



## **DXN Holdings Bhd.**

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

## **and its subsidiaries**

**Unaudited Interim Financial Report  
for the Third Quarter Ended 30 November 2023**



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 30 NOVEMBER 2023**

	<b>30.11.2023</b>	<b>28.02.2023</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>		
Property, plant and equipment	720,995	646,461
Right-of-use assets	47,826	32,775
Investment properties	6,774	6,855
Intangible assets	5,601	79
Deferred tax assets	125,218	106,022
Prepayments	18,097	14,683
<b>Total non-current assets</b>	<b>924,511</b>	<b>806,875</b>
Biological assets	1,052	1,515
Inventories	346,646	323,127
Contract assets	763	643
Trade and other receivables, including derivatives	108,896	114,421
Current tax assets	30,449	9,943
Short term investments	69,085	44,378
Cash and cash equivalents	498,607	459,035
<b>Total current assets</b>	<b>1,055,498</b>	<b>953,062</b>
<b>Total assets</b>	<b>1,980,009</b>	<b>1,759,937</b>



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2023 (CONTINUED)**

	<b>30.11.2023</b>	<b>28.02.2023</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Equity</b>		
Share capital	214,620	60,191
Reserve	15,052	(5,365)
Retained earnings	989,655	908,253
<b>Equity attributable to owners of the Company</b>	1,219,327	963,079
<b>Non-controlling interests</b>	76,073	62,052
<b>Total equity</b>	1,295,400	1,025,131
<b>Liabilities</b>		
Loans and borrowings	2,944	49,709
Retirement benefits	5,689	5,266
Lease liabilities	13,710	12,454
Deferred tax liabilities	13,250	13,468
<b>Total non-current liabilities</b>	35,593	80,897
Loans and borrowings	180,312	187,861
Lease liabilities	8,792	8,891
Trade and other payables, including derivatives	437,870	396,819
Current tax liabilities	22,042	60,338
<b>Total current liabilities</b>	649,016	653,909
<b>Total liabilities</b>	684,609	734,806
<b>Total equity and liabilities</b>	1,980,009	1,759,937
<i>Net assets per share (RM)</i>	<i>0.26<sup>(i)</sup></i>	<i>0.21<sup>(ii)</sup></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 and deducting the number of treasury shares of 1,457,200.
- (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 9 months ended	
	30.11.2023 Unaudited RM'000	30.11.2022 Unaudited RM'000	30.11.2023 Unaudited RM'000	30.11.2022 Unaudited RM'000
Revenue	450,288	439,219	1,332,579	1,195,817
Other income	3,321	3,421	13,324	11,438
Changes in work-in-progress and manufactured inventories	(10,709)	7,341	17,126	44,067
Raw materials used and trading inventories sold	(60,381)	(93,191)	(232,062)	(236,836)
Depreciation and amortisation	(14,270)	(667)	(39,689)	(27,347)
Employee benefits expense	(42,364)	(38,400)	(121,401)	(107,185)
Net loss on impairment of financial assets	(23)	(17)	(313)	(105)
Other expenses	(205,590)	(207,517)	(604,721)	(535,066)
<b>Results from operating activities</b>	<b>120,272</b>	<b>110,189</b>	<b>364,843</b>	<b>344,783</b>
Interest income	3,277	894	7,396	2,093
Finance costs	(3,750)	(1,666)	(10,218)	(3,783)
<b>Profit before tax</b>	<b>119,799</b>	<b>109,417</b>	<b>362,021</b>	<b>343,093</b>
Tax expense	(38,465)	(38,215)	(120,063)	(111,625)
<b>Profit for the period</b>	<b>81,334</b>	<b>71,202</b>	<b>241,958</b>	<b>231,468</b>

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

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	30.11.2023 Unaudited RM'000	30.11.2022 Unaudited RM'000	30.11.2023 Unaudited RM'000	30.11.2022 Unaudited RM'000
<b>Total other comprehensive (expense)/income, net of tax:</b>				
<b>Item that may be reclassified subsequently to profit or loss</b>				
- Foreign currency translation differences for foreign operations	1,868	12,509	25,432	17,465
<b>Total comprehensive income for the period</b>	<u>83,202</u>	<u>83,711</u>	<u>267,390</u>	<u>248,933</u>
<b>Profit for the period attributable to:</b>				
Owners of the Company	78,359	67,279	231,976	220,229
Non-controlling interests	2,975	3,923	9,982	11,239
	<u>81,334</u>	<u>71,202</u>	<u>241,958</u>	<u>231,468</u>
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Company	79,038	79,298	253,369	237,280
Non-controlling interests	4,164	4,413	14,021	11,653
	<u>83,202</u>	<u>83,711</u>	<u>267,390</u>	<u>248,933</u>
Basic/Diluted earnings per ordinary share (sen)	<u>1.57</u>	<u>1.39</u>	<u>4.69</u>	<u>4.56</u>



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	← Attributable to owners of the Company →						
	← Non-distributable →		Distributable				
	Share capital RM'000	Treasury Shares RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>At 1 March 2022</b>	60,191	-	(2,309)	702,857	760,739	50,876	811,615
Profit for the period	-	-	-	220,229	220,229	11,239	231,468
Foreign currency translation differences for foreign operations representing other comprehensive income/(expense) for the period	-	-	17,051	-	17,051	414	17,465
<b>Total comprehensive income for the period</b>	-	-	17,051	220,229	237,280	11,653	248,933
Dividends paid to owners of the Company	-	-	-	(70,000)	(70,000)	-	(70,000)
<b>Total transaction with owners of the Company</b>	-	-	-	(70,000)	(70,000)	-	(70,000)
<b>At 30 November 2022</b>	<b>60,191</b>	<b>-</b>	<b>14,742</b>	<b>853,086</b>	<b>928,019</b>	<b>62,529</b>	<b>990,548</b>
<b>At 1 March 2023</b>	60,191	-	(5,365)	908,253	963,079	62,052	1,025,131
Profit for the period	-	-	-	231,976	231,976	9,982	241,958
Foreign currency translation differences for foreign operations representing other comprehensive income for the period	-	-	21,393	-	21,393	4,039	25,432
<b>Total comprehensive income for the period</b>	-	-	21,393	231,976	253,369	14,021	267,390
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)	-	-	-
Purchase of treasury shares	-	(976)	-	-	(976)	-	(976)
Dividends paid to owners of the Company	-	-	-	(104,732)	(104,732)	-	(104,732)
<b>Total transactions with owners of the Company</b>	<b>154,429</b>	<b>(976)</b>	<b>-</b>	<b>(150,574)</b>	<b>2,879</b>	<b>-</b>	<b>2,879</b>
<b>At 30 November 2023</b>	<b>214,620</b>	<b>(976)</b>	<b>16,028</b>	<b>989,655</b>	<b>1,219,327</b>	<b>76,073</b>	<b>1,295,400</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	9 months ended	
	30.11.2023 Unaudited RM'000	30.11.2022 Unaudited RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	362,021	343,093
Adjustments for:		
Depreciation of:		
- Property, plant and equipment	31,200	20,359
- Right-of-use assets	8,250	6,767
- Investment properties	173	169
Amortisation of intangible assets	66	52
Fair value changes on biological assets	527	(722)
Retirement benefits expense	307	621
Property, plant and equipment written off	1,384	310
Impairment loss on property, plant and equipment	2,326	-
Derecognition of right-of-use and lease liability	(43)	-
Interest income	(7,396)	(2,093)
Loss on disposal of property, plant and equipment	155	86
Interest expense	10,218	3,783
Bargain purchase gain on business combination	-	(19)
<b>Operating profit before working capital changes</b>	409,188	372,406
Changes in:		
Inventories	(21,529)	(69,799)
Biological Assets	(18)	-
Trade and other receivables	6,018	(26,576)
Contract assets	(120)	(184)
Trade and other payables	23,905	79,185
<b>Cash generated from operations</b>	417,444	355,032
Tax paid	(188,925)	(123,017)
Retirement benefits paid	(233)	(238)
<b>Net cash from operating activities</b>	228,286	231,777

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

	<b>9 months ended</b>	
	<b>30.11.2023</b>	<b>30.11.2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activities</b>		
Purchase of:		
- Property, plant and equipment	(86,074)	(64,153)
- Right-of-use assets	(13,904)	-
- Intangible assets	(87)	(40)
Proceeds from disposal of property, plant and equipment	1,652	475
Acquisition of a subsidiary, net of cash and cash equivalents	(11,244)	(5)
Interest received	7,396	2,093
Withdrawal of pledged deposits	-	8,865
Placement of short term investments	(21,827)	(13)
<b>Net cash used in investing activities</b>	<b>(124,088)</b>	<b>(52,778)</b>
<b>Cash flows from financing activities</b>		
Dividends paid to owners of the Company	(104,732)	(70,000)
Interest paid	(11,532)	(5,608)
(Repayment)/Drawdown of:		
- Lease liabilities	(8,768)	(6,498)
- Hire purchase liabilities	(950)	(966)
- Revolving credits	(8,650)	(24,139)
- Term loans	(54,579)	7,508
Proceeds from shares issued	112,000	-
Payment of shares issuance expenses	(3,413)	-
Purchase of treasury shares	(976)	-
<b>Net cash used in financing activities</b>	<b>(81,600)</b>	<b>(99,703)</b>
<b>Net increase in cash and cash equivalents</b>	<b>22,598</b>	<b>79,296</b>
Foreign currency translation differences	19,680	9,696
Cash and cash equivalents at beginning of the period	456,270	407,021
Cash and cash equivalents at end of the period	<b>498,548</b>	<b>496,013</b>



**UNAUDITED 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:

	<b>30.11.2023 Unaudited RM'000</b>	<b>30.11.2022 Unaudited RM'000</b>
Cash and cash equivalents	498,607	498,850
Less: Pledged deposits	(59)	(2,837)
	<u>498,548</u>	<u>496,013</u>

**B. Purchase of Property, Plant and Equipment**

	<b>30.11.2023 Unaudited RM'000</b>	<b>30.11.2022 Unaudited RM'000</b>
Total additions	84,472	68,483
<i>Add/(Less):</i>		
Amount financed through hire purchase	(498)	(2,510)
Changes in prepayment for purchase of property, plant and equipment	3,414	5
Interest expense capitalised	(1,314)	(1,825)
	<u>86,074</u>	<u>64,153</u>

## **PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 NOVEMBER 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 THIRD QUARTER ENDED 30 NOVEMBER 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.
- (iii) On 25 October 2023, the Company's Board of Directors declared a second interim dividend of 0.90 sen per ordinary share totalling RM44.85 million in respect of financial year ending 29 February 2024. The dividend was paid on 30 November 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 30 November 2023 and 30 November 2022.



**PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 NOVEMBER 2023 (continued)**

**A9. Operating Segments (continued)**

	<b>Manufacture and sale of health and wellness consumer products RM'000</b>	<b>Investment holding RM'000</b>	<b>Other non- reportable segments RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Unaudited</b>					
<b>30.11.2023</b>					
<b>Revenue</b>					
Revenue from external customers	1,312,558	-	20,021	-	1,332,579
Inter-segment revenue	207	208,120	113	(208,440)	-
<b>Total revenue</b>	<b>1,312,765</b>	<b>208,120</b>	<b>20,134</b>	<b>(208,440)</b>	<b>1,332,579</b>
<b>Segment profit</b>	<b>369,023</b>	<b>175,003</b>	<b>1,260</b>	<b>(183,265)</b>	<b>362,021</b>
Included in the measure of segment profit/(loss) are:					
- Loss on disposal of property, plant and equipment	(155)	-	-	-	(155)
- Property, plant and equipment written off	(246)	-	(1,138)	-	(1,384)
- Inventories written off	(281)	-	-	-	(281)
- Depreciation of property, plant and equipment	(25,732)	(1,044)	(4,424)	-	(31,200)
- Depreciation of right-of-use assets	(8,070)	-	(180)	-	(8,250)
- Depreciation of investment properties	(148)	-	(25)	-	(173)
- Amortisation of intangible assets	(38)	(23)	(5)	-	(66)
- Impairment loss on property, plant and equipment	(1,039)	-	(1,287)	-	(2,326)
- Reversal/(Impairment loss) on trade and other receivables	24	(316)	-	-	(292)
- Bad debts written off	(12)	-	(9)	-	(21)
<b>Segment assets</b>	<b>1,636,258</b>	<b>128,269</b>	<b>59,817</b>	<b>-</b>	<b>1,824,344</b>



**PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 NOVEMBER 2023 (continued)**

**A9. Operating Segments (continued)**

	<b>Manufacture and sale of health and wellness consumer products RM'000</b>	<b>Investment holding RM'000</b>	<b>Other non- reportable segments RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Unaudited</b>					
<b>30.11.2022</b>					
<b>Revenue</b>					
Revenue from external customers	1,178,034	-	17,783	-	1,195,817
Inter-segment revenue	58	200,193	740	(200,991)	-
<b>Total revenue</b>	<b>1,178,092</b>	<b>200,193</b>	<b>18,523</b>	<b>(200,991)</b>	<b>1,195,817</b>
<b>Segment profit</b>	<b>344,928</b>	<b>180,572</b>	<b>26</b>	<b>(182,433)</b>	<b>343,093</b>
Included in the measure of segment profit/(loss) are:					
- Loss on disposal of property, plant and equipment	(9)	(77)	-	-	(86)
- Property, plant and equipment written off	(274)	-	(36)	-	(310)
- Inventories written off	(81)	-	-	-	(81)
- Depreciation of property, plant and equipment	(13,478)	(2,391)	(4,490)	-	(20,359)
- Depreciation of right-of-use assets	(6,642)	-	(125)	-	(6,767)
- Depreciation of investment properties	(144)	-	(25)	-	(169)
- Amortisation of intangible assets	(17)	(30)	(5)	-	(52)
- Reversal/(Impairment loss) on trade and other receivables	7	(103)	-	-	(96)
- Bad debts written off	(9)	-	-	-	(9)
<b>Segment assets</b>	<b>1,464,831</b>	<b>100,096</b>	<b>61,041</b>	<b>-</b>	<b>1,625,968</b>

**PART A: NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 30 NOVEMBER 2023 (continued)**

**A10. Property, Plant and Equipment**

The Group acquired property, plant and equipment amounting to RM84.47 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 30 November 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 United Arab Emirates Dirham 10.00 million (equivalent to RM12.77 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 a total registered share capital of Renminbi ("RMB") 50.00 million (equivalent to RM32.49 million). As at 30 November 2023, the Company has injected capital of RMB2.29 million (equivalent to RM1.49 million).

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 THIRD QUARTER ENDED 30 NOVEMBER 2023 (continued)**

**A15. Capital Commitments**

	<b>30.11.2023 Unaudited RM'000</b>	<b>28.02.2023 Audited RM'000</b>
Contracted but not provided for:		
Property, plant and equipment	<u>52,205</u>	<u>33,572</u>

**A16. Related Party Transactions**

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

	<b>Individual quarter 3 months ended</b>		<b>Cumulative quarter 9 months ended</b>	
	<b>30.11.2023 Unaudited RM'000</b>	<b>30.11.2022 Unaudited RM'000</b>	<b>30.11.2023 Unaudited RM'000</b>	<b>30.11.2022 Unaudited RM'000</b>
<b>Transactions with companies in which certain Directors have a substantial financial interest</b>				
Purchase of trading goods	462	657	1,919	5,964
Purchase of raw materials	-	-	686	-
Rental expense (premises)	157	147	441	430
Purchase of air tickets	194	148	389	285
Sales of property, plant and equipment	-	-	197	15
	<u>-</u>	<u>-</u>	<u>197</u>	<u>15</u>
<b>Transactions with Directors and persons connected to Directors</b>				
Insurance premium expense	462	(15)	1,850	1,608
Sales of property, plant and equipment	-	30	-	281
Rental expense (premises)	29	32	86	70
	<u>29</u>	<u>32</u>	<u>86</u>	<u>70</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 %
	30.11.2023 Unaudited RM'000	30.11.2022 Unaudited RM'000	
Revenue	450,288	439,219	2.5
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	134,542	110,856	21.4
Profit before tax ("PBT")	119,799	109,417	9.5
Profit for the period	81,334	71,202	14.2
Profit for the period attributable to owners of the Company ("PATAMI")	78,359	67,279	16.5
EBITDA margin (%)	29.9	25.2	18.7
PBT margin (%)	26.6	24.9	6.8
PATAMI margin (%)	17.4	15.3	13.7

For the current quarter under review, the Group achieved revenue of RM450.3 million, an increase of 2.5% from the corresponding quarter of RM439.2 million. The increase in revenue was mainly due to continuing sales growth in Latin America and India. 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 increased by 21.4% from RM110.9 million for the corresponding quarter ended 30 November 2022 to RM134.5 million for the quarter ended 30 November 2023. EBITDA margin increased by 18.7% from 25.2% for the corresponding quarter to 29.9% for the current quarter. EBITDA margin for corresponding quarter was lower due to a provision in respect of the custom duty case of Daxen Morocco LLC ("Daxen Morocco") and IPO expenses.



**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:

	<b>Current quarter 30.11.2023 Unaudited RM'000</b>	<b>Preceding quarter 31.08.2023 Unaudited RM'000</b>	<b>Change %</b>
Revenue	450,288	458,309	(1.8)
EBITDA	134,542	133,179	1.0
PBT	119,799	118,105	1.4
Profit for the period	81,334	79,834	1.9
PATAMI	78,359	76,015	3.1
EBITDA margin (%)	29.9	29.1	2.7
PBT margin (%)	26.6	25.8	3.1
PATAMI margin (%)	17.4	16.6	4.8

The Group's revenue decreased by 1.8% from RM458.3 million for the preceding quarter to RM450.3 million for the current quarter. The sales in Peru and Bolivia decreased due to higher sales in preceding quarter ahead of a price increase in September 2023. Exports to Middle East was lower due to the external distributor agent had sufficient stock to sustain the continuing sales growth in the region in the current quarter.

The Group's EBITDA and the margin are relatively consistent in both current and preceding quarters. The slight increase in EBITDA margin was partly due to higher donation in the preceding 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:

	<b>Cumulative quarter 9 months ended</b>		<b>Change %</b>
	<b>30.11.2023 Unaudited RM'000</b>	<b>30.11.2022 Unaudited RM'000</b>	
Revenue	1,332,579	1,195,817	11.4
EBITDA	404,532	372,130	8.7
PBT	362,021	343,093	5.5
Profit for the period	241,958	231,468	4.5
PATAMI	231,976	220,229	5.3
EBITDA margin (%)	30.4	31.1	(2.3)
PBT margin (%)	27.2	28.7	(5.2)
PATAMI margin (%)	17.4	18.4	(5.4)

The Group recorded revenue of RM1,332.6 million in the current financial period, representing an increase of 11.4% primarily attributable to continuing sales growth in Latin America and India.

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 8.7% from RM372.1 million for the corresponding financial period to RM404.5 million for the current financial period. EBITDA margin decreased by 2.3% from 31.1% for the corresponding financial period to 30.4% for the current financial period.

The decrease in EBITDA margin was partly due to increase of employee benefit, higher donation and IPO expenses as mentioned above. Furthermore, the Group made a higher reversal of member bonus in the corresponding financial period.

The decrease of the above was partly offset by foreign exchange gain arising from the depreciation of Malaysian Ringgit and normalised transportation charges after the Covid-19 pandemic during current financial period. In addition, a provision was made in respect of the custom duty case of Daxen Morocco in the corresponding financial period.

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

**B2. Prospects**

Whilst the current macroeconomic environment poses certain challenges, the Group is committed to achieving revenue growth, optimizing productivity and managing working capital. We are cautiously optimistic to continue achieving growth in the financial year 2024. In October 2023, we marked our 30<sup>th</sup> anniversary with DXN members from across the globe joining this remarkable event, a milestone as a result of strong support from our members and our management. By establishing several new production facilities in the financial year 2024, we have created opportunities for further growth in both our current and new markets, such as Brazil, Argentina and Algeria.

**B3. Profit Forecast**

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

**B4. Profit Before Taxation**

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

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	30.11.2023 Unaudited RM'000	30.11.2022 Unaudited RM'000	30.11.2023 Unaudited RM'000	30.11.2022 Unaudited RM'000
Interest income	(3,277)	(894)	(7,396)	(2,093)
Finance costs	3,750	1,666	10,218	3,783
Depreciation and amortisation	14,270	667	39,689	27,347
Net loss on impairment of financial assets	23	17	313	105
(Gain)/Loss on disposal of property, plant and equipment	(21)	(3)	155	86
Foreign exchange (gain)/loss	1,572	2,976	(8,063)	2,665
(Gain)/Loss on derivatives	(32)	85	(95)	4
Impairment loss on property, plant and equipment	-	-	2,326	-
Bargain purchase gain on business combination	-	-	-	(19)
IPO expenses	-	1,715	10,218	7,529
Written off:				
- Property, plant and equipment	926	186	1,384	310
- Inventories	-	67	281	81

**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 9 months ended	
	30.11.2023 Unaudited RM'000	30.11.2022 Unaudited RM'000	30.11.2023 Unaudited RM'000	30.11.2022 Unaudited RM'000
Current tax	41,691	58,367	131,664	154,543
Deferred tax	(3,226)	(20,152)	(11,601)	(42,918)
	<u>38,465</u>	<u>38,215</u>	<u>120,063</u>	<u>111,625</u>
Effective tax rate	32.1%	34.9%	33.2%	32.5%

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 is as follows:

Details of use of proceeds	Estimated timeframe for use of proceeds	Proposed	Actual	Balance
		utilisation RM'000	utilisation RM'000	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)	-
		<u>112,000</u>	<u>(112,000)</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 loans and borrowings are as follows:

	<b>30.11.2023</b>	<b>28.02.2023</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>		
Hire purchase liabilities	2,196	2,582
Term loans, secured	748	47,127
	<u>2,944</u>	<u>49,709</u>
<b>Current</b>		
Bank overdraft, secured	517	-
Hire purchase liabilities	1,077	1,141
Term loans, secured	1,918	11,458
Revolving credits, secured	175,392	173,952
Revolving credits, unsecured	1,408	1,310
	<u>180,312</u>	<u>187,861</u>
<b>Total loans and borrowings</b>	<b><u>183,256</u></b>	<b><u>237,570</u></b>
Loans and borrowings:		
Islamic	469	437
Conventional	182,787	237,133
<b>Total</b>	<b><u>183,256</u></b>	<b><u>237,570</u></b>
Currency profile of borrowings:		
United States Dollar	120,962	176,413
EURO	57,407	56,076
Malaysian Ringgit	4,185	5,016
Indonesian Rupiah	185	65
Pakistani Rupee	517	-
<b>Total</b>	<b><u>183,256</u></b>	<b><u>237,570</u></b>

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

**B9. Derivatives**

	30.11.2023		28.02.2023	
	Nominal value Unaudited RM'000	Assets 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)	1,881	19	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, except as disclosed below:

On 31 Oct 2023, DXN Corporation (Ningxia) Co. Ltd (Plaintiff), a wholly owned subsidiary of DXN Holdings Bhd, have filed a Writ of Summons at the Anxi County People's Court, China against Fujian Anxi Jinjiang Source Tea Technology Co., (Defendant).

On 17 May 2022, the Plaintiff and Defendant entered into the Share Sale Agreement of Florin (Fujian) Integrated Agricultural Science and Technology Co., Ltd. ("Agreement") whereupon the Plaintiff is to sell its entire 80.0% interest in the total registered share capital in Florin Fujian for a consideration of Renminbi ("RMB") 58.7 million (equivalent to RM38.1 million) ("equity transfer price") payable in installments.

The Defendant had paid the Plaintiff the 1<sup>st</sup> Installment of RMB10.0 million (equivalent to RM6.5 million) of which the Plaintiff duly acknowledged. The Plaintiff then changed the legal representatives of Florin Fujian and its subsidiary, Anxi Gande Foluohua Integrated Agricultural Science and Technology Co., Ltd ("Anxi Gande Foluohua") and provided the official seals to the Defendant's personnel who then took over key roles in these companies. The Defendant then failed to make the 2nd Installment and proceeded to seize official seals of Florin Fujian and Anxi Gande Foluohua.

Owing to the Defendant's failure to pay the 2nd Installment, an extended 45-day grace period was agreed upon, with a deadline of 27 December 2022, for the payment of the 2nd Installment. However, the Defendant did not secure a commercial loan or make the payment during this extended grace period.

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

**B10. Material Litigation (continued)**

On 3 July 2023, the Plaintiff sent a letter terminating the Agreement. The Defendant, via notice dated 22 July 2023, agreed to the termination effective from 5 July 2023, but refused to return the official seals and business licenses of Florin Fujian and Anxi Gande Foluohua and did not assist in changing the legal representatives to the Plaintiff's designated personnel, despite the Plaintiff's requests.

The Plaintiff filed Writ of Summons against the Defendant on 31 Oct 2023 and the Defendant has filed a case against the Plaintiff on 6 Nov 2023. In general, the 2 suits have the same subject matter and it was heard together before the court. The first date for the case was fixed on 12 Dec 2023. On the first date, both of the parties' appointed counsel were present at court. There is an objection raised by the Plaintiff's counsel as to the appointment of the Defendant's counsel which have conflict of interest. Court adjourned the matter further and next court date is on 29 January 2024.

**B11. Dividend Proposed or Declared**

On 24 January 2024, the Board of Directors declared a third interim dividend of 0.90 sen per ordinary share totalling RM44.85 million for the financial year ending 29 February 2024 which will be paid on 8 March 2024 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 16 February 2024.

**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 9 months ended	
	30.11.2023 Unaudited	30.11.2022 Unaudited	30.11.2023 Unaudited	30.11.2022 Unaudited
PATAMI (RM'000)	78,359	67,279	231,976	220,229
Weighted average number of ordinary shares ('000)	4,984,491	4,825,000 <sup>(ii)</sup>	4,938,870 <sup>(i)</sup>	4,825,000 <sup>(ii)</sup>
Basic earnings per ordinary share (sen)	1.57	1.39	4.69	4.56

**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 and deducting the number of treasury shares of 1,457,200.
- (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

24 January 2024