



DXN Holdings Bhd.

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

and its subsidiaries

**Unaudited Interim Financial Report
for the Second Quarter Ended 31 August 2023**



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

| | 31.08.2023 | 28.02.2023 |
|---------------------------------|-------------------|-------------------|
| | Unaudited | Audited |
| | RM'000 | RM'000 |
| Assets | | |
| Property, plant and equipment | 709,306 | 646,461 |
| Right-of-use assets | 44,253 | 32,775 |
| Investment properties | 6,791 | 6,855 |
| Intangible assets | 5,618 | 79 |
| Deferred tax assets | 115,872 | 106,022 |
| Prepayments | 15,324 | 14,683 |
| Total non-current assets | 897,164 | 806,875 |
| Biological assets | 1,994 | 1,515 |
| Inventories | 367,613 | 323,127 |
| Contract assets | 718 | 643 |
| Trade and other receivables | 118,206 | 114,421 |
| Current tax assets | 26,295 | 9,943 |
| Short term investments | 68,832 | 44,378 |
| Cash and cash equivalents | 481,904 | 459,035 |
| Total current assets | 1,065,562 | 953,062 |
| Total assets | 1,962,726 | 1,759,937 |



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

| | 31.08.2023 | 28.02.2023 |
|---|---------------------------|----------------------------|
| | Unaudited | Audited |
| | RM'000 | RM'000 |
| Equity | | |
| Share capital | 214,620 | 60,191 |
| Translation reserve | 15,349 | (5,365) |
| Retained earnings | 956,148 | 908,253 |
| Equity attributable to owners of the Company | 1,186,117 | 963,079 |
| Non-controlling interests | 71,909 | 62,052 |
| Total equity | 1,258,026 | 1,025,131 |
| Liabilities | | |
| Loans and borrowings | 4,631 | 49,709 |
| Retirement benefits | 5,500 | 5,266 |
| Lease liabilities | 11,792 | 12,454 |
| Deferred tax liabilities | 13,016 | 13,468 |
| Total non-current liabilities | 34,939 | 80,897 |
| Loans and borrowings | 196,523 | 187,861 |
| Lease liabilities | 9,820 | 8,891 |
| Trade and other payables, including derivatives | 440,296 | 396,819 |
| Current tax liabilities | 23,122 | 60,338 |
| Total current liabilities | 669,761 | 653,909 |
| Total liabilities | 704,700 | 734,806 |
| Total equity and liabilities | 1,962,726 | 1,759,937 |
| <i>Net assets per share (RM)</i> | <i>0.25⁽ⁱ⁾</i> | <i>0.21⁽ⁱⁱ⁾</i> |

Notes:

- (i) Computed based on total equity divided by the number of ordinary shares of 4,985,000,000 after the completion of the Initial Public Offering.
- (ii) Computed based on total equity divided by the number of ordinary shares of 4,825,000,000 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 6 months ended | |
|---|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 |
| Revenue | 458,309 | 396,210 | 882,291 | 756,598 |
| Other income | 5,790 | 2,879 | 10,003 | 8,017 |
| Changes in work-in-progress and manufactured inventories | (17,376) | 11,146 | 27,835 | 36,726 |
| Raw materials used and trading inventories sold | (58,741) | (64,561) | (171,681) | (143,645) |
| Depreciation and amortisation | (13,343) | (15,933) | (25,419) | (26,680) |
| Employee benefits expense | (40,014) | (35,513) | (79,037) | (68,785) |
| Net loss on impairment of financial assets | (320) | (81) | (290) | (88) |
| Other expenses | (214,469) | (175,525) | (399,131) | (327,549) |
| Results from operating activities | 119,836 | 118,622 | 244,571 | 234,594 |
| Interest income | 2,433 | 727 | 4,119 | 1,199 |
| Finance costs | (4,164) | (1,181) | (6,468) | (2,117) |
| Profit before tax | 118,105 | 118,168 | 242,222 | 233,676 |
| Tax expense | (38,271) | (38,758) | (81,598) | (73,410) |
| Profit for the period | 79,834 | 79,410 | 160,624 | 160,266 |



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

| | Individual quarter 3 months ended | | Cumulative quarter 6 months ended | |
|---|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 |
| Total other comprehensive (expense)/income, net of tax: | | | | |
| Item that may be reclassified subsequently to profit or loss | | | | |
| - Foreign currency translation differences for foreign operations | (8,713) | (3,384) | 23,564 | 4,956 |
| Total comprehensive income for the period | <u>71,121</u> | <u>76,026</u> | <u>184,188</u> | <u>165,222</u> |
| Profit for the period attributable to: | | | | |
| Owners of the Company | 76,015 | 75,785 | 153,617 | 152,950 |
| Non-controlling interests | 3,819 | 3,625 | 7,007 | 7,316 |
| | <u>79,834</u> | <u>79,410</u> | <u>160,624</u> | <u>160,266</u> |
| Total comprehensive income for the period attributable to: | | | | |
| Owners of the Company | 66,614 | 73,027 | 174,331 | 157,982 |
| Non-controlling interests | 4,507 | 2,999 | 9,857 | 7,240 |
| | <u>71,121</u> | <u>76,026</u> | <u>184,188</u> | <u>165,222</u> |
| Basic/Diluted earnings per ordinary share (sen) | <u>1.52</u> | <u>1.57</u> | <u>3.12</u> | <u>3.17</u> |



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | ← <i>Attributable to owners of the Company</i> → | | | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|--|--|----------------------------------|--------------------------------|------------------|--|---------------------------|
| | Share capital RM'000 | Translation reserve RM'000 | Retained earnings RM'000 | | | |
| At 1 March 2022 | 60,191 | (2,309) | 702,857 | 760,739 | 50,876 | 811,615 |
| Profit for the period | - | - | 152,950 | 152,950 | 7,316 | 160,266 |
| Foreign currency translation differences for foreign operations representing other comprehensive income/(expense) for the period | - | 5,032 | - | 5,032 | (76) | 4,956 |
| Total comprehensive income for the period | - | 5,032 | 152,950 | 157,982 | 7,240 | 165,222 |
| Dividends paid to owners of the Company | - | - | (30,000) | (30,000) | - | (30,000) |
| Total transaction with owners of the Company | - | - | (30,000) | (30,000) | - | (30,000) |
| At 31 August 2022 | 60,191 | 2,723 | 825,807 | 888,721 | 58,116 | 946,837 |
| At 1 March 2023 | 60,191 | (5,365) | 908,253 | 963,079 | 62,052 | 1,025,131 |
| Profit for the period | - | - | 153,617 | 153,617 | 7,007 | 160,624 |
| Foreign currency translation differences for foreign operations representing other comprehensive income for the period | - | 20,714 | - | 20,714 | 2,850 | 23,564 |
| Total comprehensive income for the period | - | 20,714 | 153,617 | 174,331 | 9,857 | 184,188 |
| Shares issued for the Public Issue | 112,000 | - | - | 112,000 | - | 112,000 |
| Shares issuance expenses | (3,413) | - | - | (3,413) | - | (3,413) |
| Bonus issue | 45,842 | - | (45,842) | - | - | - |
| Dividends paid to owners of the Company | - | - | (59,880) | (59,880) | - | (59,880) |
| Total transactions with owners of the Company | 154,429 | - | (105,722) | 48,707 | - | 48,707 |
| At 31 August 2023 | 214,620 | 15,349 | 956,148 | 1,186,117 | 71,909 | 1,258,026 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | 6 months ended | |
|--|-----------------------------------|-----------------------------------|
| | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 242,222 | 233,676 |
| Adjustments for: | | |
| Depreciation of: | | |
| - Property, plant and equipment | 19,948 | 22,004 |
| - Right-of-use assets | 5,346 | 4,491 |
| - Investment properties | 116 | 113 |
| Amortisation of intangible assets | 9 | 72 |
| Fair value changes on biological assets | (438) | (866) |
| Retirement benefits expense | 199 | 430 |
| Property, plant and equipment written off | 458 | 124 |
| Impairment loss on property, plant and equipment | 2,326 | - |
| Derecognition of right-of-use and lease liability | - | 7 |
| Interest income | (4,119) | (1,199) |
| Loss on disposal of property, plant and equipment | 176 | 89 |
| Interest expense | 6,468 | 2,117 |
| Bargain purchase gain on business combination | - | (19) |
| Operating profit before working capital changes | 272,711 | 261,039 |
| Changes in: | | |
| Inventories | (42,496) | (43,666) |
| Trade and other receivables | (3,292) | (12,058) |
| Contract assets | (75) | (20) |
| Trade and other payables | 33,610 | 31,815 |
| Cash generated from operations | 260,458 | 237,110 |
| Tax paid | (139,241) | (69,021) |
| Retirement benefits paid | (232) | (151) |
| Net cash from operating activities | 120,985 | 167,938 |

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

| | 6 months ended | |
|---|-----------------------|-------------------|
| | 31.08.2023 | 31.08.2022 |
| | Unaudited | Unaudited |
| | RM'000 | RM'000 |
| Cash flows from investing activities | | |
| Purchase of: | | |
| - Property, plant and equipment | (63,241) | (46,065) |
| - Right-of-use assets | (11,297) | - |
| - Intangible assets | (48) | (28) |
| Proceeds from disposal of property, plant and equipment | 492 | 375 |
| Acquisition of a subsidiary, net of cash and cash equivalents | (11,244) | (5) |
| Interest received | 4,119 | 1,199 |
| Withdrawal of pledged deposits | - | 6 |
| (Placement)/Withdrawal of short term investments | (21,621) | 7,126 |
| Net cash used in investing activities | (102,840) | (37,392) |
| Cash flows from financing activities | | |
| Dividends paid to owners of the Company | (59,880) | (30,000) |
| Interest paid | (8,136) | (3,046) |
| (Repayment)/Drawdown of: | | |
| - Lease liabilities | (5,932) | (4,290) |
| - Hire purchase liabilities | (640) | (650) |
| - Revolving credits | 8,416 | (24,510) |
| - Term loans | (51,559) | 10,493 |
| Proceeds from shares issued | 112,000 | - |
| Payment of shares issuance expenses | (3,413) | - |
| Net cash used in financing activities | (9,144) | (52,003) |
| Net increase in cash and cash equivalents | 9,001 | 78,543 |
| Foreign currency translation differences | 16,576 | 4,252 |
| Cash and cash equivalents at beginning of the period | 456,270 | 407,021 |
| Cash and cash equivalents at end of the period | 481,847 | 489,816 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

A. Cash and Cash Equivalents

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

| | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 |
|------------------------------------|--|--|
| Cash and cash equivalents | 481,904 | 490,965 |
| Assets classified as held for sale | - | 1,723 |
| Less: Pledged deposits | (57) | (2,872) |
| | <u>481,847</u> | <u>489,816</u> |

B. Purchase of Property, Plant and Equipment

| | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 |
|---|--|--|
| Total additions | 64,761 | 45,875 |
| <i>Add/(Less):</i> | | |
| Amount financed through hire purchase | (493) | (1,187) |
| Changes in prepayment for purchase of property, plant and equipment | 641 | 2,306 |
| Interest expense capitalised | (1,668) | (929) |
| | <u>63,241</u> | <u>46,065</u> |

PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 AUGUST 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 ("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 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, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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 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.

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.

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

A5. Unusual Items

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

A6. Changes in Estimates

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

A7. Debt and Equity Securities

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

A8. Dividend Paid

- (i) On 6 March 2023, the Company's Board of Directors declared a second interim dividend of approximately 8.31 sen per ordinary share totalling RM20.00 million in respect of financial year ended 28 February 2023. The dividend was paid on 13 March 2023.
- (ii) On 28 July 2023, the Company's Board of Directors declared a first interim dividend of 0.80 sen per ordinary share totalling RM39.88 million in respect of financial year ending 29 February 2024. The dividend was paid on 30 August 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, marine sanctuary and related tour activities. None of these segments met the quantitative threshold for reporting segment for financial period ended 31 August 2023 and 31 August 2022.



PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 AUGUST 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 | | | | | |
| 31.08.2023 | | | | | |
| Revenue | | | | | |
| Revenue from external customers | 868,785 | - | 13,506 | - | 882,291 |
| Inter-segment revenue | 94 | 127,524 | 77 | (127,695) | - |
| Total revenue | 868,879 | 127,524 | 13,583 | (127,695) | 882,291 |
| Segment profit | 254,218 | 99,954 | 314 | (112,264) | 242,222 |
| Included in the measure of segment profit/(loss) are: | | | | | |
| - Loss on disposal of property, plant and equipment | (176) | - | - | - | (176) |
| - Property, plant and equipment written off | (12) | - | (446) | - | (458) |
| - Inventories written off | (306) | - | - | - | (306) |
| - Depreciation of property, plant and equipment | (14,807) | (2,165) | (2,976) | - | (19,948) |
| - Depreciation of right-of-use assets | (5,239) | - | (107) | - | (5,346) |
| - Depreciation of investment properties | (99) | - | (17) | - | (116) |
| - Amortisation of intangible assets | (5) | (3) | (1) | - | (9) |
| - Impairment loss on property, plant and equipment | (1,039) | - | (1,287) | - | (2,326) |
| - Reversal/(Impairment loss) on trade and other receivables | 12 | (293) | - | - | (281) |
| - Bad debts written off | (9) | - | - | - | (9) |
| Segment assets | 1,602,239 | 156,746 | 61,574 | - | 1,820,559 |

PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 AUGUST 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 | | | | | |
| 31.08.2022 | | | | | |
| Revenue | | | | | |
| Revenue from external customers | 745,078 | - | 11,520 | - | 756,598 |
| Inter-segment revenue | 38 | 128,492 | 44 | (128,574) | - |
| Total revenue | 745,116 | 128,492 | 11,564 | (128,574) | 756,598 |
| Segment profit | 231,403 | 119,896 | 143 | (117,766) | 233,676 |
| Included in the measure of segment profit/(loss) are: | | | | | |
| - Loss on disposal of property, plant and equipment | (12) | (77) | - | - | (89) |
| - Property, plant and equipment written off | (118) | - | (6) | - | (124) |
| - Inventories written off | (14) | - | - | - | (14) |
| - Depreciation of property, plant and equipment | (16,857) | (2,177) | (2,970) | - | (22,004) |
| - Depreciation of right-of-use assets | (4,401) | - | (90) | - | (4,491) |
| - Depreciation of investment properties | (97) | - | (16) | - | (113) |
| - Amortisation of intangible assets | (48) | (21) | (3) | - | (72) |
| - Reversal/(Impairment loss) on trade and other receivables | 7 | (86) | - | - | (79) |
| - Bad debts written off | (9) | - | - | - | (9) |
| Segment assets | 1,388,124 | 107,875 | 62,588 | - | 1,558,587 |

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

A10. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM64.8 million during the financial period under review.

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 financial period under review.

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

There were no material events subsequent to the end of the financial period under review that have not been reflected in the financial statements.

A13. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 August 2023 except for:

- (i) On 7 August 2023, the Company completed the acquisition of 100% equity interest of Daxen Middle East Food Manufacturing L.L.C. ("Daxen Middle East") for a total purchase consideration of UAE Dirhams ("AED") 10,000,000 (equivalent to RM12.52 million). With effect thereof, Daxen Middle East became a wholly-owned subsidiary of the Company. The Group recognised a goodwill of RM5.50 million arising from the acquisition.

Daxen Middle East is principally involved in manufacturing of natural (organic) food, instant and liquid coffee and food supplements.

- (ii) On 22 August 2023, the Company incorporated a wholly-owned subsidiary namely, DXN (Fujian) Group Co., Ltd. ("DXN Fujian") in China with the total registered share capital of RMB50,000,000 (equivalent to RM31.87 million). Subsequent to the financial period ended 31 August 2023, the Company injected an initial capital approximately RMB401,000 (equivalent to RM253,000).

DXN Fujian is principally involved in agricultural scientific research and experimental development, new material technology research and development, import and export of goods and products, general merchandise sales, tourism and accommodation management and service, food and beverage, health food and tea products production.

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.

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

A15. Capital Commitments

| | 31.08.2023 Unaudited RM'000 | 28.02.2023 Audited RM'000 |
|----------------------------------|--|--|
| Contracted but not provided for: | | |
| Property, plant and equipment | <u>55,114</u> | <u>33,572</u> |

A16. Related Party Transactions

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

| | Individual quarter 3 months ended | | Cumulative quarter 6 months ended | |
|---|--|--|--|--|
| | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 |
| Transactions with companies in which certain Directors have a substantial financial interest | | | | |
| Purchase of trading goods | 1,309 | 1,540 | 1,457 | 5,307 |
| Purchase of raw materials | 160 | - | 686 | - |
| Rental expense (premises) | 142 | 139 | 284 | 283 |
| Purchase of air tickets | 111 | 109 | 195 | 137 |
| Sales of property, plant and equipment | <u>-</u> | <u>251</u> | <u>195</u> | <u>266</u> |
| Transactions with Directors and persons connected to Directors | | | | |
| Insurance premium expense | 288 | 1,036 | 1,388 | 1,623 |
| Rental expense (premises) | <u>28</u> | <u>19</u> | <u>57</u> | <u>38</u> |

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

Comparison with Corresponding Quarter

Financial review for current quarter compared with corresponding quarter:

| | Individual quarter | | Change % |
|---|-----------------------------------|-----------------------------------|----------|
| | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 | |
| Revenue | 458,309 | 396,210 | 15.7 |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA") | 133,179 | 134,555 | (1.0) |
| Profit before tax ("PBT") | 118,105 | 118,168 | (0.1) |
| Profit for the period | 79,834 | 79,410 | 0.5 |
| Profit for the period attributable to owners of the Company ("PATAMI") | 76,015 | 75,785 | 0.3 |
| EBITDA margin (%) | 29.1 | 34.0 | (14.4) |
| PBT margin (%) | 25.8 | 29.8 | (13.4) |
| PATAMI margin (%) | 16.6 | 19.1 | (13.1) |

For the current quarter under review, the Group achieved revenue of RM458.3 million, an increase of 15.7% from the corresponding quarter of RM396.2 million. The increase in revenue was mainly due to continuing sales growth in Latin America, India and Middle East. The growth was due to return of members activities and positive market sentiment after the Covid-19 pandemic as well as an increase of product range in the regions.

The Group's EBITDA decreased by 1.0% from RM134.6 million for the corresponding quarter ended 31 August 2022 to RM133.2 million for the quarter ended 31 August 2023. EBITDA margin decreased by 14.4% from 34.0% for the corresponding quarter to 29.1% for the current quarter.

Despite the increase in revenue, the lower EBITDA margin was partly due to higher sales growth of food and beverage series, which commands a lower gross profit margin. Apart from that, the Group incurred higher operating expenses which was partially offset by lower transportation costs after the Covid-19 pandemic. Besides, the Group made higher donation during the current quarter under Program Malaysia Madani and to education institution in Malaysia.

Additionally, there was a larger reversal of member bonus in the corresponding quarter which increased the profit for the corresponding quarter.

The PBT, profit for the period and PATAMI remained relatively consistent with the corresponding quarter. PATAMI margin decreased by 13.1% from 19.1% for the corresponding quarter to 16.6% for current quarter.

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 31.08.2023 RM'000 | Preceding quarter Unaudited 31.05.2023 RM'000 | Change % |
|-----------------------|--|--|---------------------|
| Revenue | 458,309 | 423,982 | 8.1 |
| EBITDA | 133,179 | 136,811 | (2.7) |
| PBT | 118,105 | 124,117 | (4.8) |
| Profit for the period | 79,834 | 80,790 | (1.2) |
| PATAMI | 76,015 | 77,602 | (2.0) |
| EBITDA margin (%) | 29.1 | 32.3 | (9.9) |
| PBT margin (%) | 25.8 | 29.3 | (11.9) |
| PATAMI margin (%) | 16.6 | 18.3 | (9.3) |

The Group's revenue increased by 8.1% from RM424.0 million for the preceding quarter to RM458.3 million for the current quarter primarily due to continuing sales growth in Latin America, India and Middle East. The increase in sales was due to the rise of momentum where more members' activities were held physically and on digital platforms. The increase was also partly driven by surge in sales in Peru and Bolivia ahead of a price increase in September 2023.

The Group's EBITDA decreased by 2.7% from RM136.8 million for the preceding quarter ended 31 May 2023 to RM133.2 million for the current quarter. EBITDA margin decreased by 9.9% from 32.3% for the preceding quarter ended 31 May 2023 to 29.1% for the current quarter. The decrease in EBITDA margin was due to higher operating expenses and higher donation as mentioned above. Besides, the Group also incurred an annual social welfare contribution from one of the overseas subsidiaries during current quarter. In the preceding quarter, there were higher IPO expenses which were offset by foreign exchange gain.

The Group's PBT declined by 4.8% from RM124.1 million for the preceding quarter to RM118.1 million for the current quarter. The Group's profit for the period decreased by 1.2% from RM80.8 million for the preceding quarter to RM79.8 million for the current quarter. The Group's PATAMI decreased by 2.0% from RM77.6 million for the preceding quarter to RM76.0 million for the current quarter. PATAMI margin decreased by 9.3% from 18.3% for the preceding quarter to 16.6% for the current quarter.

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 Corresponding Financial Period

Financial review for current financial period compared with corresponding financial period:

| | Cumulative quarter 6 months ended | | Change % |
|-----------------------|--|------------------------------|---------------------|
| | 31.08.2023 RM'000 | 31.08.2022 RM'000 | |
| Revenue | 882,291 | 756,598 | 16.6 |
| EBITDA | 269,990 | 261,274 | 3.3 |
| PBT | 242,222 | 233,676 | 3.7 |
| Profit for the period | 160,624 | 160,266 | 0.2 |
| PATAMI | 153,617 | 152,950 | 0.4 |
| EBITDA margin (%) | 30.6 | 34.5 | (11.3) |
| PBT margin (%) | 27.5 | 30.9 | (11.0) |
| PATAMI margin (%) | 17.4 | 20.2 | (13.9) |

The Group registered a half yearly revenue of RM882.3 million in the current financial period, representing an increase of 16.6% primarily attributable to continuing sales growth in Latin America, India and Middle East. The growth was driven by positive market sentiment after Covid-19 pandemic, active members' activities, product promotion as well as increase of products range in Latin America and India.

The Group's EBITDA increased by 3.3% from RM261.3 million for the corresponding financial period to RM270.0 million for the current financial period. EBITDA margin decreased by 11.3% from 34.5% for the corresponding financial period to 30.6% for the current financial period.

Despite increase in revenue, the decrease in EBITDA margin was partly due to higher sales growth of food and beverage series, which commands a lower gross profit margin. The higher donation mentioned above have also lowered the EBITDA for current period. Additionally, the Group also recognised higher IPO expenses during the current period. Furthermore, larger member bonus reversal was recorded in the corresponding period, which increased the EBITDA for that period. The effect of the above was partly offset by foreign exchange gain in the current period arising from the depreciation of Malaysian Ringgit.

The Group's PBT increased by 3.7% from RM233.7 million for the corresponding financial period to RM242.2 million for the current financial period. The Group's profit for the period increased by 0.2% from RM160.3 million for the corresponding financial period to RM160.6 million for the current financial period. The Group's PATAMI increased by 0.4% from RM153.0 million for the corresponding financial period to RM153.6 million for the current financial period. PATAMI margin decreased by 13.9% from 20.2% for the corresponding financial period to 17.4% for the current period.

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

B2. Prospects

The Group has been able to sustain its momentum of growth in revenue for current quarter. The top markets contributing to this growth were Latin America, India and Middle East. These were the result of the growth strategies implemented to drive recruitment of new members and further penetration into existing markets.

Profit margins were relatively lower compared to previous quarter as a result of the increase in sales of Fortified Food & Beverages with lower gross profit margin and higher operating costs. The vertically integrated production facilities enable the Group to have better control over its supply chain with less reliance on the external suppliers. During the current quarter, the Group has successfully commenced operations of the 10-storey building of 150 apartments in Cyberville located in Malaysia, one cultivation facility and another production facility in Ningxia, China. In addition, the Group has completed the acquisition of a manufacturing entity in Dubai, which is now in operation to support the market in Middle East.

The Group paid the first interim dividend of 0.80 sen per share amounting to RM39.88 million in August 2023, equivalent to 51.4% of the PATAMI of RM77.6 million for first quarter financial period ended 31 May 2023. The Group is in a strong position to generate sufficient cash from its business operation to finance the capital expenditure as well as dividend payout with increasing surplus added to the cash and cash equivalent for current quarter. Moving forward, we are optimistic to sustain the growth for the next quarter.

B3. Profit Forecast

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

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

B4. Profit Before Taxation

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

| | Individual quarter 3 months ended | | Cumulative quarter 6 months ended | |
|--|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 |
| Interest income | (2,433) | (727) | (4,119) | (1,199) |
| Finance costs | 4,164 | 1,181 | 6,468 | 2,117 |
| Depreciation and amortisation | 13,343 | 15,933 | 25,419 | 26,680 |
| Net loss on impairment of financial assets | 320 | 81 | 290 | 88 |
| (Gain)/Loss on disposal of property, plant and equipment | (45) | 74 | 176 | 89 |
| Foreign exchange (gain)/loss | (91) | 2,428 | (9,635) | (311) |
| Gain on derivatives | (56) | (109) | (63) | (80) |
| Impairment loss on property, plant and equipment | 113 | - | 2,326 | - |
| Bargain purchase gain on business combination | - | - | - | (19) |
| IPO expenses | 1,020 | 2,481 | 10,218 | 5,814 |
| Written off: | | | | |
| - Property, plant and equipment | 437 | 92 | 458 | 124 |
| - Inventories | 262 | 9 | 306 | 14 |

B5. Tax Expense

| | Individual quarter 3 months ended | | Cumulative quarter 6 months ended | |
|--------------------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 | 31.08.2023 Unaudited RM'000 | 31.08.2022 Unaudited RM'000 |
| Current tax | 35,461 | 51,137 | 89,973 | 96,176 |
| Deferred tax | 2,810 | (12,379) | (8,375) | (22,766) |
| | <u>38,271</u> | <u>38,758</u> | <u>81,598</u> | <u>73,410</u> |
| Effective tax rate | 32.4% | 32.8% | 33.7% | 31.4% |

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.

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

B7. Utilisation of Proceeds Raised from the Public Issue

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

| Details of use of proceeds | Estimated timeframe for use of proceeds | Proposed utilisation RM'000 | Actual utilisation RM'000 | Balance unutilised RM'000 |
|------------------------------|---|-----------------------------|---------------------------|---------------------------|
| Repayment of bank borrowings | Within 12 months | 80,000 | (80,000) | - |
| Working capital | Within 6 months | 7,913 | (7,913) | - |
| Estimated listing expenses | Within 3 months | 24,087 | (24,087) | - |
| | | 112,000 | (112,000) | - |

B8. Loans and Borrowings

The Group's loan and borrowings are as follows:

| | 31.08.2023 Unaudited RM'000 | 28.02.2023 Audited RM'000 |
|-----------------------------------|-----------------------------------|---------------------------------|
| Non-current | | |
| Hire purchase liabilities | 2,447 | 2,582 |
| Term loans, secured | 2,184 | 47,127 |
| | <u>4,631</u> | <u>49,709</u> |
| Current | | |
| Bank overdraft, secured | 494 | - |
| Hire purchase liabilities | 1,132 | 1,141 |
| Term loans, secured | 3,546 | 11,458 |
| Revolving credits, secured | 189,969 | 173,952 |
| Revolving credits, unsecured | 1,382 | 1,310 |
| | <u>196,523</u> | <u>187,861</u> |
| Total loans and borrowings | <u>201,154</u> | <u>237,570</u> |
| Loan and borrowings: | | |
| Islamic | 461 | 437 |
| Conventional | 200,693 | 237,133 |
| Total | <u>201,154</u> | <u>237,570</u> |
| Currency profile of borrowings: | | |
| USD | 132,558 | 176,413 |
| EUR | 63,340 | 56,076 |
| RM | 4,559 | 5,016 |
| IDR | 203 | 65 |
| PKR | 494 | - |
| Total | <u>201,154</u> | <u>237,570</u> |

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

B9. Derivatives

| | 31.08.2023 | | 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) | 2,767 | (13) | 2,194 | (76) |

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.

B11. Dividend Proposed or Declared

On 25 October 2023, the Board of Directors declared a second interim dividend of 0.90 sen per ordinary share totalling RM44.87 million for the financial year ending 29 February 2024 which will be paid on 30 November 2023 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 16 November 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 6 months ended | |
|---|--------------------------------------|----------------------------|--------------------------------------|---------------------------|
| | Unaudited 31.08.2023 | Unaudited 31.08.2022 | Unaudited 31.08.2023 | Unaudited 31.08.2022 |
| PATAMI (RM'000) | 76,015 | 75,785 | 153,617 | 152,950 |
| Weighted average number of ordinary shares ('000) | 4,985,000 | 4,825,000 ⁽ⁱⁱⁱ⁾ | 4,916,304 ⁽ⁱ⁾ | 4,825,000 ⁽ⁱⁱ⁾ |
| Basic earnings per ordinary share (sen) | 1.52 | 1.57 | 3.12 | 3.17 |

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

B12. Earnings per Ordinary Share (“EPS”) (Continued)

Basic earnings per ordinary share (continued)

Note:

- (i) Included the weighted average number of ordinary shares of 160,000,000 after the completion of the Initial Public Offering.
- (ii) Based on the number of ordinary shares of 4,825,000,000 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.

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

25 October 2023