



DXN Holdings Bhd.

(Registration No. 199501033918 (363120 - V))
(Incorporated in Malaysia)

and its subsidiaries

**Unaudited Interim Financial Report
for the First Quarter Ended 31 May 2023**



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023**

	31.05.2023	28.02.2023
	Unaudited	Audited
	RM'000	RM'000
Assets		
Property, plant and equipment	672,806	646,461
Right-of-use assets	31,972	32,775
Investment properties	6,865	6,855
Intangible assets	112	79
Deferred tax assets	120,195	106,022
Prepayments	21,292	14,683
Total non-current assets	853,242	806,875
Biological assets	1,940	1,515
Inventories	382,754	323,127
Contract assets	700	643
Trade and other receivables	119,040	114,421
Current tax assets	20,424	9,943
Short term investments	82,013	44,378
Cash and cash equivalents	548,073	459,035
Total current assets	1,154,944	953,062
Total assets	2,008,186	1,759,937



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023 (CONTINUED)**

	31.05.2023	28.02.2023
	Unaudited	Audited
	RM'000	RM'000
Equity		
Share capital	214,658	60,191
Translation reserve	24,750	(5,365)
Retained earnings	920,013	908,253
Equity attributable to owners of the Company	1,159,421	963,079
Non-controlling interests	67,402	62,052
Total equity	1,226,823	1,025,131
Liabilities		
Loans and borrowings	48,385	49,709
Retirement benefits	5,448	5,266
Lease liabilities	11,516	12,454
Deferred tax liabilities	15,137	13,468
Total non-current liabilities	80,486	80,897
Loans and borrowings	225,351	187,861
Lease liabilities	8,844	8,891
Trade and other payables, including derivatives	418,480	396,819
Current tax liabilities	48,202	60,338
Total current liabilities	700,877	653,909
Total liabilities	781,363	734,806
Total equity and liabilities	2,008,186	1,759,937
<i>Net assets per share (RM)</i>	<i>0.25</i> ⁽ⁱ⁾	<i>0.21</i> ⁽ⁱⁱ⁾

Notes:

- (i) Computed based on total equity divided by the issued share capital of 4,985,000,000 ordinary shares after the completion of Public Issue.
- (ii) Computed based on total equity divided by the issued share capital of 4,825,000,000 ordinary shares after the completion of Bonus Issue in April 2023 as part of the Company's Initial Public Offering scheme.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

	Individual quarter 3 months ended		Cumulative quarter 3 months ended	
	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000
Revenue	423,982	360,388	423,982	360,388
Other income	4,213	5,138	4,213	5,138
Changes in work-in-progress and manufactured inventories	45,211	25,580	45,211	25,580
Raw materials used and trading inventories sold	(112,940)	(79,084)	(112,940)	(79,084)
Depreciation and amortisation	(12,076)	(10,747)	(12,076)	(10,747)
Employee benefits expense	(39,023)	(33,272)	(39,023)	(33,272)
Net gain/(loss) on impairment of financial assets	30	(7)	30	(7)
Other expenses	(184,662)	(152,024)	(184,662)	(152,024)
Results from operating activities	124,735	115,972	124,735	115,972
Interest income	1,686	472	1,686	472
Finance costs	(2,304)	(936)	(2,304)	(936)
Profit before tax	124,117	115,508	124,117	115,508
Tax expense	(43,327)	(34,652)	(43,327)	(34,652)
Profit for the period	80,790	80,856	80,790	80,856

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (CONTINUED)**

	Individual quarter 3 months ended		Cumulative quarter 3 months ended	
	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000
Total other comprehensive income, net of tax:				
Item that may be reclassified subsequently to profit or loss				
- Foreign currency translation differences for foreign operations	32,277	8,340	32,277	8,340
Total comprehensive income for the period	<u>113,067</u>	<u>89,196</u>	<u>113,067</u>	<u>89,196</u>
Profit for the period attributable to:				
Owners of the Company	77,602	77,165	77,602	77,165
Non-controlling interests	3,188	3,691	3,188	3,691
	<u>80,790</u>	<u>80,856</u>	<u>80,790</u>	<u>80,856</u>
Total comprehensive income for the period attributable to:				
Owners of the Company	107,717	84,955	107,717	84,955
Non-controlling interests	5,350	4,241	5,350	4,241
	<u>113,067</u>	<u>89,196</u>	<u>113,067</u>	<u>89,196</u>
Basic/Diluted earnings per ordinary share (sen)	<u>1.60</u>	<u>1.60</u>	<u>1.60</u>	<u>1.60</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← <i>Attributable to owners of the Company</i> →					
	<i>Non-distributable</i>		<i>Distributable</i>		<i>Non-controlling interests</i>	
	Share capital	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 March 2022	60,191	(2,309)	702,857	760,739	50,876	811,615
Profit for the period	-	-	77,165	77,165	3,691	80,856
Foreign currency translation differences for foreign operations representing other comprehensive income for the period	-	7,790	-	7,790	550	8,340
Total comprehensive income for the period	-	7,790	77,165	84,955	4,241	89,196
Dividends paid to owners of the Company	-	-	(15,000)	(15,000)	-	(15,000)
Total transactions with owners of the Company	-	-	(15,000)	(15,000)	-	(15,000)
At 31 May 2022	60,191	5,481	765,022	830,694	55,117	885,811
At 1 March 2023	60,191	(5,365)	908,253	963,079	62,052	1,025,131
Profit for the period	-	-	77,602	77,602	3,188	80,790
Foreign currency translation differences for foreign operations representing other comprehensive expense for the period	-	30,115	-	30,115	2,162	32,277
Total comprehensive income for the period	-	30,115	77,602	107,717	5,350	113,067
New shares issued by the Company for the Public Issue	112,000	-	-	112,000	-	112,000
New share issuance expenses for the Public Issue	(3,375)	-	-	(3,375)	-	(3,375)
Bonus issue	45,842	-	(45,842)	-	-	-
Dividends paid to owners of the Company	-	-	(20,000)	(20,000)	-	(20,000)
Total transaction with owners of the Company	154,467	-	(65,842)	88,625	-	88,625
At 31 May 2023	214,658	24,750	920,013	1,159,421	67,402	1,226,823



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	31.05.2023	31.05.2022
	Unaudited	Unaudited
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	124,117	115,508
Adjustments for:		
Depreciation of:		
- Property, plant and equipment	9,418	8,394
- Right-of-use assets	2,600	2,260
- Investment properties	57	57
Amortisation of intangible assets	1	36
Fair value changes on biological assets	(397)	(1,254)
Retirement benefits expense	100	143
Written off on property, plant and equipment	21	32
Impairment loss on property, plant and equipment	2,213	-
Interest income	(1,686)	(472)
Loss on disposal of property, plant and equipment	221	15
Interest expense	2,304	936
Bargain purchase gain on business combination	-	(19)
Operating profit before working capital changes	138,969	125,636
Changes in:		
Inventories	(59,627)	(29,406)
Trade and other receivables	(4,619)	(4,315)
Contract assets	(57)	(128)
Trade and other payables	45,381	11,601
Cash generated from operations	120,047	103,388
Tax paid	(77,951)	(36,757)
Retirement benefits paid	(115)	(50)
Net cash from operating activities	41,981	66,581

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)**

	3 months ended	
	31.05.2023	31.05.2022
	Unaudited	Unaudited
	RM'000	RM'000
Cash flows from investing activities		
Purchase of:		
- Property, plant and equipment	(31,231)	(23,039)
- Intangible assets	(31)	(18)
Proceeds from disposal of property, plant and equipment	295	26
Acquisition of subsidiary, net of cash and cash equivalents	-	(5)
Interest received	1,686	472
Placement of pledged deposits	-	(26)
(Placement)/Withdrawal of short term investments	(34,851)	7,678
Net cash used in investing activities	(64,132)	(14,912)
Cash flows from financing activities		
Dividends paid to owners of the Company	(20,000)	(15,000)
Interest paid	(3,638)	(1,262)
(Repayment)/Drawdown of:		
- Lease liabilities	(4,286)	(2,173)
- Hire purchase liabilities	(325)	(398)
- Revolving credits	30,252	123
- Term loans	(2,894)	(2,767)
Proceeds from issue of share capital	112,000	-
Payment of new shares issuance expenses	(3,375)	-
Net cash from/(used in) financing activities	107,734	(21,477)
Net increase in cash and cash equivalents	85,583	30,192
Foreign currency translation differences	6,170	5,892
Cash and cash equivalents at beginning of the period	456,270	407,021
Cash and cash equivalents at end of the period	548,023	443,105

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

A. Cash and Cash Equivalents

Cash and cash equivalents included in the condensed consolidation consolidated statement of cash flows comprise the following amounts from the condensed consolidated statement of financial position:

	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000
Cash and cash equivalents	548,073	445,495
Assets classified as held for sale	-	514
Less: Pledged deposits	(50)	(2,904)
	<u>548,023</u>	<u>443,105</u>

B. Purchase of Property, Plant and Equipment

	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000
Total additions	26,447	20,832
<i>Add/(Less):</i>		
Amount financed through hire purchase	(491)	(776)
Changes in prepayment for purchase of property, plant and equipment	6,609	3,310
Interest expense capitalised	(1,334)	(327)
	<u>31,231</u>	<u>23,039</u>

PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MAY 2023

A1. Basis of Preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), requirements of Malaysian Financial Reporting Standards Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

These condensed consolidated interim financial statements do not include all the information required for an annual financial statements and should be read in conjunction with the Group's audited financial statements for the financial year ended 28 February 2023. These notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of DXN Holdings Bhd. ("DXNH" or the "Company") and its subsidiaries (the "Group") for the individual and cumulative quarters presented.

A2. Significant Accounting Policies

MFRSs and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts - Initial application of MFRS 17 and MFRS 9 - Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules*

MFRSs and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107 *Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements*

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*

The Group plans to apply the abovementioned amendments, where applicable in the respective financial years when the abovementioned amendments become effective.

The Group does 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 the 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 the Group.

**PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MAY 2023 (continued)**

A3. Auditors' Report

The audited consolidated financial statements of the Company for the financial year ended 28 February 2023 were not subject to any qualification.

A4. Seasonal or Cyclical Factors

The nature of the Group's business was not subject to any significant seasonal or cyclical factors.

A5. Unusual Items

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the quarter under review.

A6. Changes in Estimates

There were no material changes in estimates for the interim period under review.

A7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter and financial period under review other than those pursuant to the Initial Public Offering of the Company.

A8. Dividend Paid

On 6 March 2023, the Company's Board of Directors declared a second interim dividend of approximately 8.31 sen per ordinary share totalling RM20,000,000 in respect of financial year ended 28 February 2023. The dividend was paid on 13 March 2023.

A9. Operating Segments

The Group has the following reportable segments as described below. The segments offer different products or services, and are managed separately because they require different technology, operational and marketing strategies. For each of the segment, the Group's Chief Executive Officer (the chief operating decision maker ("CODM")) reviews internal management reports at least on a quarterly basis:

- i. Manufacture and sale of health and wellness consumer products
Manufacture and sale of fortified food and beverages, health and dietary supplements, personal care, skin care and cosmetics and other related products
- ii. Investment holding
Investment holding and provision of management services
- iii. Other non-reportable segments
Other non-reportable segments comprise the provision of lab test services, provision of consultation and treatment services with ganotherapy, operating of a café, glamping resort, tourism village complex, marine sanctuary and related tour activities. None of these segments met the quantitative threshold for reporting segment for financial period ended 31 May 2023 and 31 May 2022.



PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MAY 2023 (continued)

A9. Operating Segments (continued)

	Manufacture and sale of health and wellness consumer products RM'000	Investment holding RM'000	Other non- reportable segments RM'000	Elimination RM'000	Consolidated RM'000
Unaudited					
31.05.2023					
Revenue					
Revenue from external customers	417,462	-	6,520	-	423,982
Inter-segment revenue	92	7,096	41	(7,229)	-
Total revenue	417,554	7,096	6,561	(7,229)	423,982
Segment profit/(loss)	135,068	(28,219)	(259)	17,527	124,117
Included in the measure of segment profit/(loss) are:					
- Loss on disposal of property, plant and equipment	(221)	-	-	-	(221)
- Property, plant and equipment written off	(8)	-	(13)	-	(21)
- Reversal of inventories written off	368	-	-	-	368
- Depreciation of property, plant and equipment	(7,034)	(899)	(1,485)	-	(9,418)
- Depreciation of right-of-use assets	(2,553)	-	(47)	-	(2,600)
- Depreciation of investment properties	(49)	-	(8)	-	(57)
- Amortisation of intangible assets	-	-	(1)	-	(1)
- Impairment loss on property, plant and equipment	(1,043)	-	(1,170)	-	(2,213)
- Reversal/(Impairment loss) on trade and other receivables	11	(13,256)	-	13,221	(24)
- Bad debts written off	(37)	-	-	-	(37)
- Bad debts recovered	91	-	-	-	91
Segment assets	1,585,006	221,845	60,716	-	1,867,567



PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MAY 2023 (continued)

A9. Operating Segments (continued)

	Manufacture and sale of health and wellness consumer products RM'000	Investment holding RM'000	Other non- reportable segments RM'000	Elimination RM'000	Consolidated RM'000
Unaudited					
31.05.2022					
Revenue					
Revenue from external customers	354,726	-	5,662	-	360,388
Inter-segment revenue	24	39,006	17	(39,047)	-
Total revenue	354,750	39,006	5,679	(39,047)	360,388
Segment profit/(loss)	114,848	34,540	120	(34,000)	115,508
Included in the measure of segment profit/(loss) are:					
- Loss on disposal of property, plant and equipment	(15)	-	-	-	(15)
- Property, plant and equipment written off	(32)	-	-	-	(32)
- Inventories written off	(5)	-	-	-	(5)
- Depreciation of property, plant and equipment	(5,927)	(1,072)	(1,395)	-	(8,394)
- Depreciation of right-of-use assets	(2,208)	-	(52)	-	(2,260)
- Depreciation of investment properties	(49)	-	(8)	-	(57)
- Amortisation of intangible assets	(24)	(10)	(2)	-	(36)
- Bad debts written off	(7)	-	-	-	(7)
Segment assets	1,348,924	74,092	60,252	-	1,483,268

**PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT
 FOR THE FIRST QUARTER ENDED 31 MAY 2023 (continued)**

A10. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM26.4 million during the quarter.

A11. Impairment Losses

Save as disclosed in Note B4, there were no impairment losses or reversal of impairment losses arising from property, plant and equipment, financial assets, assets arising from contracts with customers or other assets during the quarter under review.

A12. Material Events Subsequent to the Statement of Financial Position Date

On 17 May 2022, DXN Corporation (Ningxia) Co., Ltd. entered into a Share Sale Agreement (“SSA”) to dispose of its entire equity interest held in Florin (Fujian) Integrated Agricultural Science and Technology Co., Ltd and its subsidiary namely, Anxi Gande Foluohua Integrated Agricultural Science and Technology Co., Ltd to Fujian Anxi Jinjiang Source Tea Technology Co., Ltd for a total consideration of RMB58.7 million (equivalent to RM37.9 million).

As the purchaser was unable to fulfil certain conditions of the SSA as at 30 June 2023 (being the expiry of the extension of time granted), the Group has on 3 July 2023 served a legal notice to terminate the SSA. Based on the local jurisdictions in the People’s Republic of China, the purchaser has 90 days to raise an objection to the notice served.

A13. Changes in the Composition of the Group

There were no material changes in the composition of the Group for the quarter under review.

A14. Changes in Contingent Assets and Contingent Liabilities

There were no material contingent assets and liabilities arising since the last audited consolidated financial statements for the financial year ended 28 February 2023.

A15. Capital Commitments

	31.05.2023	28.02.2023
	Unaudited	Audited
	RM’000	RM’000
Contracted but not provided for:		
Property, plant and equipment	<u>24,076</u>	<u>33,572</u>

**PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MAY 2023 (continued)**

A16. Related Party Transactions

The significant related party transactions of the Group are shown below:

	Individual quarter 3 months ended		Cumulative quarter 3 months ended	
	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000
Transactions with companies in which certain Directors have a substantial financial interest				
Purchase of trading goods	146	3,807	146	3,807
Purchase of raw materials	526	-	526	-
Rental expense (premises)	142	144	142	144
Purchase of air tickets	84	27	84	27
Sales of property, plant and equipment	192	15	192	15
Donation to non-profit organisation	-	851	-	851
Transactions with Directors and persons connected to Directors				
Insurance premium expense	1,100	587	1,100	587
Rental expense (premises)	29	19	29	19

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group's Performance

Current quarter against corresponding quarter

	Individual quarter		Change %
	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000	
Revenue	423,982	360,388	17.6
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	136,811	126,719	8.0
Profit before tax ("PBT")	124,117	115,508	7.5
Profit for the period	80,790	80,856	(0.1)
Profit for the period attributable to owners of the Company ("PATAMI")	77,602	77,165	0.6
EBITDA margin (%)	32.3	35.2	(8.2)
PBT margin (%)	29.3	32.1	(8.7)
PATAMI margin (%)	18.3	21.4	(14.5)

The Group's revenue increased by 17.6% from RM360.4 million for the corresponding quarter ended 31 May 2022 to RM424.0 million for the quarter ended 31 May 2023 primarily due to continuing sales growth of fortified food and beverages in Latin America and India, as well as depreciation of Malaysian Ringgit against certain foreign currencies.

The Group's EBITDA increased by 8.0% from RM126.7 million for the corresponding quarter ended 31 May 2022 to RM136.8 million for the quarter ended 31 May 2023. EBITDA margin decreased by 8.2% from 35.2% for the corresponding quarter ended 31 May 2022 to 32.3% for the quarter ended 31 May 2023. These were primarily due to higher IPO expense incurred during current quarter and the higher reversal of members bonus in the corresponding quarter in accordance with the Group's policy. The higher expenses incurred during the current quarter were partially offset by higher foreign exchange gain.

As a result of the higher revenue, the PBT of the Group increased by 7.5% from RM115.5 million for the corresponding quarter ended 31 May 2022 to RM124.1 million for the quarter ended 31 May 2023. The Group's profit for the period of RM80.8 million remained relatively unchanged compared to the RM80.9 million in the corresponding quarter ended 31 May 2022. Similarly, the Group's PATAMI of RM77.6 million for the period approximates the RM77.2 million recorded for the corresponding quarter ended 31 May 2022. PATAMI margin however decreased by 14.5% from 21.4% for the corresponding quarter ended 31 May 2022 to 18.3% for the quarter ended 31 May 2023.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B1. Review of Group Performance (continued)

Comparison with Immediate Preceding Quarter

Financial review for current quarter compared with immediate preceding quarter:

	Current quarter Unaudited 31.05.2023 RM'000	Preceding quarter Unaudited 28.02.2023 RM'000	Change %
Revenue	423,982	404,997	4.7
EBITDA	136,811	124,253	10.1
PBT	124,117	112,422	10.4
Profit for the period	80,790	57,859	39.6
PATAMI	77,602	55,167	40.7
EBITDA margin (%)	32.3	30.7	5.2
PBT margin (%)	29.3	27.8	5.4
PATAMI margin (%)	18.3	13.6	34.6

The Group's revenue increased by 4.7% from RM405.0 million for the preceding quarter ended 28 February 2023 to RM424.0 million for the quarter ended 31 May 2023 primarily due to continuing sales growth of fortified food and beverages in Latin America and India, as well as depreciation of the Malaysian Ringgit against certain foreign currencies.

The Group's EBITDA increased by 10.1% from RM124.3 million for the preceding quarter ended 28 February 2023 to RM136.8 million for the quarter ended 31 May 2023. EBITDA margin increased by 5.2% from 30.7% for the preceding quarter ended 28 February 2023 to 32.3% for the quarter ended 31 May 2023. The increase in EBITDA margin was contributed by foreign exchange gain arising from the depreciation of Malaysian Ringgit during current quarter as well as higher impairment of property, plant and equipment recognised during the preceding quarter. The increase was partially offset by higher IPO expenses incurred during the current quarter, and higher reversal of members bonus in preceding quarter.

As a result of the foregoing, the Group's PBT increased by 10.4% from RM112.4 million for the preceding quarter ended 28 February 2023 to RM124.1 million for the quarter ended 31 May 2023. The Group's profit for the period increased by 39.6% from RM57.9 million for the preceding quarter ended 28 February 2023 to RM80.8 million for the quarter ended 31 May 2023. The Group's PATAMI increased by 40.7% from RM55.2 million for the preceding quarter ended 28 February 2023 to RM77.6 million for the quarter ended 31 May 2023. PATAMI margin increased by 34.6% from 13.6% for the preceding quarter ended 28 February 2023 to 18.3% for the quarter ended 31 May 2023.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B2. Prospects

The global economy remains volatile affected by the escalating Russian-Ukraine war. The geopolitical tension has given rise to increasing inflationary pressure and rising cost of living. Despite the adverse economic impacts and social headwinds, the Group was able to achieve a growth rate of 17.6% in revenue for the Q1 FY2024 compared to Q1 FY2023 while maintaining a relatively consistent PBT margin and PATAMI margin at 29.3% and 18.3% respectively. Continued growth has been observed for our market in Peru, Mexico and India.

On 19 May 2023, the Group was successfully listed on the Main Market of Bursa Malaysia Securities Berhad. Being a public listed company, the Group will strive to uphold the interest of the stakeholders for long term value creation through various frameworks and policies in strengthening the corporate governance. Moving forward, the Group will cautiously focus on its growth strategies to expand into existing and new markets, optimize capacity utilization of its production facilities and launch new products. The Group is optimistic to achieve profitable growth and cash generation through its scalable business model.

B3. Profit Forecast

Not applicable as the Group did not issue any profit forecast during the quarter and financial year under review.

B4. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Individual quarter 3 months ended		Cumulative quarter 3 months ended	
	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000
Interest income	(1,686)	(472)	(1,686)	(472)
Financial costs	2,304	936	2,304	936
Depreciation and amortisation	12,076	10,747	12,076	10,747
Net (gain)/loss on impairment of financial assets	(30)	7	(30)	7
Loss on disposal of property, plant and equipment	221	15	221	15
Foreign exchange gain	(9,544)	(2,739)	(9,544)	(2,739)
(Gain)/Loss on derivatives	(7)	29	(7)	29
Impairment loss on property, plant and equipment	2,213	-	2,213	-
Written off/(Reversal):				
- Property, plant and equipment	21	32	21	32
- Inventories	44	5	44	5

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B5. Tax Expense

	Individual quarter 3 months ended		Cumulative quarter 3 months ended	
	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000	31.05.2023 Unaudited RM'000	31.05.2022 Unaudited RM'000
Current tax	54,512	45,039	54,512	45,039
Deferred tax	(11,185)	(10,387)	(11,185)	(10,387)
	<u>43,327</u>	<u>34,652</u>	<u>43,327</u>	<u>34,652</u>
Effective tax rate	34.9%	30.0%	34.9%	30.0%

The Group's effective tax rates for both quarters are higher than the statutory tax rate of 24% mainly due to the higher tax rates applicable to certain foreign subsidiaries and certain non-deductible expenses incurred.

B6. Status of Corporate Proposals

There is no corporate proposal announced or not completed by the Group as at the date of this report.

B7. Utilisation of Proceeds Raised from the Public Issue

The utilisation of proceeds from the Public Issue of RM112.0 million as of 21 July 2023, is as follows:

Details of use of proceeds	Estimated timeframe for use from 19 May 2023	Proposed utilisation RM'000	Actual utilisation RM'000
Repayment of bank borrowings	Within 12 months	80,000	26,208
Working capital	Within 6 months	7,913	-
Estimated listing expenses	Within 3 months	24,087	24,087
		<u>112,000</u>	<u>50,295</u>

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B8. Loans and Borrowings

The Group's loan and borrowings are as follows:

	31.05.2023 Unaudited RM'000	28.02.2023 Audited RM'000
Non-current		
Hire purchase liabilities	2,711	2,582
Term loans, secured	45,674	47,127
	<u>48,385</u>	<u>49,709</u>
Current		
Hire purchase liabilities	1,184	1,141
Term loans, secured	11,792	11,458
Revolving credits, secured	211,024	173,952
Revolving credits, unsecured	1,351	1,310
	<u>225,351</u>	<u>187,861</u>
Total loans and borrowings	<u>273,736</u>	<u>237,570</u>
Currency profile of borrowings:		
USD	209,772	176,413
EUR	58,799	56,076
RM	4,943	5,016
IDR	222	65
Total	<u>273,736</u>	<u>237,570</u>

B9. Derivatives

	31.05.2023		28.02.2023	
	Nominal value Unaudited RM'000	(Liabilities) Unaudited RM'000	Nominal value Audited RM'000	(Liabilities) Audited RM'000
Derivatives at fair value through profit or loss				
- Forward exchange contracts (less than 1 year)	<u>5,444</u>	<u>(69)</u>	<u>2,194</u>	<u>(76)</u>

The risks associated with the derivatives, policies to mitigate those risks, cash requirements of the derivatives and related accounting policies are unchanged since the financial year ended 28 February 2023.

B10. Material Litigation

As at the date of this report, the Group is not engaged in any governmental, legal or arbitration proceedings which may have or have had, material or significant effect on the Group's financial position or profitability.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B11. Dividend Proposed or Declared

On 28 July 2023, the Board of Directors declared a first interim dividend 0.80 sen per ordinary share totalling RM39.88 million for the financial year ending 29 February 2024 which will be paid on 30 August 2023 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 14 August 2023.

B12. Earnings per Ordinary Share (“EPS”)

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Individual quarter 3 months ended		Cumulative quarter 3 months ended	
	Unaudited 31.05.2023	Unaudited 31.05.2022	Unaudited 31.05.2023	Unaudited 31.05.2022
PATAMI (RM'000)	77,602	77,165	77,602	77,165
Weighted average number of ordinary shares ('000)	4,845,870 ⁽ⁱ⁾	4,825,000 ⁽ⁱⁱ⁾	4,845,870 ⁽ⁱ⁾	4,825,000 ⁽ⁱⁱ⁾
Basic earnings per ordinary share (sen)	<u>1.60</u>	<u>1.60</u>	<u>1.60</u>	<u>1.60</u>

(i) Included the weighted average number of issued share capital of 160,000,000 ordinary shares after the completion of Public Issue.

(ii) Based on the issued share capital of 4,825,000,000 ordinary shares after the completion of Bonus Issue in April 2023 as part of the Company's Initial Public Offering scheme.

Diluted earnings per ordinary share

The diluted earnings per ordinary share is the same as basic earnings per ordinary share as there are no potential dilutive ordinary shares.



PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B13. Fair value of Financial Liabilities

There was no gain or loss arising from fair value changes of the Group's financial liabilities measured at fair value through profit or loss (other than derivative financial instruments as disclosed in Note B9).

BY ORDER OF THE BOARD

Tai Yit Chan
Ong Tze-En
Lim Yew Lin
Company Secretaries

28 July 2023