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Dexasia Technologies Sdn Bhd 	<ul style="list-style-type: none"> • Other information technology service activities N.E.C.⁽¹⁾ Wholesale of a variety of goods without any particular specialisation N.E.C.⁽¹⁾ 	<ul style="list-style-type: none"> • Director (<i>Appointed on 10 March 2020</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Enra Group Berhad (<i>listed on the Main Market of Bursa Securities</i>) 	<ul style="list-style-type: none"> • Property investment, investment holding, management services activities and sale of completed properties with subsidiaries involved in property development, provision of upstream and downstream infrastructure technology solution to the oil and gas industry and other energy services 	<ul style="list-style-type: none"> • Director (<i>Appointed on 8 March 2022</i>)
<ul style="list-style-type: none"> • GITN Sdn Berhad (<i>subsidiary of Telekom Malaysia Berhad which is listed on the Main Market of Bursa Securities</i>) 	<ul style="list-style-type: none"> • Develop and operate an integrated telecommunication network infrastructure managed network service and value-added telecommunications and information technologies services telecommunication and information technology services 	<ul style="list-style-type: none"> • Director (<i>Appointed on 6 May 2019</i>)
<ul style="list-style-type: none"> • SAM Engineering & Equipment (M) Berhad (<i>listed on the Main Market of Bursa Securities</i>) 	<ul style="list-style-type: none"> • Investment holding and provision of corporate management services with subsidiaries involved in the provision of end-to-end manufacturing solutions on critical engine parts and other related equipment parts under the aerospace segment, equipment engineering solutions for commercial, semiconductor and other industries under the equipment manufacturing segment and end-to-end precision tooling, including large format computer numerical control machining parts under the precision engineering segment 	<ul style="list-style-type: none"> • Director (<i>Appointed on 1 January 2020</i>)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<ul style="list-style-type: none"> • Telekom Malaysia Berhad (<i>listed on the Main Market of Bursa Securities</i>) 	<ul style="list-style-type: none"> • The establishment, maintenance and provision of telecommunications services and related services 	<ul style="list-style-type: none"> • Director (<i>Appointed on 28 April 2016</i>)
<ul style="list-style-type: none"> • TM Technology Services Sdn Bhd (<i>formerly known as Webe Digital Sdn Bhd</i>) (<i>subsidiary of Telekom Malaysia Berhad which is listed on the Main Market of Bursa Securities</i>) 	<ul style="list-style-type: none"> • Provide network infrastructure facilities and services, last mile services for fixed and wireless consisting of broadband, messaging and voice 	<ul style="list-style-type: none"> • Director (<i>Appointed on 3 September 2018 and resigned 28 February 2023</i>)
<ul style="list-style-type: none"> • Asia Equity Research Sdn Bhd 	<ul style="list-style-type: none"> • To provide advisory services in corporate finance and investment advice 	<ul style="list-style-type: none"> • Director (<i>Appointed on 15 November 2016 and resigned on 14 April 2022</i>)
<ul style="list-style-type: none"> • Bob Korean Beauty (M) Sdn Bhd 	<ul style="list-style-type: none"> • Operating beauty spa 	<ul style="list-style-type: none"> • Director (<i>Appointed on 11 October 2018 and resigned 25 January 2023</i>)
<ul style="list-style-type: none"> • Export-Import Bank of Malaysia Berhad 	<ul style="list-style-type: none"> • To operate the business of banking in the promotion and support of export, import and investment to carry on the business of banking in all its branches and department to receive money, securities and valuables of all kinds on deposit provision of export and domestic credit insurance facilities 	<ul style="list-style-type: none"> • Director (<i>Appointed on 15 August 2014 and resigned on 14 August 2019</i>)
<ul style="list-style-type: none"> • Gamuda Berhad (<i>listed on the Main Market of Bursa Securities</i>) 	<ul style="list-style-type: none"> • Investment holding and civil engineering construction 	<ul style="list-style-type: none"> • Director (<i>Appointed on 1 June 2012 and resigned on 8 December 2021</i>)
<ul style="list-style-type: none"> • i-VCAP Management Sdn Bhd 	<ul style="list-style-type: none"> • Islamic fund management activities 	<ul style="list-style-type: none"> • Director (<i>Appointed on 17 July 2009 and resigned on 31 December 2018</i>)
<ul style="list-style-type: none"> • Lafarge Malaysia Berhad (<i>now known as Malayan Cement Berhad</i>) (<i>listed on the Main Market of Bursa Securities</i>) <p>Stefan Heitmann</p>	<ul style="list-style-type: none"> • Investment holding with subsidiaries involved in manufacturing, sale, trading and supply of clinker, cement, ready-mix concrete, other building and related material, construction aggregate and other investments 	<ul style="list-style-type: none"> • Director (<i>Appointed on 29 February 2016 and resigned on 19 June 2019</i>)
<ul style="list-style-type: none"> • CTDL Limited 	<ul style="list-style-type: none"> • Sales and marketing of scuba diving cruises 	<ul style="list-style-type: none"> • Director (<i>Appointed on 10 August 2016</i>) and substantial shareholder (direct)
<ul style="list-style-type: none"> • Windira (HK) Limited 	<ul style="list-style-type: none"> • Consulting services 	<ul style="list-style-type: none"> • Director (<i>Appointed on 16 December 2019</i>) and substantial shareholder (direct)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<ul style="list-style-type: none"> • PT Dewi Nusantara 	<ul style="list-style-type: none"> • Scuba diving cruise operator 	<ul style="list-style-type: none"> • Commissioner (Appointed as President Commissioner on 30 November 2015 and re-designated as Commissioner on 2 August 2022)
<ul style="list-style-type: none"> • Vision Trade Switzerland Gmbh 	<ul style="list-style-type: none"> • Commercialising its proprietary technology for small to large scale water filtration products and projects 	<ul style="list-style-type: none"> • Substantial shareholder (direct)
Abraham Verghese A/L T V Abraham		
<ul style="list-style-type: none"> • ATN Strategic Group Sdn Bhd 	<ul style="list-style-type: none"> • To operate as a strategic investment company in health, nutritional and wellness related business, provide management and advisory and related support services to investee companies 	<ul style="list-style-type: none"> • Director (Appointed on 15 December 2016) and substantial shareholder (direct)
<ul style="list-style-type: none"> • B4Ithappens Sdn Bhd 	<ul style="list-style-type: none"> • Provision of health and wellness services applying nutritional, supplementation and other complimentary methods and sale of related products 	<ul style="list-style-type: none"> • Director (Appointed on 11 June 2012) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • B4 Natural Processing Sdn Bhd 	<ul style="list-style-type: none"> • Manufacturing, natural processing of nutrient extracts from food sources, packaging, importing, exporting and distribution of and dealing in all kinds of food and functional ingredients-based materials and ready to use products; mixing and processing of herbal extracts and extracted nutrients 	<ul style="list-style-type: none"> • Director (Appointed on 28 February 2019) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • Edotco Group Sdn Bhd (a subsidiary of Axiata Group Berhad which is listed on the Main Market of Bursa Securities) 	<ul style="list-style-type: none"> • Investment holding and provision of technical and operation support services in the telecommunications and related industries in local and international markets 	<ul style="list-style-type: none"> • Director (Appointed on 15 October 2021)
<ul style="list-style-type: none"> • Euangelion Training and Services Sdn Bhd 	<ul style="list-style-type: none"> • Provision of training services, event organisation and advisory services 	<ul style="list-style-type: none"> • Director (Appointed on 5 October 2020)
<ul style="list-style-type: none"> • Maxim Global Berhad (listed on the Main Market of Bursa Securities) 	<ul style="list-style-type: none"> • Investment holding and construction related activities with subsidiaries engaged in property development, provision of project management services, generation & sale of electricity and other investments 	<ul style="list-style-type: none"> • Director (Appointed on 26 February 2019)
<ul style="list-style-type: none"> • Beyond Structural Sdn Bhd 	<ul style="list-style-type: none"> • Provision of design and installation of lightings, internal design and other refurbishment works 	<ul style="list-style-type: none"> • Substantial shareholder (direct)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<ul style="list-style-type: none"> • 8 Pine Valley Pass Pty Ltd 	<ul style="list-style-type: none"> • Property investment 	<ul style="list-style-type: none"> • Substantial shareholder (direct)
<ul style="list-style-type: none"> • Boustead Holdings Berhad (listed on the Main Market of Bursa Securities) 	<ul style="list-style-type: none"> • Investment holding with subsidiaries involved in plantations, property investment, pharmaceutical and healthcare, heavy industries, trading and financial services and other investments 	<ul style="list-style-type: none"> • Director (Appointed on 15 July 2019 and retired on 22 July 2020)
<ul style="list-style-type: none"> • Boustead Hotels and Resorts Sdn Bhd (subsidiary of Boustead Holdings Berhad) 	<ul style="list-style-type: none"> • Hotel operations 	<ul style="list-style-type: none"> • Director (Appointed on 15 January 2020 and resigned on 22 July 2020)
<ul style="list-style-type: none"> • Boustead Properties Berhad (subsidiary of Boustead Holdings Berhad) 	<ul style="list-style-type: none"> • Investment holding, property development and investment, ownership and operating of hotels and production and supply of chilled water for air conditioning 	<ul style="list-style-type: none"> • Director (Appointed on 15 January 2020 and resigned on 22 July 2020)
<ul style="list-style-type: none"> • Coalition for Business Integrity Berhad 	<ul style="list-style-type: none"> • To champion a culture of business integrity in Malaysia, to facilitate business investments, to combat fraud and leakages in the market place, to reduce costs of doing business, to promote business growth through positive work culture, improved productivity, business networking and business matching 	<ul style="list-style-type: none"> • Director (Appointed on 5 September 2017 and resigned on 25 June 2019)
Ong Huey Min		
<ul style="list-style-type: none"> • Globetronics Technology Berhad (listed on Main Market of Bursa Securities) 	<ul style="list-style-type: none"> • Investment holding with subsidiaries involved in the manufacture, assembly, testing and sale of among others, integrated circuits, optoelectronic products, small outline components, light-emitting diode components, electronics/semiconductor components, sensors, technical plating services for the semiconductor industry, provision of computer hardware & software, system solutions and consultancy 	<ul style="list-style-type: none"> • Director (Appointed on 23 October 2017) and shareholder (indirect)
<ul style="list-style-type: none"> • Grafik Impresif Sdn Bhd ("Grafik Impresif") 	<ul style="list-style-type: none"> • Investment holding principally involved in investing in shares of public listed companies⁽⁶⁾ 	<ul style="list-style-type: none"> • Director (Appointed on 1 December 2016) and substantial shareholder (indirect)
<ul style="list-style-type: none"> • Pensonic Holdings Berhad (listed on the Main Market of Bursa Securities) 	<ul style="list-style-type: none"> • Investment holding with subsidiaries involved in the manufacture, assembly, distribution, trading, marketing and sale of electronic appliances and products and home appliances 	<ul style="list-style-type: none"> • Director (Appointed on 3 January 2017)

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
<ul style="list-style-type: none"> • YNWA Advisory PLT 	<ul style="list-style-type: none"> • Business management consultancy, investment advisory and tax consultancy services 	<ul style="list-style-type: none"> • Partner
Notes:		
(1) <i>The expression "N.E.C." utilised herein shall have the meaning "not elsewhere classified".</i>		
(2) <i>There are no current immediate investment plans for this company.</i>		
(3) <i>A liquidator has been appointed to initiate the liquidation process of this company.</i>		
(4) <i>Good Logistics Holdings Sdn Bhd (formerly known as Swift Logistics Holdings Berhad) had not commenced operations during Datuk Noripah Binti Kamso's tenure as director of the company.</i>		
(5) <i>Grafik Impresif holds shares in several public listed companies, one of which is Zhulian Corporation Berhad ("Zhulian") which is involved in a similar trade as our Group. The interest in Zhulian held indirectly by Ong Huey Min does not give rise to a conflict of interest situation as Grafik Impresif's interest in Zhulian is negligible, representing less than 0.1% equity interest in Zhulian. Similarly, none of Grafik Impresif's interest in other public listed companies exceeds 0.1% equity interest in the respective companies.</i>		

The involvement of our Directors mentioned above in other business activities outside our Group will not affect their commitment and responsibilities to our Group in their respective roles as our Directors.

9.2.4 Service contracts with our Directors

As at the date of this Prospectus, there are no existing or proposed service contracts between our Directors and us which provide for benefits upon termination of employment.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.2.5 Directors' remuneration and material benefits in-kind

The remuneration and material benefits in-kind (including any contingent or deferred remuneration) paid or proposed to be paid to our Directors for services rendered to us in all capacities to our Group for the FYE 28 February 2023 and FYE 29 February 2024 are as follows:

FYE 28 February 2023 (Actual)	Salary (RM'000)	Directors' fees (RM'000)	Bonus (RM'000)	Contributions to EPF and SOCSO (RM'000)	Allowances (RM'000)	Profit-sharing ⁽¹⁾ (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
DLSJ	2,808	-	-	124	-	-	7	2,939
Teoh Hang Ching	456	-	109	27	119	12	41	765
DLBY	298	-	-	38	12	-	-	348
Vibhav Panandiker	-	-	-	-	-	-	-	-
Datuk Noripah Binti Kamso	-	50	-	-	14	-	-	64
Tunku Afwida Binti Tunku A. Malek	-	40	-	-	10	-	-	50
Stefan Heitmann	-	40	-	-	12	-	-	52
Abraham Verghese A/L T V Abraham	-	43	-	-	13	-	-	56
Ong Huey Min	-	22	-	-	4	-	-	26

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

FYE 29 February 2024 (Proposed to be paid)	Salary (RM'000)	Directors' fees (RM'000)	Bonus (RM'000)	Contributions to EPF and SOCSO (RM'000)	Allowances (RM'000)	Profit- sharing ⁽¹⁾ (RM'000)	Benefits- in-kind (RM'000)	Total (RM'000)
DLSJ	2,809	-	-	125	-	-	5	2,939
Teoh Hang Ching	488	-	112	28	120	13	21	782
DLBY	298	-	-	38	12	-	-	348
Vibhav Panandiker	-	-	-	-	-	-	-	-
Datuk Noripah Binti Kamso	-	92	-	-	21	-	-	113
Tunku Afwida Binti Tunku A. Malek	-	73	-	-	25	-	-	98
Stefan Heitmann	-	73	-	-	25	-	-	98
Abraham Verghese A/L T V Abraham	-	78	-	-	25	-	-	103
Ong Huey Min	-	69	-	-	21	-	-	90

Note:

- (1) We have a profit-sharing plan which selected employees, including our Key Senior Management and Chief Executive Officer, are entitled to participate in ("Profit Sharing Scheme"). Our Profit Sharing Scheme aims to improve our Group's profitability and align our employees' interests with those of our Group. Such employees are selected based on, among other things, seniority, length of service and work performance evaluation and their entitlement which is payable quarterly, is an amount equivalent to a percentage of less than 5% of the adjusted net profit set for the respective company in our Group which they are under the employment of and upon achieving specified performance and financial targets. Adjusted net profit refers to net profit before intercompany transactions (such as management fees and rental) and foreign exchange gain/loss.

The remuneration of our Directors, which includes Directors' fees, bonus and such other allowances as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently approved by our Board. Our Directors' fees must be further approved/endorsed by our shareholders at a general meeting.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.2.6 Audit Committee

Our Audit Committee was formed by our Board on 10 February 2022. Our Audit Committee currently comprises the following members, all of whom are Independent Non-Executive Directors:

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

Our Audit Committee undertakes, among others, the following functions:

(i) External Audit

- (a) review the audit scope, nature and plan with external auditors to ensure that it has the necessary authority to carry out its work, including any changes to the planned audit scope and ensure co-ordination where more than one firm of auditors is involved and report on the same to our Board;
- (b) review external audit reports and management letters from the external auditors to ensure that prompt corrective actions are taken to address issues (including any deficiencies in internal control system) highlighted and report on the same to our Board;
- (c) discuss problems and reservations, if any, arising from the interim and final audits, and any matter (including all key audit matters highlighted in the auditors' report) which the external auditors wish to discuss in the absence of the management, where necessary;
- (d) review major audit findings and the management's response during the year with the management, external auditors and internal auditors, including the status of previous audit recommendations;
- (e) review the assistance and cooperation rendered by our Group's officers to the external auditors and difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- (f) set policies and procedures to assess the suitability, objectivity and independence of the external auditors. Consider and make recommendations to our Board in relation to the nomination and re-appointments of external auditors and their audit fees by taking into account the objectivity, suitability, competence, resource capacity and independence of the external auditors, the services and audit fee (to ensure balance between objectivity, quality of audit and value for money) and any question of resignation or dismissal including any written explanations, and the letter of resignation from external auditors, if applicable.

The assessment should also consider information presented in the Annual Transparency Report of the audit firm, if such report is prepared by the external auditors;

- (g) review whether there is reason, supported by grounds, to believe that the external auditors are not suitable for reappointment and report the same to our Board;

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (h) review the non-audit services provided by the external auditors and/or its network firms to our Company for the financial year, including the nature and extent of the non-audit services, fee of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided. The contracts that cannot be entered into should include:
- management consulting;
 - strategic decision;
 - internal audit; and
 - policy and standard operating procedures documentation; and
- (i) ensure the independence of external auditors by periodically reviewing the written statement from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

(ii) Internal Audit

- (a) ensure the internal audit function is independent of the activities it audits and the head of internal audit reports functionally to our Audit Committee directly. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within our Company;
- (b) approve the internal audit charter and review the adequacy of the scope, functions, competency, budget and resources of the internal audit function and whether it has the necessary authority to carry out its work;
- (c) review the internal audit plan, processes and results of the internal audit assessments, investigation undertaken and where necessary, ensure that appropriate and prompt action is taken by management on deficiencies in controls or procedures that are identified for the recommendations of the internal audit function;
- (d) take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for outsourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning;
- (e) review the performance of the internal auditors on an annual basis;
- (f) direct and, where appropriate, supervise any special projects or investigation to be carried out by internal auditors as and when necessary, and review investigation reports on any major defalcations, frauds and thefts and management's response;
- (g) review the adequacy and effectiveness of internal control systems, including management information system and the internal auditors and or external auditors' assessment of these systems and policies; and
- (h) approve any appointment or termination of the internal audit service provider or senior staff members of the internal audit function, namely the head of internal audit and his/her deputy, if any.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(iii) Financial Reporting

- (a) review the quarterly and year-end financial statements of our Company, focusing particularly on the following to determine whether the financial statements taken as a whole provide a true and fair view of its financial position and performance;
- any changes in or implementation of major accounting policies changes and practices;
 - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events and / or transactions, significant adjustments arising from the audit and how these matters are addressed;
 - litigation or actions that could affect the financial position, performance or results materially;
 - the going concern assumption;
 - integrity of financial statements; and
 - compliance with accounting standards and other legal requirements; and
- (b) review and monitor our Company's and our Group's finance function in respect of adequacy and sufficiency to support financial recording and reporting process to ensure accurate, complete, consistent and timely reporting.

(iv) Internal Control

- (a) oversee our Group's internal control framework to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect our Company's assets from misappropriation and encourage legal and regulatory compliance;
- (b) review major audit findings (including status of previous audit recommendations) of our Group's systems of internal controls and management's responses with management, external auditors, internal auditors and other consultants (if applicable);
- (c) report to our Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of our Board;
- (d) review and approve policies and procedures on whistle-blowing established to address allegations raised by whistle-blowers, to ensure independent investigation is conducted and follow-up action is taken and highlighted to our Audit Committee; and
- (e) review and approve policies and procedures on anti-corruption, and review the effectiveness of anti-corruption measures taken.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(v) Compliance and others

- (a) review procedures in place to ensure effectiveness of system for monitoring compliance to ensure that our Group is in compliance with the Act, Listing Requirements and other relevant legislative and reporting requirements under the applicable laws, regulations, rules, directives and guidelines;
- (b) review our Audit Committee's reporting and the statement with regard to the state of internal controls and risk management of our Group for inclusion in the annual report for the relevant financial year and report the same to our Board;
- (c) review and verify the allocation of options to eligible Directors and employees pursuant to any employee share option scheme, if any, by close of relevant financial year;
- (d) review any related party transaction and conflict of interest situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity, and ensure that any such transaction is carried out at arm's length, on terms that are not detrimental to our Company and in the best interest of our Group and report the same to our Board;
- (e) direct and supervise, as appropriate, any necessary investigations and review all reports on any major irregularities;
- (f) review and assess our Audit Committee's terms of reference as conditions dictate; and
- (g) undertake continuous professional development or training to keep abreast with relevant developments in accounting and auditing standards, practice and rules or in any other relevant areas.

9.2.7 Nomination Committee

Our Nomination Committee was established by our Board on 10 February 2022. Our Nomination Committee currently comprises the following members, all of whom are Independent Non-Executive Directors:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
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

Our Nomination Committee undertakes, among others, the following functions:

(i) Assessment of Board Composition

- (a) establish a policy formalising our Group's approach to boardroom diversity including diversity in gender, age, culture, skills, knowledge and experience and independence;

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (b) recommend to our Board suitable candidates for directorships on our Board, taking into consideration the following aspects when considering new appointments on our Board:
 - the candidates' skills, qualifications, knowledge, expertise, experience, professionalism and integrity;
 - in the case of candidates for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors; and
 - our Board's diversity in terms of skills, experience age, gender and culture;
- (c) evaluate, review and recommend on an annual basis to our Board the appropriate size, structure, balance and composition of our Board, required mix of skills, experience and other qualities, including core competencies to function effectively and efficiently which Non-Executive Directors shall bring to our Board to ensure that they are in line with our Company's and our Group's requirements and is in compliance with the Listing Requirements;
- (d) assess the effectiveness of our Board, the committees of our Board and the contributions of each individual Director, including the independence of Independent Non-Executive Directors, as well as the Chief Executive Officer and Chief Financial Officer (where these positions are not Board members), based on the process and procedures laid out by our Board and to provide the necessary feedback to directors in respect of their performance;
- (e) consider and recommend any policy regarding the period of service of Non-Executive Directors, tenure of Independent Non-Executive Directors and the term of office of Board committee members, including Chairmen of the respective Board committees;
- (f) assess on a periodic basis the independence of Independent Directors and that the Directors and officers of our Group meet the identified independence criteria and are not disqualified under the relevant regulations; and
- (g) periodically review the term of office, and terms of reference of all Board committees, assisted by the Company Secretary.

(ii) Appointment(s)

- (a) identify, consider and recommend suitable persons for appointment as Directors of our Company, our Group and members of our Board committees and also Key Senior Management positions relying on sources from existing Board members, management, major shareholders, independent search firms and other independent sources; and
- (b) disclose in our Company's annual report our Company's policy on gender diversity for our Board and Key Senior Management, how candidates for Non-Executive Director-level positions were sourced including whether such candidates were recommended by the existing Board members, management, major shareholders or independent sources, and if the selection of candidates was solely based on recommendations made by existing Board members, management or major shareholders, our Nomination Committee should explain why other sources were not used.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(iii) Retirement, Re-election, Removal and Resignation of Director

- (a) ensure that every Director, including the Executive Directors, shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election. Recommend Director(s) who are retiring (by casual vacancy and by rotation) for re-election at our Company's AGM in accordance with our Constitution; and
- (b) recommend to our Board, candidates for re-election of Directors by shareholders. The tenure of an Independent Non-Executive Director should not exceed beyond a cumulative or consecutive term limit of nine years.

(iv) Succession Planning

- (a) the Chief Executive Officer shall assist our Nomination Committee in ensuring that an appropriate succession planning framework, talent management and human capital development programme is in place for the position of the Chief Executive Officer and key pivotal positions. Our Nomination Committee shall be apprised of the progress of the programme on a regular basis, and at least once a year; and
- (b) oversee succession planning for our Board Chairman and Directors.

(v) Annual Performance Assessment

- (a) assess annually the effectiveness of our Board as a whole, the committees of our Board and the contribution of each individual Director, including Independent Non-Executive Director. Our Nomination Committee shall ensure that all assessments and evaluations carried out by our Nomination Committee in the discharge of all functions shall be properly documented and disclosed in the annual report; and
- (b) assess annually the term of office and performance of our Audit Committee and each of its members to determine whether such Audit Committee members have carried out their duties in accordance with its terms of references.

(vi) Training and Development

- (a) arrange, with management, induction programmes for newly appointed directors to familiarise themselves with the operations, products and services of our Group through briefings by the relevant management teams.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.2.8 Remuneration Committee

Our Remuneration Committee was established by our Board on 10 February 2022. Our Remuneration Committee currently comprises the following members, all of whom are Independent Non-Executive Directors:

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

Our Remuneration Committee undertakes, among others, the following functions:

(i) Remuneration

- (a) review and recommend to our Board for approval the remuneration policies and procedures for our Board, Board committees, the Executive Director and Key Senior Management. Independent professional advice may be obtained in determining the remuneration framework;
- (b) recommend to our Board, proposal on the Executive Director's remuneration and benefits including share option and compensation payment in the event of termination of the employment/service contracts (if any) by our Company and/or our Group. The recommendation should be made based on their respective performance relative to the key performance indicators set;
- (c) review and recommend to our Board our Directors' fees and benefits (if any) payable to the Non-Executive Directors for recommendation to the shareholders of our Company for approval; and
- (d) assist our Board in discharging its responsibilities to, among others, compensation strategy, management development and other compensation arrangements.

9.2.9 Risk Management Committee

Our Risk Management Committee was established by our Board on 10 February 2022. Our Risk Management Committee currently comprises the following members, of which the majority are Independent Non-Executive Directors:

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

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Our Risk Management Committee undertakes, among others, the following functions:

(i) Risk Management Framework

- (a) review the risk management framework for our Group and offer practical guidance to all employees on risk management issues and recommend changes as needed to ensure that our Group has in place a risk management policy which addresses the strategic, operational, financial and compliance risks for our Board's approval.

(ii) Anti-Corruption & Bribery and Whistleblowing

- (a) review of corruption risk assessment continuously, at least every three years pursuant to the Malaysian Anti-Corruption Commission Act 2009 in order to provide assurance that our Group is operating in compliance with the current policies and procedures in relation to corruption and to determine that the policies and procedures are established and in place for whistleblowing and to prevent bribery and corruption.

(iii) Risk Identification, Assessment, Monitoring and Reporting

- (a) ensure the infrastructure, resources and systems are in place and adequate for risk management and that risk management processes for the identification, measurement and analysis, reporting and mitigation of risks are in place within our Group and are operating in an efficient and effective manner;
- (b) identify and communicate to our Board the key risks (present and potential) faced by our Group, their changes and management action plans to manage the risks;
- (c) approve risk methodologies for measuring and managing risks arising from our Group's business and operational activities;
- (d) monitor our Group's level of risk tolerance and risk exposure and periodically review the same to ensure that these are aligned with risk strategies and objectives; and
- (e) review effectiveness and efficiency of the key internal control procedures and processes in place to manage risks successfully and to oversee the conduct of periodic testing of the effectiveness and efficiency of the internal control procedures and processes to ensure that the system is viable and robust.

(iv) Strategic planning and others

- (a) review business continuity management including emergency plans and crisis readiness and review incidents within our Risk Management Committee's scope and assess the remedial actions.

9.2.10 Executive Committee

Our Executive Committee was established by our Board on 10 February 2022 as a sub-committee of our Board and its general purpose is to provide an effective oversight of the business of our Group and to ensure that our Group's operations are aligned with the strategy approved by our Board and implemented within the framework and agreed financial limits as approved by our Board from time to time.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Subject to the framework and financial limits, our Executive Committee has primary authority for the close oversight of our Group's operations except those matters which are reserved for our Board, our Audit Committee, our Nomination Committee, our Remuneration Committee and our Risk Management Committee.

Our Executive Committee currently comprises the following members:

Name	Designation	Directorship
DLSJ	Member	Non-Independent Executive Chairman
Teoh Hang Ching	Member	Non-Independent Executive Director and Chief Executive Officer

Our Executive Committee undertakes, among others, the following functions:

(i) General

- (a) sets strategic objectives and devises an overall strategic plan to chart the direction of our Group in meeting the objectives and recommends to our Board for adoption and thereafter, monitor the implementation of the said strategies;
- (b) supports and directs all aspects of the business strategies and plans as assigned or delegated by our Board and take any action or assume any other powers and responsibilities that may from time to time be assigned or delegated by our Board to implement such business;
- (c) reviews the business plans and budgets and monitors the progress and performance of the business plan and budgets, including performance against agreed key performance indicators in all aspect of our Group's operations;
- (d) puts into effect the policies laid down by our Board and monitors management actions to ensure that Board policies are adhered to;
- (e) oversees sustainability function within our Group and provides advice and assistance to our Board in monitoring the decisions and actions of management in achieving our Group's goal to be a sustainable organisation; and
- (f) examines, appraises and submits to our Board proposals for investment opportunities, which include acquisition or disposal of assets which are substantial in value as stipulated in the authority matrix.

(ii) Sustainability

- (a) reviews and assesses sustainable impacts of major business decisions and recommend appropriate actions required;
- (b) reviews and recommends to our Board the sustainability strategies and plans that will create long term shareholder value including the budget required in implementing sustainability initiatives;
- (c) examines the annual assessment of our Group's environmental performance and progress, to consider and approve methods of measuring, assessing or validating our Group's corporate sustainability performance, and where appropriate, to commission an external independent assessment of the direct and indirect impact of any aspect of our Group's operations; and

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (d) assesses the effectiveness of our Group's policies and systems in identifying and managing the environmental, social and governance risks and opportunities that are material to the achievement of our Company's objectives.

9.3 KEY SENIOR MANAGEMENT

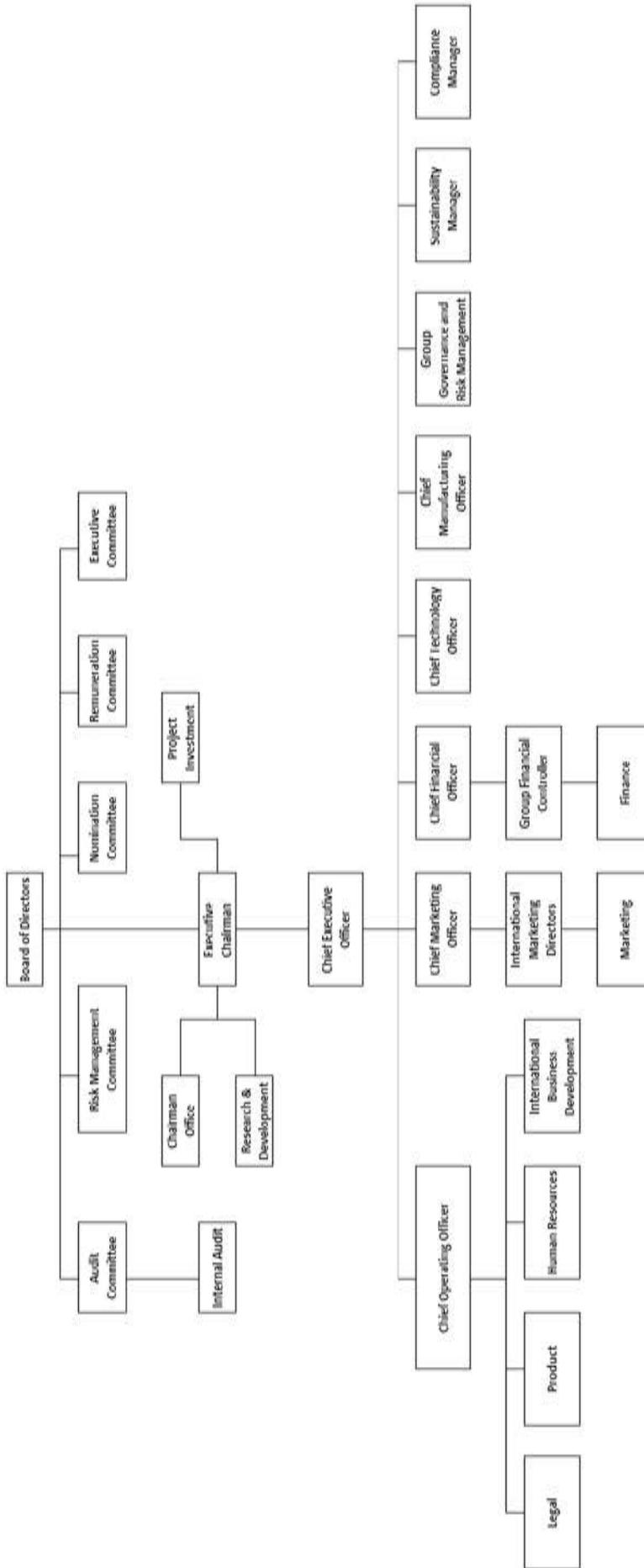
Our Key Senior Management is responsible for the day-to-day management and operations of our Group. The members of our Key Senior Management as at the date of this Prospectus are as follows:

Name	Age	Designation
DLSJ	62	Non-Independent Executive Chairman
Teoh Hang Ching	64	Non-Independent Executive Director and Chief Executive Officer
Lim Yew Lin	55	Chief Financial Officer and Company Secretary
Teoh Thean Yong	56	Chief Technology Officer and Group Financial Controller
Tan Hiyin Tiong	55	Chief Operating Officer
Prajith Pavithran	44	Chief Marketing Officer
Kuah Lee Peng	46	Chief Manufacturing Officer

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.3.1 Management reporting structure

Our management reporting structure as at the LPD is as follows:



9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.3.2 Profiles of our Key Senior Management

The profiles of our Directors who are also part of our Key Senior Management are set out in Section 9.2.1 of this Prospectus.

(i) **Lim Yew Lin**

Lim Yew Lin, a Malaysian aged 55, is our Chief Financial Officer and Company Secretary. She has been with our Group for over 25 years as our Executive Director and Company Secretary and in her various positions held in our Accounting and Finance Department.

She obtained her CIMA qualification in 2000 and was admitted as an associate member of CIMA in 2002. She is a member of MIA since 2003.

From 1990 to 1991, she worked at Ch'ng Khoo Peng Trading Sdn. Bhd. as an accounts clerk. In 1992, she joined Takwong (Kedah) Sdn. Bhd. as an Accounts Assistant from 1992 to 1994.

In 1994, she joined our business as an Accounts Executive and was promoted to Assistant Finance Manager of DXN Marketing in 1995 responsible for the preparation of accounts and liaison with external auditors. She was further promoted as Group Finance Manager and Corporate Finance Manager in 1997 and 1999 respectively and subsequently as our Group's Financial Controller from 2002 until 2008. Over these 11 years, she was responsible for the Accounting and Finance Department of our Group in addition to her existing responsibilities of liaising with external auditors. Her responsibilities as Corporate Finance Manager and Financial Controller of the Group also included preparing and reviewing monthly consolidated financial statements, as well as reviewing and approving budgets of our subsidiaries.

From 2002 to May 2022, she was our Executive Director and during her tenure, she was responsible for overseeing our Group's finance. She has been our Company Secretary since 2015.

She assumed her current position of Chief Financial Officer in 2021 where she is responsible for our Group's corporate financial planning, budgeting, treasury, investment, insurance coverage, tax and payroll matters.

(ii) **Teoh Thean Yong**

Teoh Thean Yong, a Malaysian aged 56, is our Chief Technology Officer and Group Financial Controller. He has served our Group for over 15 years in the various positions he held, primarily in various senior management roles, overseeing among others, operations related and internal audit matters.

He obtained a Diploma in Valuation in 1988 from Universiti Teknologi Malaysia. He subsequently obtained his CIMA qualification in 1992 and was admitted as an associate member of CIMA in 1997. He is a member of MIA. He also obtained an Advanced Diploma in Computer Studies in 1996 from Informatics Institute, Malaysia (validated by University of Oxford delegacy of local examination).

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

He began his career in 1990, when he joined I.P. Services Sdn. Bhd. as a lecturer at Institute Professional (*now known as SC College Sdn. Bhd.*) teaching accounting, costing and management accounting and left in 1993 upon completion of his CIMA examinations. Within the same year, he joined Acer Technologies Sdn Bhd (*now known as Qisda Sdn. Bhd.*) ("**Acer Technologies**") which is principally engaged in the manufacture and sales of liquid crystal displays products as an Associate Accountant. After leaving Acer Technologies in 1996, he joined North Malaya Paper Mills Sdn Bhd (*now known as Muda Paper Mills Sdn. Bhd.*), as an Accountant where he headed the accounting department until 1997.

In 1997, he joined Tan Chong & Sons Motor Co. Sdn. Bhd. as Finance Manager. He left in 1998 to join Ernst & Young Consulting Sdn Bhd as a manager responsible for the implementation of the enterprise resource planning ("**ERP**") system until 1999. He then moved to Deloitte Consulting ICS Sdn Bhd in 1999 as Manager, tasked with overseeing the implementation and project management for ERP and financial software application, until 2001. Prior to joining our Group, he worked as a Principal Consultant between 2001 and 2002 for Baan (Malaysia) Sdn Bhd, an ERP software vendor.

He joined our Group as an Information System Senior Manager in 2003. He was then promoted to the position of IT Director in 2007 and as Chief Operating Officer in 2016. In 2017, he was appointed as Chief Audit Officer responsible for overseeing internal audit matters and our Group's operations in Ningxia and Guangzhou, China.

He took a career break in 2018 and subsequently re-joined our Group in 2021 as our Group Financial Controller where he is responsible for overseeing our Group's accounts and reporting, budgeting, management control, taxation, transfer pricing and procurement matters. He was also appointed as our Chief Technology Officer in January 2022, responsible for managing our Group's IT development teams.

(iii) **Tan Hiyin Tiong**

Tan Hiyin Tiong, a Malaysian aged 55, is our Chief Operating Officer. He has over 15 years of experience with our Group overseeing our Group's product management and registration.

He graduated with a Bachelor of Pharmacy (Hons) from Universiti Sains Malaysia ("**USM**") in 1992. He has been a registered pharmacist with the Pharmacy Board Malaysia since 1993 and is currently an ordinary member of the Malaysian Pharmacists Society.

Subsequent to his graduation from USM, he served at Hospital Besar Alor Setar as a pharmacist under pupillage from 1992 until 1993. Between 1993 and 1994, he worked at Farmasi Econ (S P) Sdn Bhd as a Community Pharmacist, where his main responsibilities included counselling, consultation and sales of scheduled poisons. From 1995 to 2003, he worked at City Pharmacy Sdn Bhd in Taiping, also as a Community Pharmacist.

He joined our Group as a pharmacist in 2003. Since then, he has held various managerial positions including as Group Product Manager of our Group's Product Department, Group Product Senior Manager where his responsibilities included handling product complaints and marketing activities for new products and General Manager where he is responsible for our Group's product registration and trademark applications in respect of our Group's global operations. He assumed his current position as Chief Operating Officer in May 2022 with the added responsibilities of being in-charge of the business operations and human resource matters of our Group.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(iv) Prajith Pavithran

Prajith Pavithran, an American aged 44, is our Chief Marketing Officer. He has over 20 years of experience in sales and marketing.

He graduated with a Bachelor of Commerce from Utkal University, India in 1999 and obtained a Post Graduate Diploma in Management from the SCMS Cochin (School of Communication and Management Studies), India in 2001.

He began his career in 2001 when he joined our Group as Sales and Training Executive, tasked with coordinating sales and training activities in North India. In 2003, he was promoted as the Head of Sales and Training, North India, where he managed and monitored sales and training activities in North India. He was then promoted to manager of International Business, South Asia in 2004 responsible for coordinating marketing and operational matters in South Asia.

Between 2005 and 2009, he was appointed as manager of International Business Department at DIPL Philippines Branch and subsequently as Country Manager of DIPL Philippines Branch, to oversee the operations of DIPL Philippines Branch. In 2009, he was designated as Country Manager of DXN Mexico to oversee our Mexican operations. In 2010, he was promoted as our Regional Manager of Latin America, responsible for the leadership and direction of the Latin American market and to ensure the continuous growth and stability in our Group's presence in that region.

He was further promoted as our Regional Manager of North and South America at Daxen USA in 2012 until 2016 when he became our Regional President (U.S. and Latin America). He assumed his current position as our Chief Marketing Officer in May 2022.

(v) Kuah Lee Peng

Kuah Lee Peng, a Malaysian aged 46, is our Chief Manufacturing Officer. She has over 20 years of experience in quality assurance and manufacturing operations in the F&B, traditional pharmaceutical and cosmetics industries.

She obtained a Bachelor of Science (Food Studies) from Universiti Putra Malaysia in 2000.

She began her career in 2000 as a quality assurance ("QA") officer at Golden Fresh Sdn Bhd ("**Golden Fresh**"), a seafood processor, where she was responsible for quality control activities and was involved in process improvement activities.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

In 2002, she left Golden Fresh to join our Group as QA Executive, responsible for setting up and developing the Quality Department and to implement suitable quality system at the coffee factory and other productions in DXN Industries. She has since held various senior and managerial positions in QA and production, including Senior QA Executive, Assistant Manager, Production Department of DXN Industries and Manager at our Group's Malaysian manufacturing facilities. She was promoted as Factory Manager in 2010 in-charge of, among others, ensuring effective implementation of various quality management systems at our Group's Malaysian manufacturing facilities. In 2017, she held the position of Senior Factory Manager, where she was in-charge of the Quality Department, Security Department and Safety, Health and Environmental Department and also oversaw the Warehouse Department, Planning Department and Shipping Department of our Group's Malaysian manufacturing facilities. She was promoted as our Factory General Manager in 2021, responsible for the overall production operations in Malaysia as well as supervising our Group's overseas factory operations. She assumed her current position as our Chief Manufacturing Officer in May 2022 where she is responsible for our Group's overall production operations.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.3.3 Shareholding of our Key Senior Management

The following table sets out the direct and indirect shareholdings of our Key Senior Management (other than our Directors who are also part of our Key Senior Management which are disclosed in Section 9.2.2 of this Prospectus) before and after our IPO:

Name	Designation	Before our IPO ⁽¹⁾						After our IPO									
		Direct			Indirect			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⁾			
		No. of Shares ('000)	%	No. of Shares ('000)	No. of Shares ('000)	%	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)	%	
Lim Yew Lin	Chief Financial Officer	-	-	-	1,500	*	-	-	-	1,500	*	-	-	3,500	-	0.1	-
Teoh Thean Yong	Chief Technology Officer and Group Financial Controller	-	-	-	600	*	-	-	600	*	-	-	2,100	-	*	-	-
Tan Hiyin Tiong	Chief Operating Officer	-	-	-	600	*	-	-	600	*	-	-	2,100	-	*	-	-
Prajith Pavithran	Chief Marketing Officer	-	-	-	600	*	-	-	600	*	-	-	2,100	-	*	-	-
Kuah Lee Peng	Chief Manufacturing Officer	-	-	-	600	*	-	-	600	*	-	-	1,850	-	*	-	-

Notes:

* Negligible

(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.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (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.

9.3.4 Principal business activities performed by our Key Senior Management outside our Group in the past five years

Save as disclosed below, none of our Key Senior Management (other than our Directors who are also part of our Key Senior Management which are disclosed in Section 9.2.3 of this Prospectus) are involved in principal business activities outside our Group as at the LPD or hold directorships in other companies outside our Group, at present and in the past five years preceding the LPD:

Name of company/entity	Principal activities	Involvement in business activities
Lim Yew Lin		
• Bio Synergy Engineering	• Research and development on other natural science and engineering N.E.C. ⁽¹⁾	• Director (Appointed on 1 August 2015)
• Box Park Management	• Management of real estate on a fee or contract basis	• Director (Appointed on 25 May 2018)
• DNC Food Industries	• Manufacture of spices and curry powder, mixed farming	• Director (Appointed on 20 April 2021)
• LSJ Global	• Investment holding activities	• Director (Appointed on 1 August 2015)
• LSJ Land	• Property development and investment holding	• Director (Appointed on 1 August 2015)
• Richmont Sapphire	• Construction of buildings	• Director (Appointed on 1 August 2015)
• Yiked	• Property development and property investment, buying, selling, renting and operating of self-owned or leased real estate – residential buildings	• Director (Appointed on 1 August 2015)
• LSJ Plantation	• Timber logging, support service for forestry and forest plantation for forest service activities, support service for logging services	• Director (Appointed on 18 March 2021 and resigned on 7 September 2021)
• "Lim Yew Lin" ⁽²⁾	• Insurance agency	• Sole proprietor

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company/entity	Principal activities	Involvement in business activities
Teoh Thean Yong		
<ul style="list-style-type: none"> • DXN Eco Lodge PLC 	<ul style="list-style-type: none"> • Dormant⁽³⁾ 	<ul style="list-style-type: none"> • Substantial shareholder (direct)
Prajith Pavithran		
<ul style="list-style-type: none"> • LSJ Agrotech Inc. 	<ul style="list-style-type: none"> • Dormant with plans for organic mega farming in Guyana 	<ul style="list-style-type: none"> • Director (Appointed on 13 September 2022)

Notes:

(1) The expression "N.E.C." utilised herein shall have the meaning "not elsewhere classified".

(2) Sole proprietorship

(3) A liquidator has been appointed to initiate the liquidation process of this company.

The involvement of our Key Senior Management mentioned above in other principal business activities outside our Group will not affect their continued contributions to the day-to-day management of our Group and are not expected to require a significant amount of their time or attention or adversely affect the operations of our Group.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.3.5 Service contracts with our Key Senior Management

As at the date of this Prospectus, there are no existing or proposed service contracts between our Key Senior Management and us which provide for benefits upon termination of employment.

9.3.6 Key Senior Management's remuneration and material benefits in-kind

The remuneration and material benefits in-kind of our Directors who are also part of our Key Senior Management are set out in Section 9.2.5 of this Prospectus.

The aggregate remuneration and material benefits in-kind paid (including any contingent or deferred remuneration) or proposed to be paid to our Key Senior Management, other than our Directors who are also part of our Key Senior Management, for services rendered in all capacities to our Group for the FYE 28 February 2023 and FYE 29 February 2024 are as follows:

Key Senior Management	Remuneration band (FYE 28/29 February)	
	2023 (Actual) ⁽¹⁾	2024 (Proposed) ⁽¹⁾
	RM'000	RM'000
Lim Yew Lin	400-450	400-450
Teoh Thean Yong	400-450	400-450
Tan Hiyin Tiong	350-400	350-400
Prajith Pavithran ⁽²⁾	900-950	900-950
Kuah Lee Peng	300-350	300-350

Notes:

(1) *Inclusive of his/her entitlement under our Profit Sharing Scheme.*

(2) *Prajith Pavithran is based in the U.S. and his salary is paid in USD.*

The above remuneration of our Key Senior Management, which includes salaries, bonus, fees and allowances as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently approved by our Board.

9.4 ASSOCIATIONS OR FAMILY RELATIONSHIPS BETWEEN OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Save as disclosed below, there are no associations or family relationships between our Promoter, substantial shareholders, Directors and Key Senior Management:

- (i) DLSJ, who is our Non-Independent Executive Chairman and substantial shareholder, is:
- a director and substantial shareholder of LSJ Global;
 - the spouse of DLBL; and
 - the brother of DLBY and Lim Yew Lin.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (ii) DLBL, our substantial shareholder, is:
 - a director and substantial shareholder of LSJ Global;
 - the spouse of DLSJ; and
 - the sister-in-law of DLBY and Lim Yew Lin.
- (iii) DLBY, our Non-Independent Non-Executive Director, is:
 - a director of LSJ Global;
 - the brother of DLSJ and Lim Yew Lin; and
 - the brother-in-law of DLBL.
- (iv) Lim Yew Lin, our Chief Financial Officer and Company Secretary, is:
 - a director of LSJ Global;
 - the sister of DLSJ and DLBY; and
 - the sister-in-law of DLBL.
- (v) Vibhav Panandiker, our Non-Independent Non-Executive Director, is a director and an indirect substantial shareholder of the Fund Manager.

9.5 DECLARATION BY OUR PROMOTER, DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, none of our Promoter, Directors or Key Senior Management has been involved in any of following events (whether in or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person was a partner or any corporation of which such person was a director or member of key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (vi) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity;
- (vii) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) there is any unsatisfied judgment against such person.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.6 OTHER MATTERS

- (i) No other amounts or benefits have been paid or intended to be paid or given to our Promoter and substantial shareholders within the two years preceding the date of this Prospectus, except for remuneration and benefits-in-kind received by our substantial shareholder who is our employee in the course of his employment, Directors' fees and dividends paid to our shareholders.
- (ii) There is no arrangement which operation may result in the change in control of our Company at a date subsequent to our IPO and our Listing.
- (iii) Our Promoter and substantial shareholders do not have different voting rights from our other shareholders.

10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Material related party transactions

Save as disclosed below, there are no other material related party transactions entered into by our Group which involve the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them for the past three FYEs 29 February 2020, 28 February 2021 and 28 February 2022, FPE 31 October 2022 and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE			From 1 November 2022 up to the LPD
				29 February 2020	28 February 2021	31 October 2022	
				RM'000	RM'000	RM'000	RM'000
1.	Our Group and DCT Tours	<p>Interested Director</p> <ul style="list-style-type: none"> DLBY <p>See Note (1) for further details of the relationship with our Directors, major shareholders and/or persons connected to them.</p>	Purchase of air tickets and related travel expenses by our Group from DCT Tours	595	143	50	162
				Represents 0.1% of our Group's total expenses	Represents 0.02% of our Group's total expenses	Represents 0.01% of our Group's total expenses	Represents 0.03% of our Group's total expenses
2.	Our Group and Nores Industries Sdn Bhd ("Nores Industries")	<p>Interested Major Shareholder and Director</p> <ul style="list-style-type: none"> DLSJ <p>Interested Director</p> <ul style="list-style-type: none"> DLBY 	Sale of Lion's Mane powder from DXN Pharma to Nores Industries	<1	<1	-	-
				Negligible contribution to our Group's revenue	Negligible contribution to our Group's revenue	-	Negligible contribution to our Group's revenue

See Note (2) for further details of the relationship with our Directors, major shareholders and/or persons connected to them.

10. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting parties	Nature of relationship	Nature of transaction	FYE			FPE	From 1
			29 February 2020	28 February 2021	28 February 2022	31 October 2022	November 2022 up to the LPD
No.			RM'000	RM'000	RM'000	RM'000	RM'000
		Payment of labour charges for packing of products by Nores Industries to DXN Industries	-	1,816	3,591	2,707	1,553
		Supply of manpower by DXN Industries to Nores Industries to support the packing activities outsourced to Nores Industries	-	-	197	-	-
3.	Our Group and the Tastiway Group (Tastiway Sdn Bhd ("Tastiway"), Tastiway Marketing Sdn Bhd ("Tastiway Marketing"), SLM Packaging Sdn Bhd ("SLM Packaging") and Kholin Sdn Bhd ("Kholin") are collectively "Tastiway Group")	Interested Major Shareholder and Director <ul style="list-style-type: none"> DLSJ Interested Director <ul style="list-style-type: none"> DLBY See Note (3) for further details of the relationship with our Directors, major shareholders and/or persons connected to them.	56	84	81	57	46
		Sale of Gano liquid mycelium, Spirulina powder, RG powder, GL powder, RG & GL mixed powder, vinegar, talcum powder and Cordyfine cups from our Group to the Tastiway Group	56	84	81	57	46
		Purchase of Zhi-Mint menthol, peppermint oil, aluminium foil packaging, fresh perfume and sanitiser liquid by our Group from the Tastiway Group	3,235	6,345	12,400	6,144	6,050

10. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting No. parties	Nature of relationship	Nature of transaction	FYE				FPE
			29 February 2020	28 February 2021	28 February 2022	31 October 2022	From 1 November 2022 up to the LPD
			RM'000	RM'000	RM'000	RM'000	RM'000
		Payment of labour charges for packing of our products by DXN Industries to Tastiway	-	3,086	4,164	1,060	463
		Rental of 40-foot reefer container by DXN Pharma from Tastiway	-	-	-	19	25
4.	Our Group and "Lim Yew Lin" sole proprietorship and "Ling Chung Hwa" sole proprietorship	Payment of insurance premium by our Group to "Lim Yew Lin" sole proprietorship and "Ling Chung Hwa" sole proprietorship"	1,322	1,046	1,699	1,527	711
	Interested Major Shareholder and Director						
	• DLSJ						
	Interested Director						
	• DLBY						

See Note (4) for further details of the relationship with our Directors, major shareholders and/or persons connected to them.

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE				From 1 November 2022 up to the LPD
				29 February 2020	28 February 2021	28 February 2022	31 October 2022	
				RM'000	RM'000	RM'000	RM'000	RM'000
5.	Our Group and the LSJ Global Group (LSJ Global, LSJ Land, LSJ Plantation, Yiked and Richmond Sapphire are collectively "LSJ Global Group")	<p>Interested Major Shareholder</p> <ul style="list-style-type: none"> LSJ Global <p>Interested Directors</p> <ul style="list-style-type: none"> DLSJ DLBY <p>See Note (5)(a) for further details of the relationship with our Directors, major and/or persons connected to them.</p>	<p>Disposal of 150,000 ordinary shares (representing 100.0% equity interest) and 68,000 preference shares in LSJ Plantation by our Company (vendor) to LSJ Global (purchaser)</p> <p>Disposal of 150,000 shares representing 100.0% equity interest) and 68,000 preference shares in LSJ Plantation by our Company (vendor) to LSJ Global (purchaser)</p> <p>See Note (5)(b) for details of this transaction</p> <p>Disposal of 150,000 ordinary shares (representing 100.0% equity interest) and 68,000 preference shares in LSJ Plantation by our Company (vendor) to LSJ Global (purchaser)</p> <p>See Note (5)(c) for details of this transaction</p> <p>Rental payable by our Group (tenants) to the LSJ Global Group (landlords)</p> <p>See Note (5)(d) for the salient terms of the tenancy agreements between our Group and the LSJ Global Group</p>	-	44,500	-	-	-
					Represents 7.1% of our Group's NA			
					2,600			
						Represents 0.4% of our Group's NA		
				570	555	588	370	250
				Represents 0.7% of our Group's administrative expenses	Represents 0.4% of our Group's administrative expenses	Represents 0.5% of our Group's administrative expenses	Represents 0.4% of our Group's administrative expenses	

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE				From 1 November 2022 up to the LPD
				29 February 2020	28 February 2021	28 February 2022	31 October 2022	
				RM'000	RM'000	RM'000	RM'000	RM'000
6.	Our Group and DLSJ	Interested Major Shareholder and Director • DLSJ	Rental payable by DXN Marketing to DLSJ in respect of the rental at Unit F1-002, Happy Apartment, Jalan 17/22, 46400 Petaling Jaya, Selangor See Note (6)(a) for the salient terms of the tenancy agreements between DXN Marketing and DLSJ	24 Represents 0.03% of our Group's administrative expenses	24 Represents 0.02% of our Group's administrative expenses	24 Represents 0.02% of our Group's administrative expenses	16 Represents 0.02% of our Group's administrative expenses	10
			Rental payable by DXN Marketing to DLSJ in respect of the rental at Unit B1-05-03, Bukit Utama Condominium, Changkat Bukit Utama, 47800 Petaling Jaya, Selangor	-	-	-	10 Represents 0.01% of our Group's administrative expenses	17
			See Note (6)(b) for the salient terms of the tenancy agreements between DXN Marketing and DLSJ	-	-	-	251 Represents 0.03% of our Group's NA	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting parties	Nature of relationship	Nature of transaction	FYE			From 1 November 2022 up to the LPD	
			29 February 2020	28 February 2021	28 February 2022		
No.			RM'000	RM'000	RM'000	RM'000	
7.	Our Group and DLBL	<p>Interested Major Shareholder</p> <ul style="list-style-type: none"> • DLBL <p>Interested Directors</p> <ul style="list-style-type: none"> • DLSJ • DLBY <p>See Note (7)(a) for further details of the relationship with our Directors, major shareholder and/or persons connected to them.</p>	<p>Rental payable by our Group to DLBL in respect of the two units of 3-storey shop offices at 189 and 190, Jalan BSG 5, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah</p> <p>See Note (7)(b) for the agreements between our Group and DLBL</p>	30	52	52	22
			Represents 0.04% of our Group's administrative expenses	Represents 0.04% of our Group's administrative expenses	Represents 0.05% of our Group's administrative expenses	Represents 0.04% of our Group's administrative expenses	
8.	DXN Safari and Tropica Paradise Sdn Bhd	<p>Interested Major Shareholder and Director</p> <ul style="list-style-type: none"> • DLSJ <p>Interested Director</p> <ul style="list-style-type: none"> • DLBY <p>See Note (8) for further details of the relationship with our Directors, major shareholders and/or persons connected to them.</p>	<p>Payment made by DXN Safari to Tropica Paradise Sdn Bhd for preparing the site for farming at Sungai Yu, Pahang</p>	-	729	763	-
			Represents 0.1% of our Group's NA	Represents 0.1% of our Group's NA	Represents 0.1% of our Group's NA	-	
9.	Our Group and LSJ Biotech	<p>Interested Major Shareholder and Director</p> <ul style="list-style-type: none"> • DLSJ <p>See Note (9) for further details of the relationship with our Directors, major shareholders and/or persons connected to them.</p>	<p>Purchase of finished goods being RG and GL 90 and 30 capsules and powders by DXN Marketing India from LSJ Biotech</p>	4,711	10,881	8,661	2,323
			Represents 2.5% of our Group's cost of goods sold	Represents 6.1% of our Group's cost of goods sold	Represents 3.8% of our Group's cost of goods sold	Represents 3.5% of our Group's cost of goods sold	

10. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting No.	Transacting parties	Nature of relationship	Nature of transaction	FYE				From 1 November 2022 up to the LPD
				29 February 2020	28 February 2021	28 February 2022	31 October 2022	
				RM'000	RM'000	RM'000	RM'000	RM'000
			Purchase of high-density polyethylene containers and trading goods by our Group from LSJ Biotech	-	305	36	-	-
			Purchase of machineries by Daxen Agritech, DXN Manufacturing India and Esen Lifesciences from LSJ Biotech	-	388	-	-	-
			Sale of GL powder, empty vegetable capsules and machineries from Daxen Agritech to LSJ Biotech	1,143	1,648	1,290	1,406	414
			Purchase of face masks, bamboo toothbrushes and bamboo ear buds by DXN Marketing India from Sunyatee	-	25	278	-	-
10.	DXN Marketing India and Sunyatee	Interested Major Shareholder and Director • DLSJ See Note (10) for further details of the relationship with our Directors, major shareholders and/or persons connected to them.		Represents 0.1% of our Group's revenue	Represents 0.2% of our Group's revenue	Represents 0.1% of our Group's revenue	Represents 0.1% of our Group's revenue	

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE				From 1 November 2022 up to the LPD
				29 February 2020	28 February 2021	28 February 2022	31 October 2022	
				RM'000	RM'000	RM'000	RM'000	RM'000
11.	DXN Pharma and Zaman Biotech	<p>Interested Major Shareholder and Director</p> <ul style="list-style-type: none"> DLSJ <p>See Note (11) for further details of the relationship with our Directors, major shareholders and/or persons connected to them.</p>	<p>Sale of white oyster mushroom bag log from DXN Pharma to Zaman Biotech</p>	34	24	7	4	-
				Negligible contribution to our Group's revenue				
12.	Bio Synergy Engineering (our former subsidiary) and DXN Eco Lodge PLC	<p>Interested Major Shareholder and Director</p> <ul style="list-style-type: none"> DLSJ <p>See Note (12) for further details of the relationship with our Directors, major shareholder and/or persons connected to them</p> <p>Bio Synergy Engineering had ceased to be a subsidiary of our Company following the disposal of LSJ Land and its subsidiaries to LSJ Global in February 2021. For further details on the disposal, see Section 14.6.2 of this Prospectus.</p>	<p>Payment made for the purchase of machineries by Bio Synergy Engineering from DXN Eco Lodge PLC</p>	316	-	-	-	-
				Represents 0.04% of our Group's NA				

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE				From 1 November 2022 up to the LPD
				29 February 2020	28 February 2021	28 February 2022	31 October 2022	
				RM'000	RM'000	RM'000	RM'000	RM'000
13.	Bio Synergy and related parties including Nores Industries, Nores Marketing Sdn Bhd (" Nores Marketing "); Tastiway and SLM Packaging	Interested Directors <ul style="list-style-type: none"> • DLSJ • DLBY See Notes (2) and (3) for further details of the relationship with our Directors, major shareholders and/or persons connected to them.	Sale of laboratory tests on F&Bs from Bio Synergy to related parties including Nores Industries, Nores Marketing, Tastiway and SLM Packaging	102	163	173	73	81
				Represents 0.01% of our Group's revenue	Represents 0.02% of our Group's revenue	Represents 0.01% of our Group's revenue	Represents 0.01% of our Group's revenue	Represents 0.01% of our Group's revenue
14.	DXN Solutions and related parties including DCT Tours, Stargate Land, Nores Marketing and the Tastiway Group	Interested Directors <ul style="list-style-type: none"> • DLSJ • DLBY See Notes (1), (2), (3) and (13) for further details of the relationship with our Directors, Tours, Stargate Land, major shareholders and/or persons connected to them.	Sale of computer hardware, provision of domain and email hosting subscription as well as website service by DXN Solutions to related parties including DCT Tours, Stargate Land, Nores Marketing and the Tastiway Group	6	3	8	7	7
				Negligible contribution to our Group's revenue				
15.	Our Group and LSJ Plantation	Interested Major Shareholder and Director <ul style="list-style-type: none"> • DLSJ See Note (14) for further details of the relationship with our Directors, major shareholders and/or persons connected to them.	Disposal of used motor vehicle and tree branches shredder machine by our Group to LSJ Plantation	-	-	79	15	-
						Represents 0.01% of our Group's NA	Represents 0.01% of our Group's NA	Negligible contribution to our Group's NA

10. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

- (1) *DLBY, our Non-Independent Non-Executive Director, is the director and a shareholder of DCT Tours holding 10.0% equity interest in DCT Tours. He is the brother of DLSJ, our Non-Independent Executive Chairman and our major shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global.*
- (2) *Lim Chea Lin and Lee Chiew Khim are the directors and shareholders of Nores Industries and Nores Marketing. Lim Chea Lin and Lee Chiew Khim each hold 30.0% equity interest in Nores Industries, and 40.0% equity interest respectively in Nores Marketing.*
Lim Chea Lin is the sister of DLSJ and DLBY, our Non-Independent Executive Chairman and Non-Independent Non-Executive Director respectively. DLSJ is also our major shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global.
Lee Chiew Khim is the spouse of Lim Chea Lin and the brother in-law of DLSJ and DLBY.
- (3) *Lim Beng Lee and Khor Yuan Ning are the directors and shareholders of Tastiway, which is the holding company of Tastiway Marketing, SLM Packaging and Kholin. Lim Beng Lee and Khor Yuan Ning each hold 50.0% equity interest in Tastiway.*
Lim Beng Lee is the brother of DLSJ and DLBY, our Non-Independent Executive Chairman and Non-Independent Non-Executive Director respectively. DLSJ is also our major shareholder by virtue of his interest in DXN Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global.
Khor Yuan Ning is the spouse of Lim Beng Lee and the sister in-law of DLSJ and DLBY.
- (4) *Lim Yew Lin is the owner of "Lim Yew Lin" sole proprietorship while Ling Chung Hwa is the owner of "Ling Chung Hwa" sole proprietorship. Lim Yew Lin is the sister of DLSJ and DLBY, our Non-Independent Executive Chairman and Non-Independent Non-Executive Director respectively. DLSJ is also our major shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global.*
Ling Chung Hwa is the spouse of Lim Yew Lin and the brother in-law of DLSJ and DLBY.
- (5) *LSJ Global*
 - (a) *LSJ Global is our major shareholder. DLSJ and DLBL are the major shareholders of LSJ Global holding 49.9% and 50.0% equity interest respectively in LSJ Global and our indirect major shareholders by virtue of their interests in LSJ Global. DLSJ and DLBY are directors of LSJ Global and our Non-Independent Executive Chairman and Non-Independent Non-Executive Director respectively. Lim Yew Lin, our Chief Financial Officer and Company Secretary is also a director of LSJ Global.*

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (b) LSJ Land was disposed of by our Group as part of a reorganisation exercise undertaken prior to our Listing. The consideration of RM44.5 million for the disposal of LSJ Land by our Group was arrived at based on the unaudited NA of LSJ Land and its subsidiaries as at 31 December 2020. For the salient terms of this transaction, see Section 14.6.2 of this Prospectus.
- (c) LSJ Plantation was disposed of by our Group as part of a reorganisation exercise undertaken prior to our Listing. The consideration of RM2.6 million for the disposal of LSJ Plantation by our Group was arrived at based on the unaudited NA of LSJ Plantation as at 31 December 2020. For the salient terms of this transaction, see Section 14.6.1 of this Prospectus.
- (d) The salient terms of the tenancy agreements between our Group and the LSJ Global Group are as follows:
- (i) in respect of the tenancy agreement dated 12 October 2015 which was subsequently renewed by the letters of extension dated 29 September 2017, 9 October 2019, 14 December 2020 and 28 February 2021, and the renewal tenancy agreement dated 14 February 2022 which was subsequently further renewed by the letter of extension dated 14 March 2023 between DXN and Yiked for the rental of the premise at 2nd Floor of Nos. 109 to 116, Jalan BSG 2, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah ("Lot 109 to 116"), and 1st Floor of Nos. 111 to 112, Jalan BSG 2, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is for one year commencing from 1 March 2023 to 29 February 2024. The monthly rental rate is RM12,500;
- (ii) in respect of the tenancy agreement dated 1 March 2019 which was subsequently renewed by the letters of extension dated 28 February 2021, 4 January 2022 and 16 March 2023 between DXN Pharma and LSJ Global for the rental of premise known as GM 1613, Lot 2269, Tempat Bukit Tok Iting, Mukim Binjal, Daerah Kubang Pasu, Kedah, the tenure of the tenancy is for one year commencing from 1 March 2023 to 29 February 2024. The monthly rental rate is RM10,500;
- (iii) in respect of the tenancy agreement dated 8 July 2020 which was subsequently renewed by the letter of extension dated 30 June 2021 and the renewal tenancy agreement dated 14 February 2022 between DXN Pharma and Yiked for the rental of the premise at Nos. 232 – 235, Jalan BSG 10, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is for eight months commencing from 1 March 2022 to 28 February 2023. The monthly rental rate was RM5,200. We ended the tenancy of this premise starting from August 2022;
- (iv) in respect of the tenancy agreement dated 16 January 2020 which was subsequently renewed by the letters of extension dated 14 December 2020 and 28 February 2021, and the renewal tenancy agreement dated 14 February 2022 which was subsequently further renewed by the letter of extension dated 14 March 2023 between DXN Industries and Yiked for the rental of the premise at Ground Floor of Nos. 115 and 116, Jalan BSG 2, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is for one year commencing from 1 March 2023 to 29 February 2024. The monthly rental rate is RM2,500;

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (v) *in respect of the tenancy agreement dated 12 October 2015 which was subsequently renewed by the letters of extension dated 2 October 2017, 9 October 2019, 14 December 2020 and 28 February 2021, the renewal tenancy agreement dated 14 February 2022 which was subsequently further renewed by the letter of extension dated 14 March 2023 between DXN Marketing and Yiked for the rental of the premise at Ground Floor of Nos. 112, 113 and 114, and 1st Floor of Nos. 110 and 114 -116, Jalan BSG 2, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is for one year commencing from 1 March 2023 to 29 February 2024. The monthly rental rate is RM11,800;*
- (vi) *in respect of the tenancy agreement dated 7 August 2020 which was subsequently renewed by the letter of extension dated 31 May 2021 between DXN Biotech and Yiked for the rental of the premise at Nos. 230 & 231, Jalan BSG 10, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy was for one year commencing from 1 June 2021 to 28 February 2022. The monthly rental rate was RM2,500. We ended the tenancy of this premise starting from August 2021;*
- (vii) *in respect of the tenancy agreement dated 12 April 2021 which was subsequently renewed by the tenancy agreement dated 14 February 2022 and further renewed by the letter of extension dated 14 March 2023 between DXN Food Tech and Yiked for the rental of the premise at No. 228, Jalan BSG 9, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is for one year commencing from 1 March 2023 to 29 February 2024. The monthly rental rate is RM2,500;*
- (viii) *in respect of the tenancy agreement dated 5 April 2021 between DXN Cafe and Yiked for the rental of the premise at Ground Floor of Nos. 109 and 110, Jalan BSG 2, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah ("**Lot 109 and 110**") , the tenure of the tenancy is for one year commencing from 1 March 2021 to 28 February 2022. Subsequently, DXN Cafe entered into a tenancy agreement dated 14 February 2022 with Yiked for the renewal of the rental for Lots 109 and 110 and the inclusion of the rental of the premise at Ground Floor of No. 111, Jalan BSG 2, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah ("**Lot 111**") , both for a tenure of one year commencing from 1 March 2022 to 28 February 2023. The tenancies for Lots 109, 110 and 111 have been renewed vide a letter of extension dated 14 March 2023 for a further period of one year commencing from 1 March 2023 to 29 February 2024. The monthly rental rate for Lot 109 and 110 is RM2,500 while the monthly rental rate for Lot 111 is RM600;*
- (ix) *in respect of the tenancy agreement dated 28 December 2021 which was subsequently renewed by the letter of extension dated 14 March 2023 between Bio Synergy and Yiked for the rental of the premise at Nos. 213 to 220, Jalan BSG 9, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is from the date of renovation up to 29 February 2024. The monthly rental rate is RM18,000. As at the LPD, renovation work has not commenced and hence, no payment has been made to Yiked in respect of this tenancy agreement; and*
- (x) *in respect of the tenancy agreement dated 29 August 2022 which was subsequently renewed by the letter of extension dated 14 March 2023 between Yiked and DXN Pharma for the rental of the premise at Nos. 237-239, Jalan BSG 10, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is for one year commencing from 1 March 2023 to 29 February 2024. The monthly rental rate is RM4,500.*

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (6) *The salient terms of the tenancy agreements between our Group and DLSJ are as follows:*
- (a) *in respect of the tenancy agreement dated 15 March 2019 which was subsequently renewed by the tenancy agreement dated 21 December 2021 between DXN Marketing and DLSJ for the rental of the premise at Unit F1-002, Happy Apartment, Jalan 17/22, 46400, Petaling Jaya, Selangor, the tenure is for three years commencing from 1 November 2021 to 31 October 2024. The monthly rental rate is RM2,500; and*
- (b) *in respect of the tenancy agreement dated 14 September 2022 between DXN Marketing and DLSJ for the rental of the premise at Unit B1-05-03, Bukit Utama Condominium, Changkat Bukit Utama, 47800 Petaling Jaya, Selangor, the tenure is for two years commencing from 1 August 2022 to 31 July 2024. The monthly rental rate is RM3,200.*
- (7) *The relationship and transactions between our Group and DLBL are as follows:*
- (a) *DLBL is our major shareholder by virtue of her interest in LSJ Global and her beneficial ownership representing approximately 26.0% equity interest in our Company that is held on trust by LSJ Global. DLBL is also the spouse of DLSJ and the sister-in-law of DLBY, our Non-Independent Executive Chairman and Non-Independent Non-Executive Director respectively.*
- (b) *The salient terms of the tenancy agreements between our Group and DLBL are as follows:*
- (i) *in respect of the tenancy agreement dated 3 September 2019 between DXN Biogreen and DLBL for the rental of the 3-storey shop office having postal address at 189, Jalan BSG 5, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is for three years commencing from 20 August 2019. The monthly rental rate was RM2,500. We ended the tenancy of this premise in June 2022;*
- (ii) *in respect of the tenancy agreement dated 3 September 2019 between DXN Biogreen and DLBL for the rental of the 3-storey shop office having postal address at 190, Jalan BSG 5, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is for three years commencing from 20 August 2019. The monthly rental rate was RM1,800. We ended the tenancy of this premise in June 2022;*
- (iii) *in respect of the tenancy agreement dated 19 July 2022 between DXN Pharma and DLBL for the rental of the 3-storey shop office having postal address at 189, Jalan BSG 5, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is for one year commencing from 1 July 2022 to 30 June 2023. The monthly rental rate is RM2,500; and*
- (iv) *in respect of the tenancy agreement dated 3 September 2019 between DXN Pharma and DLBL for the rental of the 3-storey shop office having postal address at 190, Jalan BSG 5, Bandar Stargate, Lebuhraya Sultanah Bahiyah, 05400 Alor Setar, Kedah, the tenure of the tenancy is for one year commencing from 1 July 2022 to 30 June 2023. The monthly rental rate is RM1,800.*

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (8) *Datin Wan Iliyyin Binti Wan Mohd Nazi is the director and shareholder holding 100.0% equity interest in Tropica Paradise Sdn Bhd. Datin Wan Iliyyin Binti Wan Mohd Nazi is the spouse of our Non-Independent Executive Chairman, DLSJ and the sister in-law to our Non-Independent Non-Executive Director, DLBY. DLSJ is also our major shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global.*
- (9) *DLSJ is our Non-Independent Executive Chairman and our major shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global. He is also the director and shareholder of LSJ Biotech holding 95.0% equity interest in LSJ Biotech.*
- (10) *DLSJ is our Non-Independent Executive Chairman and our major shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global. He was a director and shareholder of Sunyatee holding 98.0% equity interest in Sunyatee. DLSJ resigned from Sunyatee on 13 March 2022 and has transferred his shares in Sunyatee subsequently. As at the LPD, DLSJ is no longer a director or shareholder of Sunyatee.*
- (11) *DLSJ is our Non-Independent Executive Chairman and our major shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global. He is also the director and shareholder of Zaman Biotech holding 40.0% equity interest in Zaman Biotech.*
- (12) *DLSJ is our Non-Independent Executive Chairman and our major shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global. He is also the shareholder of DXN Eco Lodge PLC holding 90.0% equity interest in DXN Eco Lodge PLC.*
- (13) *DLBY is our Non-Independent Non-Executive Director and brother of DLSJ, our Non-Independent Executive Chairman and our major shareholder. DLBY and Datin Kee Yew Oi, the spouse of DLBY, are the directors and shareholders of Stargate Land holding 85.0% and 15.0% equity interest respectively in Stargate Land.*
- (14) *DLSJ is our Non-Independent Executive Chairman and our major shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global. He is also a director of LSJ Plantation as at the LPD.*
- (15) *The relationship between our Group and Nores Holdings are as follows:*
- (a) *Lim Chea Lin and Lee Chiew Khim are the directors and shareholders of Nores Holdings. Lim Chea Lin and Lee Chiew Khim each hold 40.0% equity interest respectively in Nores Holdings.*
- Lim Chea Lin is the sister of DLSJ and DLBY, our Non-Independent Executive Chairman and Non-Independent Non-Executive Director respectively. DLSJ is also our major shareholder by virtue of his interest in LSJ Global and his beneficial ownership representing approximately 0.3% equity interest in our Company that is held on trust by LSJ Global.*

10. RELATED PARTY TRANSACTIONS (Cont'd)

Lee Chiew Khim is the spouse of Lim Chea Lin and the brother in-law of DLSJ and DLBY.

- (b) *in respect of the tenancy agreement dated 12 May 2022 between DXN Marketing and Nores Holdings for the rental of a vacant land held under HS(D) 21026, PT 2597, Bandar Alor Setar, Daerah Kota Setar, Kedah, the tenure of the tenancy is for one year commencing from 1 May 2022 to 30 April 2023. The monthly rental rate is RM3,000.*

As shown in the table, we have entered into multiple tenancy agreements with the related parties of our Company to rent properties for our Group's operations. After having considered the basis of arriving at the respective rentals (which had taken into account, among others, the rental rates of comparable units located in the vicinity of the relevant property) and the salient terms of the tenancy agreements, our Directors are of the view that the tenancy agreements entered into by our Group with the related parties are transacted on arm's length basis and on normal commercial terms that are generally available to third parties. The renewal terms of such tenancy agreements will be reviewed by the Audit Committee and if the related parties (landlords) revise and charge rental rate that are materially higher than those that would be generally available to third parties, we have the option of relocating the operations in these properties to other places.

Our Directors confirm that all the above related party transactions were transacted on an arm's length basis and on normal commercial terms which were not more favourable to the related parties than those generally available to third parties and were not detrimental to our non-interested shareholders.

Our Directors also confirm that there are no other material related party transactions that have been entered by our Group that involve the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but not yet effected up to the date of this Prospectus.

After our Listing, we will be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders (which mandate would typically be renewed as required at each AGM of our Company) to enter into such recurrent transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate.

In addition, to safeguard the interest of our Group and non-interested shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, among others, supervise and monitor any recurrent related party transaction and the terms thereof and report to our Board for further action, as set out in Section 10.2.1 of this Prospectus.

10.1.2 Related party transactions entered into that are unusual in their nature or conditions

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we were a party in respect of the past three FYEs 29 February 2020, 28 February 2021 and 28 February 2022, FPE 31 October 2022 and up to the LPD.

10. RELATED PARTY TRANSACTIONS (Cont'd)

10.1.3 Material outstanding loans and/or financial assistance (including guarantees of any kind)

(i) Material outstanding loans and/or financial assistance (including guarantees of any kind) made to or for the benefit of related parties

Save as disclosed below, there are no material outstanding loans or financial assistance (including guarantees of any kind) made by our Group to or for the benefit of our related parties in respect of the past three FYEs 29 February 2020, 28 February 2021 and 28 February 2022, FPE 31 October 2022 and up to the LPD:

No.	Name of related party and nature of relationship	Name of our subsidiary extending the loan	Nature of transaction	FYE 28 / 29 February			FPE 31	From 1
				2020	2021	2022	October	November 2022 up to the LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
1.	LSJ Biotech DLSJ is the director and shareholder of LSJ Biotech holding 95.0% equity interest in LSJ Biotech	Daxen Agritech	Nature of transaction The loan was extended by Daxen Agritech to LSJ Biotech for the purpose of setting up LSJ Biotech's manufacturing facility and for its operating expenses. The loan was unsecured, bearing interest of 9.0% per annum in 2014, but was subsequently revised down to 7.25% per annum with effect from 1 April 2020.	Balance outstanding as at end of financial year/period 11,212	6,354	-	-	-
				Interest income for financial year/period 948	687	189	-	-
2.	Bulgano Ltd DLSJ is the shareholder of Bulgano Ltd holding 70.0% equity interest in Bulgano Ltd	DXN Bulgaria	The loan was extended by DXN Bulgaria to Bulgano Ltd for working capital and investment purposes. The loan was unsecured, bearing interest of 4.82% per annum.	Balance outstanding as at end of financial year/period 17	267	332	-	-
				Interest income for financial year/period Negligible	7	14	2	-

The above unsecured loans extended to LSJ Biotech and Bulgano Ltd have been fully repaid as at the LPD. The unsecured loans were provided on an arm's length basis and on normal commercial terms as the interest rate charged to LSJ Biotech and Bulgano Ltd were determined after taking into consideration the interest rate published by the State Bank of India and Bulgarian National Bank respectively at that point of time.

10. RELATED PARTY TRANSACTIONS (Cont'd)

(ii) Material outstanding loans and/or financial assistance (including guarantees of any kind) made by related parties for the benefit of our Group

Save as disclosed below, there are no material outstanding loans or financial assistance (including guarantees of any kind) made by related parties for the benefit of our Group in respect of the past three FYEs 29 February 2020, 28 February 2021 and 28 February 2022, FPE 31 October 2022 and up to the LPD:

Related party	Name of entities receiving the advances	Date and amount of advances obtained	Nature of transaction and terms of the advances	Amount outstanding as at the latest financial period
<u>Our Director and major shareholder</u> DLSJ	DXN Biotechnology Ningxia	For the FYE 28 February 2019 / RMB8.0 million	The amount was extended by our Non-Independent Executive Chairman, DLSJ, to DXN Biotechnology Ningxia to fund the set-up of the business. Non-trade in nature, unsecured, interest-free and repayable on demand.	RMB8.0 million (equivalent to RM5.2 million) as at 31 October 2022. The advances had been fully repaid as at the LPD.
	Florin Fujian	For the FYE 28 February 2021 / RMB3.9 million For the FYE 28 February 2022 / RMB0.069 million	The amount was extended by our Non-Independent Executive Chairman, DLSJ, to Florin Fujian to fund the operations and business development of the company. Non-trade in nature, unsecured, interest-free and repayable on demand.	RMB4.0 million (equivalent to RM2.6 million) as at 31 October 2022. The advances had been fully repaid as at the LPD.
	DXN Corporation Ningxia	Prior to the FYE 28 February 2019 / RMB0.450 million	The amount was extended by our Non-Independent Executive Chairman, DLSJ, to DXN Corporation Ningxia to fund the operations and business development of the company. Non-trade in nature, unsecured, interest-free and repayable on demand.	RMB0.449 million (equivalent to RM0.3 million) as at 31 October 2022. The advances had been fully repaid as at the LPD.

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Name of entities receiving the advances	Date and amount of advances obtained	Nature of transaction and terms of the advances	Amount outstanding as at the latest financial period
	DXN	For the FYE 28 February 2019 / RM0.254 million	The amount was extended by our Non-Independent Executive Chairman, DLSJ, to our Company to advance funds for the purchase of office assets. Non-trade in nature, unsecured, interest-free and repayable on demand.	Nil as at 31 October 2022. The advances had been fully repaid in the FPE 31 October 2022.
	DXN Marketing	Prior to the FYE 28 February 2019 / RM0.015 million For the FYE 28 February 2019 / RM1.5 million	The amount was extended by our Non-Independent Executive Chairman, DLSJ, to DXN Marketing to advance funds for the company's operating expenses. Non-trade in nature, unsecured, interest-free and repayable on demand.	Nil as at 31 October 2022. The advances had been fully repaid in the FYE 28 February 2021.
	DXN Marketing India	Prior to the FYE 28 February 2019 / INR4.9 million	The amount was extended by our Non-Independent Executive Chairman, DLSJ, to DXN Marketing India to fund the set-up of the business. Non-trade in nature, unsecured, interest-free and repayable on demand.	Nil as at 31 October 2022. The advances had been fully repaid in the FYE 28 February 2022.
	DXN Nigeria	For the FYE 28 February 2021 / NGN0.056 million	The amount was extended by our Non-Independent Executive Chairman, DLSJ, to DXN Nigeria to fund the set-up of the business. Non-trade in nature, unsecured, interest-free and repayable on demand.	Nil as at 31 October 2022. The advances had been fully repaid in the FPE 31 October 2022.

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Name of entities receiving the advances	Date and amount of advances obtained	Nature of transaction and terms of the advances	Amount outstanding as at the latest financial period
<u>Our Director</u> DLBY	DXN	Prior to the FYE 28 February 2019 / RM0.007 million	The amount was by our Non-Independent Non-Executive Director, DLBY, to our Company to advance funds for our Company's operating expenses. Non-trade in nature, unsecured, interest-free and repayable on demand.	Nil as at 31 October 2022. The advances had been fully repaid in the FYE 29 February 2020.

The above advances by our Directors to our Group are unsecured, interest-free and repayable on demand and therefore not on an arm's length basis and not on normal commercial terms. Our Directors are of the opinion that these advances are not unfavourable to our Group.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 Audit Committee review

Our Audit Committee reviews related party transactions and conflicts of interest situations that may arise within our Company or Group. Our Audit Committee also reviews any transaction, procedure or course of conduct that raises questions of management integrity including our related party transactions. In reviewing the related party transactions, the following, amongst other things will be considered:

- (i) the rationale and the cost/benefit to our Company are first considered;
- (ii) where possible, comparative quotes will be taken into consideration;
- (iii) that the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length basis; and
- (iv) that the transactions are not detrimental to our Company's non-interested shareholders.

All reviews by our Audit Committee are reported to our Board for its further action.

10.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interests between our Group and the related parties with whom our Group has entered into such transactions. Some of the officers and the Directors of our Group are also officers, directors and in some cases, shareholders of the related parties of our Group, as disclosed in this Prospectus and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to the third parties dealing on arm's length basis with our Group and are not to the detriment of our non-interested shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and MCGG upon our Listing. The procedures which may form part of the framework include, among others, the following:

- (i) our Board shall ensure that majority of our Board's members are Independent Directors and will undertake an annual assessment of our Independent Directors;
- (ii) our Directors will be required to immediately make full disclosure of any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

11. CONFLICTS OF INTEREST

11.1 INTEREST IN ENTITIES WHICH CARRY ON A SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE OUR CUSTOMERS OR SUPPLIERS

11.1.1 Involvement of our Directors and substantial shareholders in entities which carry on a similar trade as that of our Group

As at the LPD, save as disclosed below, our Directors and substantial shareholders do not have any interest, direct or indirect, in any entities which are carrying on a similar trade as that of our Group:

No.	Entity	Director and/or substantial shareholder	Nature	Principal activity	Nature of interest
1.	LSJ Biotech	<u>Substantial shareholder and Director</u> DLSJ	Similar trade as that of our Group	Manufacturing, trading, export and import and dealing in Ganoderma mushroom, Cordyceps mushroom and similar mushroom products and producing RG and GL capsules and powder	DLSJ is a director and shareholder holding 95.0% equity interest in LSJ Biotech

Our Board is of the view that any potential conflict of interest situation which may arise through the interest of DLSJ in LSJ Biotech has been mitigated on the basis that:

- (i) the business and operations of LSJ Biotech are not in direct competition with the business and operations of our Group given that:
 - (a) as at the LPD, LSJ Biotech is principally involved in the production of ready to be consumed RG and GL capsules and powders (collectively referred to as "**RG and GL capsules/powders**") which are then solely sold as finished goods to our subsidiary, DXN Marketing India in India;
 - (b) the business and operations of LSJ Biotech are relatively small and LSJ Biotech does not have the necessary machineries and resources to produce and market other products apart from RG and GL capsules/powders. As such, LSJ Biotech is not able to offer the same range of products as our Group and hence, does not compete with our Group; and
 - (c) LSJ Biotech is not involved in trading and distribution of wellness consumer products including F&B, food supplements and consumer products. Accordingly, LSJ Biotech does not compete with our direct selling business;
- (ii) all sales and purchases between our Group and LSJ Biotech are transacted on an arm's length basis and on normal commercial terms which are not more favourable to it than those generally available to third parties; and

11. CONFLICTS OF INTEREST (Cont'd)

(iii) our Group is not dependent on LSJ Biotech for its products (being the RG and GL capsules/powders) as our subsidiary, Daxen Agritech is also involved in the manufacturing of RG and GL capsules/powders. Our Group is also in the process of expanding DXN Manufacturing India's facility in Telangana, India which is expected to commence operations by the second quarter of 2023.

11.1.2 Involvement of our Directors and substantial shareholders in entities which are our customers or suppliers

Save as disclosed below, as at the LPD, our Directors and substantial shareholders do not have any interest, direct or indirect, in any entities which are our customers or suppliers:

<u>No.</u>	<u>Entity</u>	<u>Director and/or substantial shareholder</u>	<u>Nature of transaction</u>	<u>Principal activity</u>	<u>Nature of interest</u>
1.	Stargate Land	<u>Director</u> DLBY	Customer of computer hardware	Construction and property development and trading in construction materials	DLBY is a director and shareholder holding 85.0% equity interest in Stargate Land
2.	LSJ Biotech	<u>Substantial shareholder and Director</u> DLSJ	Customer of GL powder, empty vegetable capsules and machineries Supplier of finished foods being RG and GL 90 and 30 capsules and powders, high-density polyethylene containers and machineries	Manufacturing, trading, export and import and dealing in Ganoderma mushroom, Cordyceps mushroom and similar mushroom products and producing RG and GL capsules and powder	DLSJ is a director and shareholder holding 95.0% equity interest in LSJ Biotech
3.	DCT Tours	<u>Director</u> DLBY	Supplier of air tickets and related travel services	Travel agents and tour operators which provides flights and hotel booking services as well as inbound and outbound tour packages	DLBY is a director and shareholder holding 10.0% equity interest in DCT Tours

11. CONFLICTS OF INTEREST (Cont'd)

No.	Entity	Director and/or substantial shareholder	Nature of transaction	Principal activity	Nature of interest
4.	Zaman Biotech	<u>Substantial shareholder and Director</u> DLSJ	Customer of white oyster mushroom bag log	General trading	DLSJ is a director and shareholder holding 40.0% equity interest in Zaman Biotech
5.	LSJ Plantation	<u>Substantial shareholder and Director</u> DLSJ	Customer of various seeds and saplings as well as used motor vehicle and tree branches shredder machine Supplier of bamboo salt, black ginger seedling, used motor vehicles and machineries	Timber logging, agricultural farming and crops plantation, trading of timber and its related products and all kinds of agricultural produce and crops	DLSJ is a director of LSJ Plantation

Our Board is of the view that any potential conflict of interest situation which may arise through the interests of our Directors and substantial shareholder in entities which are our customers or suppliers (collectively referred to as “**Related Customers**” and/or “**Related Suppliers**”) has been mitigated due to the following:

- (i) all sales and purchases with/from the Related Customers and Related Suppliers are transacted on an arm’s length basis and on normal commercial terms which are not more favourable to them than those generally available to third parties;
- (ii) our Group is not dependent on any of the Related Customers and Related Suppliers. For the FYE 29 February 2020, FYE 28 February 2021, FYE 28 February 2022 and FPE 31 October 2022, the total sales to the Related Customers represents less than 1.0% of our Group’s revenue whereas the total purchases from the Related Suppliers (excluding rental payable by our Group) represents less than 8.1% of our Group’s total purchases; and

11. CONFLICTS OF INTEREST (Cont'd)

- (iii) in addition, the involvement of our Directors in the Related Customers and Related Suppliers does not affect their contributions to our Group as:
- (a) DLSJ, our Non-Independent Executive Chairman is not involved in the day-to-day operations of any of the Related Customers and/or the Related Suppliers (collectively, "**Related Entities**") as the Related Entities are managed by the respective management of the Related Entities. DLSJ only attends board and shareholder meetings of the Related Entities to discharge his principal role and duty as a shareholder/non-executive director as well as provide advice from governance and industrial experience perspective; and
 - (b) DLBY is holding a non-executive role in our Group and thus is not involved in the day-to-day operations of our Group.

As set out in Section 10.2.1 of this Prospectus, our Audit Committee will review any conflict of interest situation that may arise within our Company or our Group including any transaction, procedure or course of conduct that raises questions on management integrity. Our Audit Committee will also ensure that any such transactions are carried out on terms that are not detrimental to our Group.

Notwithstanding the above, the interests that are held by our Directors and substantial shareholders and the interests that may be held by our Directors and substantial shareholders in the future in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers or suppliers may give rise to a conflict of interest situation with our business. Where such interests give rise to a conflict of interest situation, our Directors and substantial shareholders and persons connected to them shall abstain from deliberating and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interests. Such transactions will be carried out on arm's length basis and on normal commercial terms.

11. CONFLICTS OF INTEREST *(Cont'd)*

11.2 DECLARATION BY ADVISERS ON CONFLICTS OF INTEREST

11.2.1 Declaration by Maybank IB

Maybank IB, being the Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Joint Managing Underwriter and Joint Underwriter for our IPO, and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other, and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, Malayan Banking Berhad, the holding company of Maybank IB, and Maybank Islamic Berhad, a subsidiary of Malayan Banking Berhad, have extended credit facilities to our Group in their ordinary course of business. None of the proceeds raised from our Public Issue will be used to repay the borrowings owing to the Maybank Group. The credit facilities granted to our Group do not impose any condition in relation to our IPO and/or Listing.

In addition, Edwin Gerungan, an Independent Non-Executive Director of Malayan Banking Berhad and a Commissioner of PT Bank Maybank Indonesia Tbk, a subsidiary of Malayan Banking Berhad, is also a member of KV Asia Capital's International Advisory Committee. As at the LPD, he also holds 239,836 preference shares (0.5%) in Gano Global, which in turn is our substantial shareholder. Edwin Gerungan is not involved in the operations of our Group via Gano Global as he merely holds preference shares in Gano Global.

Maybank IB is of the view that the abovementioned does not give rise to a conflict of interest situation in its capacity as the Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Joint Managing Underwriter and Joint Underwriter for our IPO due to the following:

- (i) Malayan Banking Berhad and Maybank Islamic Berhad are a licensed commercial bank and Islamic bank respectively, and the extension of credit facilities to our Group arose in their ordinary course of business;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by, among others, the Financial Services Act, 2013, Islamic Financial Services Act, 2013 and its own internal controls and checks;
- (iii) the total aggregate outstanding amount owed by our Group to the Maybank Group of about RM1.8 million as at the LPD is not material when compared to the audited NA of the Maybank Group as at 31 December 2022 of approximately RM86.0 billion;
- (iv) Edwin Gerungan is not involved in the operations of our Group;

11. CONFLICTS OF INTEREST (Cont'd)

- (v) Edwin Gerungan's preference shares in Gano Global are plain vanilla with preference as to dividends and on liquidation or winding-up but with no conversion rights or other special rights attached; and
- (vi) Edwin Gerungan is not involved in the mandate for Maybank IB to act as the Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Joint Managing Underwriter and Joint Underwriter for our IPO.

Accordingly, Maybank IB confirms that there is no conflict of interest situation in its capacity as the Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Joint Managing Underwriter and Joint Underwriter for our IPO.

11.2.2 Declaration by CIMB

CIMB and its affiliated, related and associated companies, as well as its holding company, CIMB Group Holdings Berhad, and the subsidiaries and associated companies of its holding company ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of businesses relating to amongst others, retail banking, investment banking, commercial banking, brokerage, securities trading, asset and funds management and credit transaction services business. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates.

In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Company and/or our affiliates, any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates. This is a result of the business of the CIMB Group generally acting independent of each other, and accordingly, there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Company and/or our affiliates

As at the LPD, the CIMB Group has not extended credit facilities to our Group in its ordinary course of business.

CIMB confirms that there is no conflict of interest situation in its capacity as the Joint Global Coordinator, Joint Bookrunner, Joint Managing Underwriter and Joint Underwriter for our IPO.

11.2.3 Declaration by CLSA

In the ordinary course of business, CLSA and/or its affiliated companies ("**CLSA Group**"), may engage in transactions with and perform services for our Company and/or our affiliates. Subject to the laws and regulations in the relevant jurisdictions, members of the CLSA Group may engage in investment banking transactions including, without limitation, corporate finance, mergers and acquisitions, merchant banking, equity and fixed income sales, trading and research, derivatives, foreign exchange, futures, asset management, custody, clearance and securities lending in their ordinary course of business with our Company and/or our affiliates. Further, and subject to the laws and regulations in the relevant jurisdictions, any member of the CLSA Group may at any time offer or provide its services to, or engage in any transactions (on its own account or otherwise) with our Company and/or our affiliates, hold long or short positions, and may trade or otherwise effect transactions for its own account or the accounts of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates.

11. CONFLICTS OF INTEREST (Cont'd)

As at the LPD, CLSA is of the view that there is no conflict of interest situation, in accordance with its internal compliance policies, in its capacity as the Joint Global Coordinator and Joint Bookrunner for our IPO.

11.2.4 Declaration by RHB IB

RHB IB and its related and associated companies ("**RHB Banking Group**"), form a diversified financial group and engage in private banking, commercial banking and investment banking transactions which include, among others, brokerage, securities trading, assets and fund management as well as credit transaction services. The RHB Banking Group has engaged and may in the future engage in transactions with and perform services for our Group, in addition to the roles set out in this Prospectus.

In addition, any member of the RHB Banking Group may at any time, in the ordinary course of business, offer to provide its services or to engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders, our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates. This is a result of the businesses of the RHB Banking Group generally acting independently of each other and accordingly, there may be situations where parts of the RHB Banking Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Group. The related companies of RHB IB may also bid for our Shares to be offered under the Institutional Offering.

As at the LPD, the RHB Banking Group has not extended credit facilities to our Group in its ordinary course of business.

RHB IB confirms that it is not aware of any circumstance that exists or is likely to exist to give rise to a conflict of interest situation in its capacity as the Joint Bookrunner and Joint Underwriter for our IPO.

11.2.5 Declaration by KPMG PLT

KPMG PLT confirms that there is no existing or potential conflict of interest situation in its capacity as the Auditors and Reporting Accountants in relation to our IPO.

11.2.6 Declaration by Albar & Partners

Albar & Partners confirms that there is no conflict of interest situation in its capacity as the legal adviser to our Company as to Malaysian law in relation to our IPO.

11.2.7 Declaration by Clifford Chance Pte. Ltd.

Clifford Chance Pte. Ltd. confirms that there is no conflict of interest situation in its capacity as the legal adviser to our Company as to United States federal securities law and English law in relation to our IPO.

11.2.8 Declaration by Adnan Sundra & Low

Adnan Sundra & Low confirms that there is no conflict of interest situation in its capacity as the legal adviser to the Joint Global Coordinators, Joint Bookrunners, Joint Managing Underwriters and Joint Underwriters as to Malaysian law in relation to our IPO.

11. CONFLICTS OF INTEREST (Cont'd)

11.2.10 Declaration by Allen & Overy LLP

Allen & Overy LLP confirms that there is no conflict of interest situation in its capacity as the legal adviser to the Joint Global Coordinators and Joint Bookrunners as to United States federal securities law and English law in relation to our IPO.

11.2.11 Declaration by Frost & Sullivan

Frost & Sullivan confirms that there is no conflict of interest situation in its capacity as the IMR in relation to our IPO.

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The historical consolidated financial information for the FYEs 29 February 2020, 28 February 2021 and 28 February 2022, and the FPEs 31 October 2021 and 31 October 2022 presented below have been extracted from the Accountants' Report included in Section 13 of this Prospectus ("**Consolidated Financial Statements**"). Our Consolidated Financial Statements are prepared in accordance with MFRS and IFRS.

Our subsidiaries' historical financial statements have been prepared in accordance with MFRS and/or IFRS, save for the following:

No.	Subsidiary	Accounting standards
(1)	Daehsan Hungary.....	Provisions of Act C of 2000 on Accounting
(2)	Daehsan Indonesia.....	Indonesian Financial Accounting Standards
(3)	Daxen Agritech	Indian Accounting Standards
(4)	Daxen Indonesia.....	Indonesian Financial Accounting Standards
(5)	Daxen KJP	Indonesian Financial Accounting Standards
(6)	DIPL	Malaysian Private Entities Reporting Standard
(7)	DIPL Philippines Branch.....	Philippine Financial Reporting Standards
(8)	DXN Agrotech Ningxia.....	Accounting Standards for Business Enterprises
(9)	DXN Biotechnology Ningxia	Accounting Standards for Business Enterprises
(10)	DXN Bolivia	Bolivian Generally Accepted Accounting Standards
(11)	DXN Clinics	Indian Accounting Standards
(12)	DXN Colombia.....	IFRS for Small and Medium-Sized Entities
(13)	DXN Corporation Ningxia	Accounting Standards for Business Enterprises
(14)	DXN HK.....	Hong Kong Financial Reporting Standard for Private Entities
(15)	DXN Manufacturing India	Indian Accounting Standards
(16)	DXN Marketing India	Indian Accounting Standards
(17)	DXN Pakistan	IFRS for Small and Medium-Sized Entities
(18)	DXN Peru	Peru Generally Accepted Accounting Standards
(19)	DXN Singapore.....	Singapore Financial Reporting Standards
(20)	DXN Thailand	Thai Financial Reporting Standards for Non-Publicly Accountable Entities
(21)	DXN Trading Ningxia.....	Accounting Standards for Business Enterprises
(22)	Esen Lifesciences.....	Indian Accounting Standards
(23)	Golden Health Trading	Hong Kong Small and Medium-sized Entity Financial Reporting Standard

The historical results for any prior financial years or interim periods are not necessarily indicative of results to be expected for a full financial year or interim period or any future financial year or interim period.

The following selected historical consolidated financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Section 12.2 of this Prospectus and the Accountants' Report in Section 13 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Basic and diluted EPS (sen) ⁽⁹⁾	4.85	3.84	4.87	3.19	3.61

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. The following table sets out the cost of goods sold for the financial years/periods indicated below:

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Changes in work-in-progress and manufactured inventories.....	6,751	28,126	51,262	51,503	49,835
Raw materials used and trading inventories sold	(162,856)	(162,978)	(224,284)	(161,232)	(216,323)
Depreciation and amortisation.....	(6,213)	(7,536)	(12,315)	(6,344)	(17,392)
Employee benefits expense.....	(29,170)	(37,498)	(45,910)	(31,504)	(34,751)
Cost of goods sold..	(191,488)	(179,886)	(231,247)	(147,577)	(218,631)

- (3) Computed based on gross profit divided by revenue.
- (4) EBITDA is calculated as profit for the year/period plus (i) tax expense; (ii) finance costs; and (iii) depreciation and amortisation, less (iv) interest income. The following table reconciles our profit for the year/period to EBITDA for the financial years/periods indicated below:

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit for the year/period	255,248	200,884	245,444	160,727	188,648
Add/(Less):					
Tax expense	92,591	86,383	117,474	76,590	99,110
Finance costs.....	3,993	2,488	2,614	1,691	3,090
Interest income	(6,874)	(6,923)	(2,740)	(1,839)	(1,646)
Depreciation and amortisation.....	25,129	31,026	38,590	23,809	37,678
EBITDA.....	370,087	313,858	401,382	260,978	326,880

- (5) Computed based on EBITDA divided by revenue.
- (6) Computed based on PBT divided by revenue.
- (7) Computed based on profit for the year/period attributable to owners of our Company divided by revenue.
- (8) Computed based on tax expense divided by PBT.
- (9) Computed based on profit for the year/period attributable to owners of our Company divided by our enlarged issued Shares of 4,985,000,000 upon our Listing.

12. FINANCIAL INFORMATION (Cont'd)**Selected financial information from the consolidated statements of financial position**

	As at 28/29 February			As at 31
	Audited			October
	2020	2021	2022	2022
	RM'000	RM'000	RM'000	RM'000
Total non-current assets	550,361	526,540	681,276	775,080
Total current assets.....	619,393	793,118	792,304	929,778
Total assets	1,169,754	1,319,658	1,473,580	1,704,858
Total non-current liabilities	30,499	37,267	61,091	71,295
Total current liabilities	428,564	652,701	600,874	683,899
Total liabilities	459,063	689,968	661,965	755,194
NA	710,691	629,690	811,615	949,664
Net current assets.....	190,829	140,417	191,430	245,879
Share capital	60,191	60,191	60,191	60,191
Translation reserve	(3,219)	(8,956)	(2,309)	16,572
Retained earnings.....	618,363	529,935	702,857	812,778
Equity attributable to owners of our Company.....	675,335	581,170	760,739	889,541
Non-controlling interests	35,356	48,520	50,876	60,123
Total equity	710,691	629,690	811,615	949,664

	As at 28/29 February			As at 31
	Audited			October
	2020	2021	2022	2022
Other selected financial data				
Total borrowings (excluding lease liabilities) (RM'000).....	156,319	257,863	246,185	233,622
Net debt (RM'000) ⁽¹⁾	(96,170)	(68,115)	(163,387)	(267,877)
Gearing ratio (times) ⁽²⁾	0.2	0.4	0.3	0.2
Net gearing ratio (times) ⁽³⁾	(0.1)	(0.1)	(0.2)	(0.3)

Notes:

- (1) Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents as at the end of the financial year/period.
- (2) Computed based on total borrowings (excluding lease liabilities) over total equity as at the end of the financial year/period.
- (3) 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.

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

There are no accounting policies that are peculiar to our Group because of the nature of our business and industry in which we operate. For further details on the accounting policies of our Group, see Note 2 of the Accountants' Report as set out in Section 13 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)

12.2.1 Overview

We are a global health-oriented and wellness direct selling company. We have a portfolio of 327 SKUs of health-oriented and wellness consumer products that we manufacture in-house and a distribution footprint (including our 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 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.

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.

From the FYE 29 February 2020 to the FYE 28 February 2022, our revenue increased by a CAGR of 6.1% from RM1,104.6 million to RM1,242.9 million, our EBITDA increased by a CAGR of 4.1% from RM370.1 million to RM401.4 million, and our profit for the year decreased by a CAGR of 1.9% from RM255.2 million to RM245.4 million.

From the FPE 31 October 2021 to the FPE 31 October 2022, our revenue increased by 31.5% from RM793.2 million to RM1,043.2 million, our EBITDA increased by 25.2% from RM261.0 million to RM326.9 million, and our profit for the period increased by 17.4% from RM160.7 million to RM188.6 million.

See Section 7 of this Prospectus for further details on our business.

12.2.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been, and are expected to be affected by a number of factors, including those set out below:

(i) Market demand for our products

According to Frost & Sullivan, the demand for health-oriented and wellness and other products via direct selling is growing fast. It continues to be driven by, among others, the growing ageing population, urbanisation trend, rising household income, changing consumer preferences towards natural herbal products that are safe to consume and have attributed health benefits, and the increasing propensity to self-medicate and adopt preventive solutions. Our revenue and profitability are primarily affected by the number of products we sell, the price and demand for such products, the number of jurisdictions we sell and market our products in and sufficient production capacity to fulfil demand. This will also depend on our ability to launch new products in our existing markets and our ability to expand into new markets. Sales performance of our proprietary products depends on market demand and the success of our sales and marketing activities.

12. FINANCIAL INFORMATION (Cont'd)

Our results from operating activities as a percentage of revenue was 31.2% for the FYE 29 February 2020, 26.9% for the FYE 28 February 2021, 29.2% for the FYE 28 February 2022, 29.9% for the FPE 31 October 2021 and 27.7% for the FPE 31 October 2022. Our margins for results from operating activities over the last three years have generally been influenced by an increase in sales, introduction of new products and increase in product prices, offset by a general increase in operating expenses, limited product availability compared to demand and shipment and logistics costs and constraints related to the COVID-19 pandemic.

(ii) Pricing of our products

We manage the pricing of our products across product groups and geographies with the strategy of generally maintaining our gross profit margins throughout all parts of our business as our production costs fluctuate and change.

We track our revenue from sales of our products both from our subsidiaries (including our online sales) and via our distributors through our internal systems. Our shipping department emails sales invoices and/or delivery orders, as applicable, to our accounts team every 10 days. Our accounts team checks the invoices and delivery orders for completeness and verifies the nature of the goods sold, the quantities and the unit prices and quotations given to customers. Once these items are confirmed, the transactions are recorded in our accounting system as revenue.

Similarly, we track our production costs internally in our management system. While our consolidated statements of profit or loss and other comprehensive income disclose our expenses by nature instead of function and do not present line items for cost of goods sold or gross profit, we record our direct costs and our gross profit and gross profit margins in our management accounts. These direct costs include the costs of raw materials and other materials used in the cultivation and production of our products, changes in inventory, employee benefits expense and other direct costs. Our direct costs are denominated primarily in USD and RM, and fluctuations in the exchange rates of the local currencies in markets where we sell our products can affect the RM-denominated revenues we record in our consolidated statements of profit or loss and other comprehensive income as well as our gross profit margins. See Section 12.2.2(viii) of this Prospectus for further details.

We typically revise the prices of our products on an annual basis, pursuant to discussions among our management and our finance and marketing teams, while ensuring our product pricing competitiveness in the market. Any price revision will also take into account inflation in direct costs (including the cost of raw materials). In exceptional circumstances, such as high inflation in a particular market or strong foreign exchange movements of a particular local currency, we may adjust our prices by larger increments and more often than annually. While we may pass on part of the increases in our direct costs to our customers through price adjustments, there is a time lag as we only adjust our prices once a year. Our gross profit margins may be subject to movements in direct costs (including the cost of raw materials), foreign exchange fluctuations, inflationary pressures and other changes in costs during the course of a particular year. We do not adjust our prices for all movements in our costs as some of these movements (for example, foreign exchange movements) may also reverse in subsequent financial periods.

12. FINANCIAL INFORMATION (*Cont'd*)

Our revenue is generally driven by our sales volumes and to a lesser extent, the price of our products. Changes in exchange rate of RM against other foreign currencies that we are exposed to and the annual price increase of our products do not typically have a material impact on our sales volumes and our revenue.

12. FINANCIAL INFORMATION (Cont'd)

By way of illustration, the following table shows the movements in unit price and sales volumes in the relevant local currency and corresponding revenue in RM for our three top-selling SKUs (by volume) in each of our five largest markets and Malaysia for the financial years/periods indicated:

	FYE 28/29 February							
	2021 compared to 2020			2022 compared to 2021				
	Change in units sold ⁽¹⁾	Change in average unit price ⁽²⁾	Change in average foreign exchange against RM ⁽³⁾	Change in gross revenue in RM terms ⁽⁴⁾	Change in units sold ⁽¹⁾	Change in average unit price ⁽²⁾	Change in average foreign exchange against RM ⁽³⁾	Change in gross revenue in RM terms ⁽⁴⁾
Lingzhi Coffee 3-in-1								
Malaysia.....	4.7%	2.7%	-	7.5%	2.0%	5.2%	-	7.3%
Mexico	13.8%	3.1%	11.8%	5.0%	5.1%	0.6%	(5.7)%	12.0%
Peru	(3.2)%	3.8%	5.0%	(4.2)%	19.5%	3.0%	11.0%	10.9%
Bolivia	22.7%	(0.3)%	(1.2)%	23.9%	(9.3)%	2.8%	0.5%	(7.3)%
Philippines	(19.0)%	6.2%	(5.6)%	(8.8)%	(13.3)%	4.8%	1.7%	(10.7)%
Indonesia	(3.8)%	-	2.7%	(6.4)%	(9.8)%	4.4%	(1.4)%	(4.5)%
Lingzhi Black Coffee								
Malaysia.....	(30.3)%	2.8%	-	(28.3)%	(25.0)%	4.7%	-	(21.5)%
Peru	(14.3)%	3.8%	5.0%	(15.3)%	14.8%	3.3%	11.0%	6.8%
Mexico	4.0%	3.7%	11.8%	(3.6)%	1.8%	2.5%	(5.7)%	10.6%
Bolivia	(2.2)%	(0.1)%	(1.2)%	(1.1)%	5.5%	5.0%	0.5%	10.2%
Colombia.....	(3.1)%	4.8%	10.9%	(8.4)%	(6.3)%	5.5%	3.2%	(4.2)%
Mongolia	24.5%	8.8%	2.5%	32.2%	(3.3)%	6.2%	0.9%	1.7%
Cocozhi								
Malaysia.....	(10.6)%	1.7%	-	(9.1)%	(9.8)%	4.6%	-	(5.6)%
Peru	(15.6)%	3.2%	5.0%	(17.0)%	36.9%	5.3%	11.0%	29.8%
Mexico	7.7%	0.6%	11.8%	(3.1)%	2.1%	(4.5)%	(5.7)%	3.4%
India.....	(5.7)%	0.7%	4.3%	(9.0)%	16.5%	3.5%	0.4%	20.0%
Bolivia	(25.9)%	(0.1)%	(1.2)%	(25.0)%	63.1%	4.6%	0.5%	69.8%
Colombia.....	2.6%	4.8%	10.9%	(3.1)%	(13.3)%	9.8%	3.2%	(7.7)%

12. FINANCIAL INFORMATION (Cont'd)

		FPE 31 October 2022 compared to 2021		
		Change in average unit price ⁽²⁾	Change in average foreign exchange against RM ⁽³⁾	Change in gross revenue in RM terms ⁽⁴⁾
		Change in units sold ⁽¹⁾		
Lingzhi Coffee 3-in-1				
Malaysia.....	(10.4)%	6.5%	-	(4.6)%
Mexico	0.6%	6.1%	(5.9)%	13.4%
Peru	28.5%	6.0%	(7.8)%	47.7%
Bolivia	21.3%	9.8%	(6.1)%	41.8%
Philippines	(17.2)%	7.8%	4.5%	(14.6)%
Indonesia	(5.3)%	7.7%	(3.3)%	5.4%
Lingzhi Black Coffee				
Malaysia.....	(6.2)%	6.5%	-	(0.1)%
Peru	45.5%	5.9%	(7.8)%	67.0%
Mexico	2.6%	6.4%	(5.9)%	16.0%
Bolivia	5.3%	10.2%	(6.1)%	23.5%
Colombia.....	(1.5)%	5.8%	4.6%	(0.4)%
Mongolia	12.8%	2.4%	(1.4)%	17.1%
Cocozhi				
Malaysia.....	(13.8)%	6.0%	-	(8.7)%
Peru	11.8%	10.5%	(7.8)%	33.9%
Mexico	(4.2)%	5.0%	(5.9)%	6.9%
India	4.9%	7.6%	-	12.8%
Bolivia	(19.8)%	10.3%	(6.1)%	(5.8)%
Colombia.....	(5.5)%	9.3%	4.6%	(1.2)%

Notes:

- (1) Computed based on the units sold in the financial year or period divided by that in the preceding financial year or period.
- (2) Computed based on average unit price for the financial year or period divided by that for the preceding financial year or period. The average unit price is computed based on the gross revenue divided by the units sold in the financial year or period.
- (3) Computed based on the average foreign exchange for the financial year or period divided by that for the preceding financial year or period.
- (4) Computed based on the gross revenue for the financial year or period divided by that for the preceding financial year or period.

12. FINANCIAL INFORMATION (Cont'd)

Our three top-selling SKUs by volume, namely Lingzhi Coffee 3-in-1, Lingzhi Black Coffee and Coccozhi, contributed 13.7%, 10.5% and 6.9% of our gross revenue respectively for the FPE 31 October 2022. Changes in our gross revenue for these SKUs in each of our five largest markets where these SKUs are sold and Malaysia for the FPE 31 October 2022 were primarily driven by changes in the sales volumes of these SKUs.

For the FYE 28 February 2022, the sales performance of these SKUs was primarily impacted by higher average unit prices and higher sales volumes as a result of market recovery from the COVID-19 pandemic, partially offset by unfavourable exchange rates, which resulted in higher gross revenue for the FYE 28 February 2022.

For the FYE 28 February 2021, the sales performance of these SKUs was primarily impacted by the movement restrictions imposed in response to the COVID-19 pandemic by the local governments of our core markets in Latin America, South Asia and Southeast Asia. Generally, lower sales volumes and unfavourable exchange rates offset the higher average unit prices, resulting in lower gross revenue for the FYE 28 February 2021.

(iii) Regulatory environment relating to our industry

We operate in a regulated industry. Government policies, regulations and their implementation and enforcement have historically had and we expect will continue to have an impact on the availability of our products in the countries in which we manufacture and/or sell our products as well as on our competitive environment and compliance costs. Our ability to successfully register or maintain registration of our products in each such country will affect our revenue.

The regulatory environment with regard to direct selling in emerging and developing markets where we distribute our products is evolving and government officials in such locations often exercise broad discretion in interpreting and applying relevant regulations. We may be subject to government inquiries, reviews, investigations and other legal or regulatory proceedings which may lead to fines, penalties, interruptions to our business, termination of necessary licences and permits and modification to our business practices.

See Section 7.27 of this Prospectus for further details on the governing laws and regulations that affect our business.

(iv) Competition relating to our industry

We operate in a competitive industry. We primarily compete with other direct selling companies for member relationships and with other companies that offer health-oriented and wellness consumer products on product quality, price and brand reputation. According to Frost & Sullivan, the direct selling market of FFB, HDS and PCC products is highly fragmented. It comprises 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. Our ability to compete successfully with current and future competitors would have an impact on our business and results of operations.

12. FINANCIAL INFORMATION (Cont'd)**(v) Our ability to maintain and manage our marketing and distribution network**

Our ability to maintain and grow our business will depend on our ability to maintain and manage our distribution network of Members and external distribution agencies. In addition, our strategies contemplate that we will seek to, among others, expand our distribution network and scale our presence in markets in which we are currently present and expand to new geographical markets, which will require us to maintain and establish relationships with existing and new distributors, respectively. The quality and size of our distribution network will affect our distribution capacity and accordingly, sales volumes and revenues.

(vi) Prices and availability of raw materials

The table below sets out the total cost of raw materials that we used for the production of our products as a percentage of our cost of goods sold for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
Total cost of raw materials (RM'000) ..	105,656	108,200	140,493	103,450	136,500
Cost of goods sold (RM'000).....	191,488	179,886	231,247	147,577	218,631
Total cost of raw materials / Cost of goods sold (%)	55.2	60.1	60.8	70.1	62.4

The primary raw materials that we use are coffee powder, non-dairy creamer, sugar, cocoa powder and wheat cereal powder, which are ingredients that we use to produce our finished products, and the packaging materials we use include aluminium foil, empty capsules, labels and plastic containers. For details on the cost of our primary raw materials as a percentage of purchases of our raw materials and finished goods, see Section 7.12 of this Prospectus. The prices and availability of raw materials are influenced by various factors, including global supply and demand conditions, global and regional economic conditions (including the COVID-19 pandemic and geopolitical tensions), negotiations with our suppliers and environmental factors that reduce cultivation output and increase cost of raw materials. We seek to offset any increases in our costs by increasing our selling prices annually and we seek to stabilise our raw material costs by purchasing raw materials well in advance. As a result, increases in the prices of raw materials had not contributed to material increases in our costs in the past.

(vii) COVID-19 pandemic

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 since April 2020.

12. FINANCIAL INFORMATION (Cont'd)

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.

Between May to July 2021, we suspended some of our coffee and juice production facilities in Malaysia for 15 days due to employees at such facilities testing positive for COVID-19, as required by the MOH.

For more information on the effects of the COVID-19 pandemic on our operations, see Section 5.1.8 of this Prospectus.

(viii) Foreign currency fluctuations

Fluctuations in currencies between RM and foreign currencies in which we transact may directly impact our financial condition and results of operations as our cost of goods sold are predominantly denominated in one currency while our sales are made in multiple currencies.

The currencies to which we are exposed through sales or borrowings in addition to RM are PEN, MXN, BOB, INR, USD, PHP and EUR, while the majority of our purchases are primarily denominated in RM and USD. Further, our labour costs and other operating expenses are generally denominated in the respective local currencies of the place of operations, which both diversifies our costs and enables us to use local currency earned from sales in that jurisdiction to pay for local operating costs.

The table below sets out the percentage exposure of our revenue denominated in the indicated currencies as a proportion of our revenue for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	% ⁽¹⁾	% ⁽¹⁾	% ⁽¹⁾	% ⁽¹⁾	% ⁽¹⁾
PEN	22.6	21.6	22.9	22.8	25.8
MXN	13.3	14.2	13.7	13.9	11.7
BOB	12.1	12.0	14.2	14.2	13.5
INR	12.8	11.5	10.8	11.2	10.2
RM	10.2	9.2	8.3	8.5	7.0
USD	8.5	8.3	5.6	6.1	4.7
PHP	7.7	8.6	7.3	7.8	5.0
EUR	2.8	3.6	3.2	2.7	4.1

Note:

(1) Calculated based on our revenue derived from the indicated foreign currency divided by our revenue.

In addition, the accounting records for our Group are maintained in their respective functional currencies, reflecting the primary economic environment in which the respective entities operate. The presentation currency for our Consolidated Financial Statements is RM.

12. FINANCIAL INFORMATION (Cont'd)

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In preparing our Consolidated Financial Statements, assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. Income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

For further details on the risks that we face in relation to foreign currency fluctuations, see Section 5.1.24 of this Prospectus.

(ix) Registration of Members

Registration of new Members may directly impact our financial condition and results of operations as our long-term sales growth depends on the growth of our Members.

The table below sets out the total number of our registered Members and our active Members (defined as our 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) as at the end of the last three calendar years and as at the LPD:

	As at 31 December			As at the LPD
	2020	2021	2022	
Registered Members	10,567,626	12,015,291	14,330,383	14,975,185
Registered Members year-on-year growth....	13.3%	13.7%	19.3%	4.5%
Active Members.....	3,197,074 ⁽¹⁾	3,388,367 ⁽²⁾	4,462,416 ⁽³⁾	3,666,979 ⁽⁴⁾
Active Members year-on-year growth.....	11.8%	6.0%	31.7%	(17.8)% ⁽⁵⁾

12. FINANCIAL INFORMATION (Cont'd)**Notes:**

- (1) *Active Members as at 31 December 2020 are registered Members who have purchased a product from 1 January 2019 to 31 December 2020, and newly registered Members who joined our Group from 1 January 2019 to 31 December 2020.*
- (2) *Active Members as at 31 December 2021 are registered Members who have purchased a product from 1 January 2020 to 31 December 2021, and newly registered Members who joined our Group from 1 January 2020 to 31 December 2021.*
- (3) *Active Members as at 31 December 2022 are registered Members who have purchased a product from 1 January 2021 to 31 December 2022, and newly registered Members who joined our Group from 1 January 2021 to 31 December 2022.*
- (4) *Active Members as at the LPD are registered Members who have purchased a product from 1 January 2022 to the LPD, and newly registered Members who joined our Group from 1 January 2022 to the LPD.*
- (5) *Active Members count at the end of each calendar year is more than the beginning of each year as membership validity is terminated at the end of each calendar year and memberships are renewed or added throughout the year.*

(x) Capacity and utilisation

Our production volumes and results of operations are affected by the capacity and utilisation of our cultivation facilities to cultivate our natural ingredients and our manufacturing facilities to manufacture and process our direct-selling products. Based on gross revenue contribution, approximately 90.9% of our products were manufactured in-house in the FYE 28 February 2022. As at the LPD, we operate six cultivation facilities and 10 manufacturing facilities across Malaysia, China, India, Indonesia and Mexico. See Section 7.13 of this Prospectus for further details on the production capacities of our production facilities. Any reduction in our production capacities and utilisation rates, whether due to scheduled maintenance, machinery and equipment breakdown, or unforeseen events, may cause production downtime and delays. For example, we experience 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. See Section 5.1.12 of this Prospectus for further details.

We plan to increase our production capacity to meet growing demand for our products. See Section 7.13.5 of this Prospectus for further details. We believe that any expansion in production capacity needs to be managed carefully in tandem with the growth in demand for our products. If our expansion in production capacity outpaces the growth in demand, or demand for our products decreases, our results of operations and utilisation rates of our manufacturing facilities may be affected.

12. FINANCIAL INFORMATION *(Cont'd)*

(xi) Material tax matters

Our financial condition and results of operations may be affected by the outcomes of tax disputes between us and the tax authorities of the jurisdictions where we operate. Any adverse rulings from the relevant authorities or adverse changes to the relevant laws and regulations and tax policies may increase our effective tax rate and negatively impact our PATAMI margin and financial condition. See Section 5.1.21 of this Prospectus for further details.

12. FINANCIAL INFORMATION (Cont'd)

A summary of the material tax matters of our Group as at the LPD is as follows:

No.	Entity	Description of tax matter	Year of assessment ("YA")
1.	DXN Mexico	Closed tax dispute in relation to DXN Mexico's underpayment of VAT for the importation of algae Spirulina tablets. DXN Mexico paid the additional VAT including penalties of MXN14.34 million (equivalent to RM2.87 million) for the period from February 2016 to July 2019 and MXN10.47 million (equivalent to RM2.11 million) for August 2019 to May 2021.	YA2016 to YA2021
2.	DXN Mexico	Ongoing tax dispute in relation to certain of DXN Mexico's expenses that were non-deductible and that there was an omission of taxable income in respect of the reversal of certain excess provisions.	YA2013
3.	DXN Peru	Closed tax dispute in relation to certain of DXN Peru's sales commission that were disallowed as a deductible expense for tax computation purposes and imposition of additional taxes and penalties. DXN Peru paid the additional taxes and penalties of PEN0.4 million (equivalent to RM0.4 million) and recognised a provision of PEN5.7 million (equivalent to RM6.7 million) in the event the Superintendencia Nacional de Administration Tributaria Peru raises a demand for additional taxes and penalties.	YA2016 to YA2021
4.	DXN Peru	Ongoing customs disputes in relation to reclassification of tariff code for the import of Zhi Mocha.	YA2018 to YA2021
5.	DXN Marketing India	Ongoing tax dispute in relation to DXN Marketing India's application of GST rates for the classification of RG and GL powder capsules, Spirulina tablets and Neeli hair oil.	YA2018 to YA2022
6.	Daxen Agritech	Ongoing tax dispute in relation to the ineligibility of Daxen Agritech for a tax deduction on its profits and gains under Section 80-IC of the Income Tax Act 1961 of India.	YA2012 to YA2019
7.	Daxen Agritech	Ongoing tax disputes in relation to the custom duty paid by Daxen Agritech for the import of RG and GL powders in respect of the years 2012 to 2018.	YA2012 to YA2018
8.	DXN Manufacturing India	Ongoing tax disputes in relation to ineligibility of DXN Manufacturing India for tax deductions on its profits under Section 80-IB of the Income Tax Act 1961 of India.	YA2004 to YA2005
9.	DXN Manufacturing India	Ongoing tax dispute in relation to the additional excise duty payable in respect of RG and GL capsules.	YA2002 to YA2012
10.	Daxen Morocco	Ongoing tax dispute in relation to the rates of custom duty on Spirulina tablets, Cocozhi, Morinzhi and mixed powders.	YA2020 to YA2023

We have made accounting provisions of RM58.6 million for these material tax matters as well as other potential penalties and high risk tax exposures arising from the tax authorities' assessment of the tax payable by our Group from the FYE 28 February 2018 up to the LPD. For further details on these material tax matters, see Note 37 of the Accountants' Report included in Section 13 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)

12.2.3 Critical accounting estimates and judgements

The preparation of our Consolidated Financial Statements in accordance with MFRS and IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities as at the reporting date. Actual results may differ from these estimates.

We review our estimates and underlying assumptions periodically. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

We believe that there are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in our Consolidated Financial Statements, other than those as set out below. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future:

(a) *Impairment loss on property, plant and equipment:*

In December 2022, we recognised an impairment loss of RM22.3 million (which we expect will be reflected in our consolidated financial statements for the FYE 28 February 2023) with respect to certain idle assets and unprofitable buildings held by our subsidiaries, Florin Fujian and Anxi Gande Foluohua, which we are proposing to dispose. We have given an extension of time to 30 June 2023 to the purchaser, Fujian Anxi Jinjiang Source Tea Technology Co., Ltd. to raise the second tranche of payment for the proposed acquisition of Florin Fujian. However, there is no certainty that the purchaser can raise the necessary financing to complete the acquisition by 30 June 2023. For further details on the proposed disposal of Florin Fujian, see Section 14.6.3 of this Prospectus.

During the FPE 31 October 2022 and the FPE 31 October 2021, there was no impairment loss.

During the FYE 28 February 2022, we recognised an impairment loss of RM1.5 million in respect of one of our aircrafts that was intended to be disposed of subsequent to the financial year end based on fair value less cost to sell method. The impairment loss is recognised as other expenses in our consolidated statements of profit or loss and other comprehensive income. During the FYE 28 February 2021, we recognised an impairment loss of RM10.7 million based on a valuation conducted by independent valuers using the comparison and depreciated replacement cost approach with respect to the property where we currently operate Boulder Valley, our lifestyle resort. The impairment loss is recognised as other expenses in our consolidated statements of profit or loss and other comprehensive income.

(b) *Extension options and incremental borrowing rate in relation to leases:*

Certain leases of agriculture land, factory buildings, warehouses, hostels for employees and offices contain extension options up to five years exercisable by our Group before the end of the non-cancellable contract period. Where applicable, we seek to include extension options in new leases to provide operational flexibility.

The extension options held are exercisable only by our Group and not by the lessors. We assess at lease commencement whether it is reasonably certain to exercise the extension options, and reassess whether it is

12. FINANCIAL INFORMATION (Cont'd)

reasonably certain to exercise the options if there is a significant event or significant change in circumstances within our control.

We apply significant judgement in our assessment at lease commencement as to whether it is reasonably certain to exercise the applicable extension options, considering all facts and circumstances including past practice and any cost that will be incurred to change the asset in the event that a lease extension option is not exercised, to help determine the lease term.

We also apply judgement and assumptions in determining the incremental borrowing rate of the respective leases. We first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

(c) Deferred tax assets and liabilities:

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

See Note 1(d) of the Accountants' Report included in Section 13 of this Prospectus for further details.

12.2.4 New accounting pronouncement applicable in the preparation of the financial statements

We adopted the following new standards and amendments to standards and interpretations, which were effective for annual periods beginning on or after 1 January 2018:

- (i) MFRS 15, Revenue from Contracts with Customers;
- (ii) MFRS 9, Financial Instruments; and
- (iii) MFRS 16, Leases.

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that revenue is to be recognised when control over the goods and services is transferred to the customers, moving from the transfer of risks and rewards. The following are the changes arising from the adoption of MFRS 15 by our Group:

- We provide group effort-related performance bonus and personal effort-related performance bonus to customers. Upon the adoption of MFRS 15, we account for consideration paid or payable to customers as a reduction of the transaction price under the revenue recognition process unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to our Group.
- The personal effort-related performance bonus paid and payable by our Group to customers are accounted as a reduction of the transaction price under the revenue recognition process. Group effort-related performance bonus is not accounted as a reduction of the transaction price as the consideration paid or payable to customers are for distinct goods or services provided by our Group.

12. FINANCIAL INFORMATION (Cont'd)

The effects arising from the above changes have been reflected in the consolidated financial statements of our Company for the FYE 28 February 2019 and have been consistently applied in the subsequent financial years/period. MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognised a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

On transition to MFRS 16, we elected to apply the practical expedient to grandfather the assessment of which transactions are leases. MFRS 16 was applied only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, Determining whether an Arrangement contains a Lease were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 March 2018.

Where our Group was a lessee, our Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application, if any as an adjustment to the retained earnings as at 1 March 2018.

The adoption of MFRS 9 did not have a material impact on our Consolidated Financial Statements.

We have not adopted in advance the following accounting standards and amendments that have been issued by the Malaysian Accounting Standards Board but have not been adopted by our Group:

- (i) MFRSs and amendments effective for annual periods beginning on or after 1 April 2021: Amendment to MFRS 16, Leases - *COVID-19-Related Rent Concessions beyond 30 June 2021*
- (ii) MFRSs and amendments effective for annual periods beginning on or after 1 January 2022:
 - (a) Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)
 - (b) Amendments to MFRS 3, Business Combinations - Reference to the Conceptual Framework
 - (c) Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
 - (d) Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018-2020)
 - (e) Amendments to MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use
 - (f) Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract

12. FINANCIAL INFORMATION (Cont'd)

- (g) Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018-2020)
- (iii) MFRSs and amendments effective for annual periods beginning on or after 1 January 2023:
 - (a) MFRS 17, Insurance Contracts
 - (b) Amendments to MFRS 17, *Insurance Contracts - Initial application of MFRS 17 and MFRS 9 - Comparative Information*
 - (c) Amendments to MFRS 101, *Presentation of Financial Statements - Disclosures of Accounting Policies*
 - (d) Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
 - (e) Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- (iv) MFRSs and amendments effective for annual periods beginning on or after 1 January 2024:
 - (a) Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
 - (b) Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- (v) MFRSs and amendments effective for annual periods beginning on or after a date yet to be confirmed: Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

We plan to apply the abovementioned amendments, where applicable, in the respective financial years when the abovementioned amendments become effective.

We do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to our Group.

The initial application of the amendments, where applicable is not expected to have any material financial impacts to the current period and prior period financial statements of our Group.

12.2.5 Results of operations

The principal components of our consolidated statements of profit or loss and other comprehensive income are as follows:

(i) Revenue

We derive our revenue from the sale of FFB, HDS, PCC and other products and our other business activities including laboratory testing services to third parties, provision of lifestyle products and a café, less the consideration payable to our customers.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out our revenue from major products and services for the financial years/periods indicated:

	2020		FYE 28/29 February		2021		2022		FPE 31 October		2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
FFB	759,385	64.0	726,896	62.1	851,794	65.2	547,084	65.2	705,364	64.3		
HDS	286,981	24.2	306,773	26.2	318,506	24.4	203,818	24.3	270,281	24.6		
PCC	90,863	7.7	92,243	7.9	84,753	6.5	54,350	6.5	74,365	6.8		
Other products ⁽¹⁾	33,022	2.8	28,558	2.4	30,424	2.3	20,118	2.4	31,326	2.9		
Other business activities ⁽²⁾	15,404	1.3	16,679	1.4	20,469	1.6	13,273	1.6	15,702	1.4		
Gross revenue before consideration payable to customers	1,185,655	100.0	1,171,149	100.0	1,305,946	100.0	838,643	100.0	1,097,038	100.0		
Less: Consideration due/paid to customers ⁽³⁾	(13,274)	(1.1)	(12,925)	(1.1)	(14,567)	(1.1)	(9,130)	(1.1)	(11,710)	(1.1)		
Personal effort-related performance bonus	(67,773)	(5.7)	(66,450)	(5.7)	(51,147)	(3.9)	(36,348)	(4.3)	(42,091)	(3.8)		
Service centre commission	-	-	(41,569)	(3.5)	2,624	0.2	-	-	-	-		
100% promotion redemption ⁽⁴⁾	(81,047)	(6.8)	(120,944)	(10.3)	(63,090)	(4.8)	(45,478)	(5.4)	(53,801)	(4.9)		
Revenue	1,104,608		1,050,205		1,242,856		793,165		1,043,237			

Notes:

- (1) Consists of products including starter kits, raw materials, promotional packages, household products, home appliances, water filtration systems and tea products sold in conventional business (not in direct selling).
- (2) Other business activities that primarily serve to support our core business include laboratory testing services for third parties, provision of lifestyle products, and a café.
- (3) Consideration due/paid to customers comprises personal effort-related performance bonus and service centre commission, netted against gross revenue in accordance with presentation consistent with MFRS 15.
- (4) This refers to the 10.0% Discount Promotion. Each qualified Member's total discount was limited to the amount of their purchases made in April 2020 and May 2020. For accounting purposes, the discount was fully accrued in the FYE 28 February 2021.

We sell our products directly to our Members or to external distribution agencies which on-sell our products to our Members. Our primary geographical markets are South America, Asia and North America.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out a breakdown of our revenue by geographical markets, in absolute terms in RM and as a proportion of our gross revenue for the financial years/periods indicated:

	FYE 28/29 February						FPE 31 October								
	2020			2021			2022			2021			2022		
	Revenue (RM million)	% of gross revenue		Revenue (RM million)	% of gross revenue		Revenue (RM million)	% of gross revenue		Revenue (RM million)	% of gross revenue		Revenue (RM million)	% of gross revenue	
Revenue of health-oriented and wellness consumer products															
Malaysia	105.3	8.9		91.3	7.8		87.1	6.7		57.5	6.9		61.3	5.6	
Overseas															
Peru	268.1	22.6		252.6	21.6		298.5	22.8		191.1	22.8		282.7	25.8	
Bolivia	143.2	12.1		140.7	12.0		185.5	14.2		119.5	14.2		148.2	13.5	
Mexico	158.1	13.3		166.6	14.2		179.3	13.7		116.9	13.9		128.6	11.7	
India	152.0	12.8		134.4	11.5		142.0	10.9		94.2	11.2		112.3	10.2	
Philippines	91.8	7.7		100.3	8.6		95.4	7.3		65.2	7.8		55.4	5.1	
Morocco	2.0	0.2		12.9	1.1		52.9	4.1		21.6	2.6		95.7	8.7	
Middle East ⁽¹⁾	68.3	5.8		68.3	5.8		33.9	2.6		21.4	2.6		37.0	3.4	
United States	31.4	2.6		35.0	3.0		33.9	2.6		22.9	2.7		21.3	2.0	
Thailand	27.1	2.3		21.9	1.9		18.5	1.4		12.4	1.5		10.1	0.9	
Other markets ⁽²⁾	123.0	10.4		130.4	11.1		158.5	12.1		102.6	12.2		128.7	11.7	
Total revenue of health-oriented and wellness consumer products	1,170.3	98.7		1,154.4	98.6		1,285.5	98.4		825.3	98.4		1,081.3	98.6	
Other business activities ⁽³⁾	15.4	1.3		16.7	1.4		20.5	1.6		13.3	1.6		15.7	1.4	
Gross revenue	1,185.7	100.0		1,171.1	100.0		1,306.0	100.0		838.6	100.0		1,097.0	100.0	
Less: Consideration due/paid to customers...	(81.1)			(120.9) ⁽⁴⁾			(63.1)			(45.4)			(53.8)		
Revenue	1,104.6			1,050.2			1,242.9			793.2			1,043.2		

Notes:

- (1) Revenue from the Middle East is based on the imported value of the products distributed by the external distribution agency in the Middle East region.
- (2) Other markets include Australia, Bangladesh, Bulgaria, Canada, China, Colombia, Czech Republic, Ecuador, Ethiopia, Germany, Greece, Hong Kong, Hungary, Indonesia, Italy, Kenya, Korea, Mauritania, Mauritius, Mongolia, Myanmar, Nepal, Nigeria, Pakistan, Panama, Singapore, Slovakia, South Africa, Spain, Sri Lanka, Sudan, Turkey and Uzbekistan. We ceased direct dealings with the Sudan market after the FYE 28 February 2019. Revenue recognised from markets in which we do not have a presence is based on sales by our subsidiary, sales branch or external distribution agency to our Members with registered addresses in such markets.

12. FINANCIAL INFORMATION (Cont'd)

- (3) *Refers to our other business activities that primarily serve to support our core business, consisting of laboratory testing services for third parties, lifestyle products and a café.*
- (4) *Includes the 10.0% Discount Promotion. Each qualified Member's total discount was limited to the amount of their purchases made in April 2020 and May 2020. For accounting purposes, the discount was fully accrued in the FYE 28 February 2021.*

12. FINANCIAL INFORMATION (Cont'd)

For illustrative purposes only, the following table sets out the breakdown of the average purchase per Member for our health-oriented and wellness consumer products ("**Average Purchase per Member**")⁽¹⁾ by geographical markets, in absolute terms in RM for the financial years/period indicated:

	FYE 28/29 February			FPE 31
	2020	2021	2022	October
	Average Purchase per Member (RM) ⁽¹⁾			
Health-oriented and wellness consumer products				
Malaysia	900	1,065	1,387	1,306
Overseas				
Peru	1,421	1,563	1,655	1,733
Bolivia	1,758	1,955	2,019	2,109
Mexico.....	2,158	2,137	2,234	1,912
India	424	418	389	306
Philippines.....	916	1,159	1,149	875
Morocco	528	1,044	916	859
Middle East ⁽²⁾	236	292	167	236
United States.....	4,062	4,856	5,231	4,352
Thailand	1,535	1,567	1,538	1,327
Other markets ⁽³⁾	786	885	802	786
Average Purchase per Member – All markets	840	946	959	885

Notes:

- (1) Computed based on the revenue of health-oriented and wellness consumer products divided by the number of Members who have purchased a product during the relevant financial year/period. The number of Members who have purchased at least one of our products during the relevant financial year/period by geographical market are as follows:

	FYE 28/29 February			FPE 31
	2020	2021	2022	October
Malaysia.....	116,974	85,733	62,806	46,904
Overseas				
Peru	188,589	161,599	180,401	163,145
Bolivia	81,433	71,949	91,874	70,268
Mexico.....	73,275	77,957	80,253	67,281
India	358,126	321,382	365,355	367,067
Philippines.....	100,288	86,595	82,994	63,291
Morocco	3,871	12,370	57,837	111,428
Middle East	288,744	234,296	203,422	156,851
United States.....	7,737	7,199	6,471	4,889
Thailand	17,625	13,971	12,030	7,636
Other markets	156,391	147,373	197,537	163,727
Total	1,393,053	1,220,424	1,340,980	1,222,487

- (2) Computed based on the imported value of the products distributed by the external distribution agency in the Middle East divided by the number of Members in the Middle East who have purchased a product during the relevant financial year/period.
- (3) Other markets include Australia, Bangladesh, Bulgaria, Canada, China, Colombia, Czech Republic, Ecuador, Ethiopia, Germany, Greece, Hong Kong, Hungary, Indonesia, Italy, Kenya, Korea, Mauritania, Mauritius, Mongolia, Myanmar, Nepal, Nigeria, Pakistan, Panama, Singapore, Slovakia, South Africa, Spain, Sri Lanka, Sudan, Turkey and Uzbekistan. We ceased direct dealings in Sudan after the FYE 28 February 2019.

12. FINANCIAL INFORMATION (Cont'd)

As shown in the table above, the Average Purchase per Member for our health-oriented and wellness consumer products ranges from RM167 (in the Middle East) to RM5,231 (in the United States) for the three financial years from the FYE 29 February 2020 to the FYE 28 February 2022 and for the FPE 31 October 2022. Factors that cause the Average Purchase per Member to vary across our top 10 markets include the following:

(a) Type of products sold and its average selling price

The average selling price of our HDS products is generally higher than that of our FFB products and the demand for our HDS products in Thailand is relatively higher as compared to the demand for our other products. Accordingly, the Average Purchase per Member in Thailand is higher than the Average Purchase per Member for all markets.

	Average Purchase per Member during the financial years and period under review
Thailand	Between RM1,327 to RM1,567
All markets	Between RM840 to RM959

(b) Pricing of our products

The prices of our products vary between the countries where we have a distribution footprint after taking into account, among others, the costs of production, transportation charges and inflation rate of the respective countries. The prices of our products in countries such as the United States, Peru, Mexico and Bolivia are generally higher as compared to our other markets, thus resulting in a higher Average Purchase per Member in these countries.

	Average Purchase per Member during the financial years and period under review
United States, Peru, Mexico and Bolivia	Between RM1,421 to RM5,231
All markets	Between RM840 to RM959

The prices our products in India are generally lower as compared to our other markets as the products are manufactured locally in India at a lower labour cost. Accordingly, the Average Purchase per Member in India is lower than the Average Purchase per Member for all markets.

	Average Purchase per Member during the financial years and period under review
India	Between RM306 to RM424
All markets	Between RM840 to RM959

(c) Exchange rate differences

The Average Purchase per Member in RM is substantially higher in the United States after conversion of sales in USD to RM due to the higher currency differential between USD and RM as compared to the currencies in our other top 10 markets.

12. FINANCIAL INFORMATION (Cont'd)**(d) Personal purchase by our Members**

Our Members in the United States and Latin American countries such as Peru, Mexico and Bolivia have a higher Average Purchase per Member as they purchase a higher volume of our products for their own consumption as well as to on-sell these products to non-Members. Conversely in India, the consumers of our products are predominantly our Members who purchase our products for their own consumption. Hence, the Average Purchase per Member in India is lower as compared to the United States, Peru, Mexico and Bolivia.

(e) The Middle East uses an external distribution agency structure which affects our gross revenue reported from the Middle East

The Middle East uses an external distribution agency structure where our products are sold to the external distribution agency at an intermediate price based on a cost-plus structure. Accordingly, our revenue from the Middle East is derived from the imported value of the products distributed by the external distribution agency in the Middle East, being the intermediate price, which is lower than the distributor price of our products as certain costs, such as the payment of bonuses and incentives to our Members in the Middle East is borne by the external distribution agency. As a result, the Average Purchase per Member in the Middle East is among the lowest in our top 10 markets.

(ii) Other income

Other income consists primarily of bonus processing income which is levied on our Members as a service charge for processing Member bonuses, system consultancy fees which are levied on external distribution agencies for marketing and business development services, gain on foreign exchange and other miscellaneous income.

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Bonus processing income.....	1,544	554	563	385	336
Income from insurance claims	-	13,121	6,172	2,618	19
Unrealised gain on foreign exchange.....	1,495	-	-	-	2,573
Fair value gain on biological assets	56	-	-	805	722
Gain on disposal of investment in subsidiaries	-	1,655	-	-	-
Gain on disposal of property, plant and equipment...	106	44	388	45	-
Rental income	333	309	271	152	196
System consultancy fees	10,087	9,943	7,593	5,199	5,125
Bargain purchase gain on business combination	5,267	-	-	-	19
Government grant	-	3,586	1,973	1,595	176

12. FINANCIAL INFORMATION (Cont'd)

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Miscellaneous income ⁽¹⁾	7,449	6,072	5,483	2,997	3,378
Other income	26,337	35,284	22,443	13,796	12,544

Note:

(1) Primarily comprises sales of marketing event tickets, fees charged to external distribution agencies, handling and other incidental charges for shipment, scrap sales income, income from insurance rebate and other non-recurring income.

(iii) Changes in work-in-progress and manufactured inventories, and raw materials used and trading inventories sold

Our cost of goods sold can be broadly categorised into change in work-in-progress and manufactured inventories, raw materials used and trading inventories sold, depreciation and amortisation, and employee benefits expense.

The following table sets out the components of our cost of goods sold and the percentage these costs represent as a proportion of our cost of goods sold for the financial years/periods indicated:

	FYE 28/29 February					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Changes in work-in-progress and manufactured inventories	6,751	(3.5)	28,126	(15.6)	51,262	(22.2)
Raw materials used and trading inventories sold	(162,856)	85.0	(162,978)	90.6	(224,284)	97.0
Depreciation and amortisation ...	(6,213)	3.3	(7,536)	4.2	(12,315)	5.3
Employee benefits expense	(29,170)	15.2	(37,498)	20.8	(45,910)	19.9
Cost of goods sold	(191,488)	100.0	(179,886)	100.0	(231,247)	100.0

	FPE 31 October 2021		FPE 31 October 2022	
	RM'000	%	RM'000	%
	Changes in work-in-progress and manufactured inventories	51,503	(34.9)	49,835
Raw materials used and trading inventories sold	(161,232)	109.3	(216,323)	98.9
Depreciation and amortisation	(6,344)	4.3	(17,392)	8.0
Employee benefits expense	(31,504)	21.3	(34,751)	15.9
Cost of goods sold	(147,577)	100.0	(218,631)	100.0

12. FINANCIAL INFORMATION (Cont'd)***Changes in work-in-progress and manufactured inventories***

Our changes in work-in-progress and manufactured inventories consist of the difference in the work-in-progress and manufactured inventories between financial years or periods, as measured at the end of the financial years or periods. The following table sets out our work-in-progress inventories and manufactured inventories for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Work-in-progress inventories</i>					
Closing balance .	7,682	6,502	12,011	9,014	11,464
Less: Opening balance.....	(2,285)	(7,682)	(6,502)	(6,502)	(12,011)
	<u>5,397</u>	<u>(1,180)</u>	<u>5,509</u>	<u>2,512</u>	<u>(547)</u>
<i>Manufactured inventories</i>					
Closing balance .	64,474	93,780	139,533	142,771	189,915
Less: Opening balance.....	(63,120)	(64,474)	(93,780)	(93,780)	(139,533)
	<u>1,354</u>	<u>29,306</u>	<u>45,753</u>	<u>48,991</u>	<u>50,382</u>
Total changes in work-in-progress and manufactured inventories	<u>6,751</u>	<u>28,126</u>	<u>51,262</u>	<u>51,503</u>	<u>49,835</u>

Our inventories consist of FFB, HDS, PCC, household products, water filtration systems and home appliances.

Raw materials used and trading inventories sold

Our raw materials used and trading inventories sold consist primarily of raw materials consumed and factory overhead, including upkeep of factory, upkeep of plant and machinery, factory rental, tools, consumables and utilities expenses.

Depreciation and amortisation

Depreciation and amortisation consist of depreciation of factory, plant and machinery, tools and equipment.

Employee benefits expense

Our employee benefits expense consists of employees' salaries, wages and bonus, contribution to state plan, contract workers, medical expenses, staff welfare, staff training and uniform.

(iv) Depreciation and amortisation

Our depreciation and amortisation are recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of buildings, farms, plant and machinery, furniture, fittings and office equipment, motor vehicles and aircraft.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out our depreciation and amortisation for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment.	15,319	20,633	29,473	17,738	31,428
Depreciation of right-of-use assets	8,014	8,882	8,777	5,852	6,048
Depreciation of investment properties.....	1,479	1,393	236	158	150
Amortisation of intangible assets	317	118	104	61	52
Depreciation and amortisation ...	25,129	31,026	38,590	23,809	37,678

(v) Employee benefits expense

Our employee benefits expense includes wages and salaries as well as contributions to our employees' provident funds, state insurance and state-specific labour welfare funds for our Board as well as other personnel (including directors of our subsidiaries). The following table sets out our employee benefits expense for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Wages and salaries	94,759	105,625	118,530	79,607	87,812
Contribution to state plan	7,494	8,211	8,674	5,434	5,986
Employee benefits expense	102,253	113,836	127,204	85,041	93,798

(vi) Net gain or loss on impairment of financial assets

Our net gain or loss on impairment of financial assets consists primarily of reversal of impairment loss or impairment loss on trade and other receivables, impairment loss on amount owing from associate, bad debts written off and bad debts recovered. The following table sets out our net gain or loss on impairment of financial assets for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment loss/(Reversal of impairment loss) on:					
- Trade and other receivables	2,189	-	617	2	(7)

12. FINANCIAL INFORMATION (Cont'd)

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
- Amount owing from associate and joint venture	-	3,875	687	-	103
Bad debts written off	336	10	462	-	9
Bad debts recovered	(3,205)	(161)	(521)	(471)	-
Net (gain)/loss on impairment of financial assets	(680)	3,724	1,245	(469)	105

(vii) Other expenses

Other expenses consist primarily of professional fees, office and administrative expenses such as impairment loss on property, plant and equipment and provision for indirect tax contingency, motor vehicle expenses, marketing, selling and distribution expenses including Member benefits such as travel seminar incentives and group effort-related performance bonuses, and planting expenses such as for upkeep of farms, Ganoderma sheds, Spirulina ponds, machinery, tools and consumables as well as utilities. The following table sets out our other expenses for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 October	
	2020	2021	2022	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Professional fees	16,222	8,921	14,045	8,101	17,988
Office and administrative expenses	57,128	100,007	82,816	47,680	68,660
Motor vehicle expenses	5,935	4,213	3,831	2,514	2,146
Marketing, selling and distribution expenses	421,050	401,581	459,125	291,573	377,699
Planting expenses	2,845	4,497	2,629	1,814	2,017
Other expenses	503,180	519,219	562,446	351,682	468,510

12. FINANCIAL INFORMATION (Cont'd)

The table below sets out the group effort-related performance bonus and incentives provided to our Members, which form part of our marketing, selling and distribution expenses, as a percentage of gross revenue, for the financial years/periods indicated:

	2020		FYE 28/29 February		2021		2022		FPE 31 October		2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Group effort-related performance bonus.	366,137	30.9	353,174	30.2	397,597	30.4	254,298	30.3	316,248	28.8		
Travel seminar incentives	14,152	1.2	10,944	0.9	4,412	0.3	3,127	0.4	6,889	0.6		
Total	380,289	32.1	364,118	31.1	402,009	30.7	257,425	30.7	323,137	29.4		