12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The historical consolidated financial information for the FYEs 28 February 2019, 29 February 2020 and 28 February 2021, and the FPEs 31 December 2020 and 31 December 2021 presented below have been extracted from the Accountants' Report included in Section 13 of this Prospectus (the "**Consolidated Financial Statements**"). Our Consolidated Financial Statements are prepared in accordance with MFRS and IFRS.

Our subsidiaries' historical financial statements have been prepared in accordance with MFRS and/or IFRS, save for the following:

No.	Subsidiary	Accounting standards
(1)	Daehsan Hungary	Provisions of Act C of 2000 on Accounting
(2)	Daehsan Indonesia	Indonesian Financial Accounting Standards
(3)	Daxen Agritech	Indian Accounting Standards
(4)	Daxen Indonesia	Indonesian Financial Accounting Standards
(5)	Daxen KJP	Indonesian Financial Accounting Standards
(6)	DIPL	Malaysian Private Entities Reporting Standard
(7)	DIPL Philippines Branch	Philippine Financial Reporting Standard
(8)	DXN Agrotech Ningxia	Accounting Standards for Business Enterprises
(9)	DXN Biotechnology Ningxia	Accounting Standards for Business Enterprises
(10)	DXN Bolivia	Bolivia Generally Accepted Accounting Standards
(11)	DXN Clinics	Indian Accounting Standards
(12)	DXN Colombia	IFRS for Small and Medium-Sized Entities
(13)	DXN Corporation Ningxia	Accounting Standards for Business Enterprises
(14)	DXN HK	Hong Kong Financial Reporting Standard for Private Entities
(15)	DXN Manufacturing India	Indian Accounting Standards
(16)	DXN Marketing India	Indian Accounting Standards
(17)	DXN Pakistan	IFRS for Small and Medium-Sized Entities
(18)	DXN Peru	Peru Generally Accepted Accounting Standards
(19)	DXN Singapore	Singapore Financial Reporting Standards
(20)	DXN Thailand	Thai Financial Reporting Standards
(21)	DXN Trading Ningxia	Accounting Standards for Business Enterprises
(22)	Esen Lifesciences	Indian Accounting Standards
(23)	Golden Health Trading	Hong Kong Small and Medium-sized Entity Financial Reporting Standard

The historical results for any prior financial years or interim periods are not necessarily indicative of results to be expected for a full financial year or interim period or any future financial year or interim period.

The following selected historical consolidated financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Section 12.2 of this Prospectus and the Accountants' Report in Section 13 of this Prospectus.

Selected financial information from the consolidated statements of profit or loss and other comprehensive income

	FYE 28/29 February			FPE 31 December	
	Audited			Unaudited	Audited
	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	907,222	1,104,608	1,050,205	879,915	1,015,711
Other income	13,871	26,337	35,284	31,870	17,039
Changes in work-in-progress and manufactured inventories	44,867	6,751	28,126	12,681	52,510
Raw materials used and trading inventories sold...	(158,341)	(162,856)	(162,978)	(129,527)	(188,047)
Depreciation and amortisation	(19,402)	(25,129)	(31,026)	(25,406)	(30,540)
Employee benefits expense	(92,987)	(102,253)	(113,836)	(89,782)	(106,641)
Net gain/(loss) on impairment of financial assets ...	32	680	(3,724)	135	(367)
Other expenses	(379,902)	(503,180)	(519,219)	(439,628)	(489,632)
Results from operating activities	**315,360**	**344,958**	**282,832**	**240,258**	**270,033**
Interest income	8,944	6,874	6,923	6,114	2,315
Finance costs	(4,329)	(3,993)	(2,488)	(2,061)	(1,714)
PBT.......................	319,975	347,839	287,267	244,311	270,634
Tax expense	(101,108)	(92,591)	(86,383)	(77,472)	(94,273)
Profit for the year/period	**218,867**	**255,248**	**200,884**	**166,839**	**176,361**
Profit for the year/period attributable to:					
Owners of our Company	209,973	241,671	191,572	158,244	174,742
Non-controlling interests	8,894	13,577	9,312	8,595	1,619
Profit for the year/period	**218,867**	**255,248**	**200,884**	**166,839**	**176,361**

	FYE 28/29 February			FPE 31 December	
	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Other selected financial data					
Cost of goods sold(1)(2)	145,672	191,488	179,886	150,390	183,389
Gross profit(1)	761,550	913,120	870,319	729,525	832,322
Gross profit margin (%)(3)	83.9	82.7	82.9	82.9	81.9
EBITDA(4)................	334,762	370,087	313,858	265,664	300,573
EBITDA margin (%)(5)	36.9	33.5	29.9	30.2	29.6
PBT margin (%)(6) ...	35.3	31.5	27.4	27.8	26.6
PATAMI margin (%)(7)	23.1	21.9	18.2	18.0	17.2
Effective tax rate (%)(8)	31.6	26.6	30.1	31.7	34.8
Basic and diluted EPS (sen)(9)	4.21	4.85	3.84	3.17	3.51

12. FINANCIAL INFORMATION *(Cont'd)*

Notes:

(1) Our consolidated statements of profit or loss and other comprehensive income disclose our expenses based on the natural classification of expenses, where our expenses are grouped by nature instead of function. As such, our consolidated statements of profit or loss and other comprehensive income do not disclose the expense line items for cost of goods sold and gross profit. The cost of goods sold and gross profit disclosed in this Prospectus have been derived from our consolidated management accounts.

(2) Comprises changes in work-in-progress and manufactured inventories, raw materials used and trading inventories sold, depreciation and amortisation, and employee benefits expense. The following table sets out the cost of goods sold for the financial years/periods indicated below:

	FYE 28/29 February			**FPE 31 December**	
	Audited			**Unaudited**	**Audited**
	2019	**2020**	**2021**	**2020**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Changes in work-in-progress and manufactured inventories	44,867	6,751	28,126	12,681	52,510
Raw materials used and trading inventories sold..	(158,341)	(162,856)	(162,978)	(129,527)	(188,047)
Depreciation and amortisation	(5,174)	(6,213)	(7,536)	(6,177)	(9,256)
Employee benefits expense	(27,024)	(29,170)	(37,498)	(27,367)	(38,596)
Cost of goods sold	**(145,672)**	**(191,488)**	**(179,886)**	**(150,390)**	**(183,389)**

(3) Computed based on gross profit divided by revenue.

(4) EBITDA is calculated as profit for the year/period plus (i) tax expense; (ii) finance costs; and (iii) depreciation and amortisation, less (iv) interest income. The following table reconciles our profit for the year/period to EBITDA for the financial years/periods indicated below:

	FYE 28/29 February			**FPE 31 December**	
	Audited			**Unaudited**	**Audited**
	2019	**2020**	**2021**	**2020**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Profit for the year/period.........	218,867	255,248	200,884	166,839	176,361
Add/(Less):					
Tax expense	101,108	92,591	86,383	77,472	94,273
Finance costs	4,329	3,993	2,488	2,061	1,714
Interest income	(8,944)	(6,874)	(6,923)	(6,114)	(2,315)
Depreciation and amortisation	19,402	25,129	31,026	25,406	30,540
EBITDA	**334,762**	**370,087**	**313,858**	**265,664**	**300,573**

(5) Computed based on EBITDA divided by revenue.

(6) Computed based on PBT divided by revenue.

(7) Computed based on profit for the year/period attributable to owners of our Company divided by revenue.

(8) Computed based on tax expense divided by PBT.

(9) Computed based on profit for the year/period attributable to owners of our Company divided by the enlarged issued Shares of 4,985,000,000 upon our Listing.

Selected financial information from the consolidated statements of financial position

	As at 28/29 February			As at 31 December
	Audited			
	2019	2020	2021	2021
	RM'000	RM'000	RM'000	RM'000
Total non-current assets	354,738	550,361	526,540	678,925
Total current assets	486,353	619,393	793,118	749,933
Total assets	**841,091**	**1,169,754**	**1,319,658**	**1,428,858**
Total non-current liabilities	34,054	30,499	37,267	59,633
Total current liabilities	299,191	428,564	652,701	617,093
Total liabilities	**333,245**	**459,063**	**689,968**	**676,726**
NA	507,846	710,691	629,690	752,132
Net current assets	187,162	190,829	140,417	132,840
Share capital	60,191	60,191	60,191	60,191
Translation reserve	(6,977)	(3,219)	(8,956)	(2,513)
Retained earnings	431,692	618,363	529,935	644,677
Equity attributable to owners of our Company	484,906	675,335	581,170	702,355
Non-controlling interests	22,940	35,356	48,520	49,777
Total equity	**507,846**	**710,691**	**629,690**	**752,132**

	As at 28/29 February			As at 31 December
	2019	2020	2021	2021
Other selected financial data				
Total borrowings (excluding lease liabilities) (RM'000)	73,932	156,319	257,863	249,464
Net debt (RM'000)[(1)]	(116,541)	(96,170)	(68,115)	(145,420)
Gearing ratio (times)[(2)]	0.1	0.2	0.4	0.3
Net gearing ratio (times)[(3)]	(0.2)	(0.1)	(0.1)	(0.2)

Notes:

(1) Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents as at the end of the financial year/period.

(2) Computed based on total borrowings (excluding lease liabilities) over total equity as at the end of the financial year/period.

(3) Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents over total equity as at the end of the financial year/period.

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

There are no accounting policies that are peculiar to our Group because of the nature of our business and industry in which we operate. For further details on the accounting policies of our Group, see Note 2 of the Accountants' Report as set out in Section 13 of this Prospectus.

12.2.1 Overview

We are a global health-oriented and wellness direct selling company. We have a portfolio of 291 SKUs of health-oriented and wellness consumer products that we manufacture in-house and a distribution footprint (including our branches and distributors) in 50 countries as at the LPD. As at the LPD, we have 77 sales branches to distribute goods to our Members and we partner with 14 exclusive external distribution agencies. We have over 12.7 million registered and 2.8 million active Members in more than 180 countries as at the LPD. We were ranked among the top 10 players based on total sales in the direct selling industry in Peru and Bolivia in 2021 according to Frost & Sullivan.

Our portfolio of health-oriented and wellness consumer products consists of FFB, HDS, PCC and other goods. We also have other business offerings in third party laboratory-testing, lifestyle products, and food and beverages, which accounted for 1.4% of our gross revenue for the FYE 28 February 2021. Based on total retail sales of FFB via direct selling, we ranked among the top three players in Bolivia and Peru and among the top five players in the Philippines in 2021 according to Frost & Sullivan. In the same year, we also ranked among the top 10 players, based on retail sales of HDS via direct selling in the Philippines according to Frost & Sullivan.

From the FYE 28 February 2019 to the FYE 28 February 2021, our revenue increased by a CAGR of 7.6% from RM907.2 million to RM1,050.2 million, our EBITDA decreased by a CAGR of -3.2% from RM334.8 million to RM313.9 million, and our profit for the year decreased by a CAGR of -4.2% from RM218.9 million to RM200.9 million.

From the FPE 31 December 2020 to the FPE 31 December 2021, our revenue increased by a CAGR of 15.4% from RM879.9 million to RM1,015.7 million, our EBITDA increased by a CAGR of 13.1% from RM265.7 million to RM300.6 million, and our profit for the period increased by a CAGR of 5.8% from RM166.8 million to RM176.4 million.

See Section 7 of this Prospectus for more details on our business.

12.2.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been, and are expected to be affected by a number of factors, including those set out below:

(i) Market demand for our products

According to Frost & Sullivan, the demand for health-oriented and wellness and other products via direct selling is growing fast. It continues to be driven, among other factors, by the growing ageing population, urbanisation trend, rising household income, changing consumer preferences towards natural herbal products that are safe to consume and have attributed health benefits, and the increasing propensity to self-medicate and adopt preventive solutions. Our revenue and profitability are primarily affected by the number of products we sell, the price and demand for such products, the number of jurisdictions we sell and market our products in and sufficient production capacity to fulfil demand. This will also depend on our ability to launch new products in our existing markets and our ability to expand into new markets. Sales performance of our proprietary products depends on market demand and the success of our sales and marketing activities.

Our results from operating activities as a percentage of revenue was 34.8% for the FYE 28 February 2019, 31.2% for the FYE 29 February 2020, 26.9% for the FYE 28 February 2021, 27.3% for the FPE 31 December 2020 and 26.6% for the FPE 31 December 2021. Our margins for results from operating activities over the last three years have generally been influenced by an increase in sales, introduction of new products and an increase in product prices, offset by a general increase in operating expenses, limited product availability compared to demand

and shipment and logistics costs and constraints related to the COVID-19 pandemic.

(ii) Pricing of our products

We manage the pricing of our products across product groups and geographies with the strategy of generally maintaining our gross profit margins throughout all parts of our business as our production costs fluctuate and change.

We track our revenue from sales of our products both from our subsidiaries (including our online sales) and via our distributors through our internal systems. Our shipping department emails sales invoices and/or delivery orders, as applicable, to our accounts team every 10 days. Our accounts team checks the invoices and delivery orders for completeness and verifies the nature of the goods sold, the quantities and the unit prices and quotations given to customers. Once these items are confirmed, the transactions are recorded in our accounting system as revenue.

Similarly, we track our production costs internally in our management system. While our consolidated statements of profit or loss and other comprehensive income disclose our expenses by nature instead of function and do not present line items for cost of goods sold or gross profit, we record our direct costs and our gross profit and gross profit margins in our management accounts. These direct costs include the costs of raw materials and other materials used in the cultivation and production of our products, changes in inventory, employee benefits expense and other direct costs. Our direct costs are denominated primarily in USD and RM, and fluctuations in the exchange rates of the local currencies in markets where we sell our products can affect the RM-denominated revenues we record in our consolidated statements of profit or loss and other comprehensive income as well as our gross profit margins. See Section 12.2.2(viii) of this Prospectus for further details.

We typically revise the prices of our products on an annual basis, pursuant to discussions among our management and our finance and marketing teams, while ensuring our product pricing competitiveness in the market. Any price revision will also take into account inflation in direct costs (including the cost of raw materials). In exceptional circumstances, such as high inflation in a particular market or strong foreign exchange movements of a particular local currency, we may adjust our prices by larger increments and more often than annually. While we may pass on part of the increases in our direct costs to our customers through price adjustments, there is a time lag as we only adjust our prices once a year. Our gross profit margins may be subject to movements in direct costs (including the cost of raw materials), foreign exchange fluctuations, inflationary pressures and other changes in costs during the course of a particular year. We do not adjust our prices for all movements in our costs as some of these movements (for example, foreign exchange movements) may also reverse in subsequent financial periods.

Our revenue is generally driven by our sales volumes and to a lesser extent, the price of our products. Changes in exchange rate of RM against other foreign currencies that we are exposed to and the annual price increase of our products do not typically have a material impact on our sales volumes and our revenue.

12. FINANCIAL INFORMATION *(Cont'd)*

By way of illustration, the following table shows the movements in unit price and sales volumes in the relevant local currency and corresponding revenue in RM, for our three top-selling SKUs (by volume) in each of our five largest markets and Malaysia for the financial years/periods indicated:

	FYE 28/29 February							
	2020 compared to 2019				2021 compared to 2020			
	Change in units sold(1)	Change in average unit price(2)	Change in average foreign exchange against RM(3)	Change in gross revenue in RM terms(4)	Change in units sold(1)	Change in average unit price(2)	Change in average foreign exchange against RM(3)	Change in gross revenue in RM terms(4)
Lingzhi Coffee 3-in-1								
Malaysia	10.7%	4.7%	-	15.9%	4.7%	2.7%	0.0%	7.5%
Mexico	12.1%	13.1%	(2.6)%	30.2%	13.8%	3.1%	11.8%	5.0%
Peru	13.8%	4.1%	(0.9)%	19.6%	(3.2)%	3.8%	5.0%	(4.2)%
Bolivia	20.1%	(3.8)%	(2.2)%	18.2%	22.7%	(0.3)%	(1.2)%	23.9%
Philippines	(8.5)%	3.5%	(4.5)%	(0.8)%	(19.0)%	6.2%	(5.6)%	(8.8)%
Indonesia	43.8%	1.4%	(3.7)%	51.4%	(3.8)%	-	2.7%	(6.4)%
Lingzhi Black Coffee								
Malaysia	(0.1)%	3.9%	-	3.8%	(30.3)%	2.8%	-	(28.3)%
Peru	29.9%	4.1%	(0.9)%	36.4%	(14.3)%	3.8%	5.0%	(15.3)%
Mexico	6.2%	13.1%	(2.6)%	23.3%	4.0%	3.7%	11.8%	(3.6)%
Bolivia	26.5%	(3.8)%	(2.2)%	24.4%	(2.2)%	(0.1)%	(1.2)%	(1.1)%
Colombia	30.5%	8.4%	8.3%	30.5%	(3.1)%	4.8%	10.9%	(8.4)%
Mongolia	16.8%	5.1%	3.4%	18.8%	24.5%	8.8%	2.5%	32.2%
Cocozhi								
Malaysia	20.6%	6.5%	-	28.5%	(10.6)%	1.7%	-	(9.1)%
Peru	19.1%	3.5%	(0.9)%	24.4%	(15.6)%	3.2%	5.0%	(17.0)%
Mexico	8.3%	10.0%	(2.6)%	22.4%	7.7%	0.6%	11.8%	(3.1)%
India	14.4%	-	(0.6)%	15.1%	(5.7)%	0.7%	4.3%	(9.0)%
Bolivia	41.0%	(2.8)%	(2.2)%	40.0%	(25.9)%	(0.1)%	(1.2)%	(25.0)%
Colombia	24.8%	9.9%	8.3%	26.6%	2.6%	4.8%	10.9%	(3.1)%

12. FINANCIAL INFORMATION *(Cont'd)*

	FPE 31 December 2021 compared to 2020			
	Change in units sold(1)	Change in average unit price(2)	Change in average foreign exchange against RM(3)	Change in gross revenue in RM terms(4)
Lingzhi Coffee 3-in-1				
Malaysia	0.3%	4.9%	-	5.2%
Mexico	5.1%	0.8%	(6.5)%	13.2%
Peru	17.7%	2.4%	12.9%	6.7%
Bolivia	5.3%	2.8%	1.3%	6.8%
Philippines	(18.3)%	4.0%	1.5%	(16.2)%
Indonesia	(8.6)%	3.5%	(1.3)%	(4.1)%
Lingzhi Black Coffee				
Malaysia	(26.2)%	4.4%	-	(23.0)%
Peru	14.3%	2.7%	12.9%	4.0%
Mexico	2.9%	3.1%	(6.5)%	13.4%
Bolivia	6.8%	5.1%	1.3%	10.8%
Colombia	(5.3)%	5.5%	2.1%	(2.1)%
Mongolia	(7.0)%	6.7%	1.8%	(2.5)%
Cocozhi				
Malaysia	(5.7)%	4.3%	-	(1.6)%
Peru	42.2%	4.2%	12.9%	31.2%
Mexico	3.7%	(5.4)%	(6.5)%	4.9%
India	15.7%	4.1%	0.7%	19.6%
Bolivia	68.8%	4.6%	1.3%	74.2%
Colombia	(13.5)%	9.8%	2.1%	(6.9)%

Notes:

(1) Computed based on the units sold in the financial year or period divided by that in the preceding financial year or period.

(2) Computed based on average unit price for the financial year or period divided by that for the preceding financial year or period. The average unit price is computed based on the gross revenue divided by the units sold in the financial year or period.

(3) Computed based on the average foreign exchange for the financial year or period divided by that for the preceding financial year or period.

(4) Computed based on the gross revenue for the financial year or period divided by that for the preceding financial year or period.

Our three top-selling SKUs by volume, namely Lingzhi Coffee 3-in-1, Lingzhi Black Coffee and Cocozhi, contributed 14.1%, 10.7% and 7.5% of our gross revenue respectively for the FPE 31 December 2021. Changes in our gross revenue for these SKUs in each of our five largest markets where these SKUs are sold and Malaysia for the FPE 31 December 2021 were primarily driven by changes in the sales volumes of these SKUs.

For the FYE 28 February 2021, our sales performance was primarily impacted by the movement restrictions imposed in response to the COVID-19 pandemic by the local governments of our core markets in Latin America, South Asia and Southeast Asia. Generally, lower sales volumes and unfavourable exchange rates offset the higher average unit prices, resulting in lower gross revenue for the FYE 28 February 2021.

For the FYE 29 February 2020, we generally recorded a higher gross revenue for these SKUs across our five largest markets and Malaysia, primarily driven by increases in sales volumes and average unit prices, in addition to a general weakening of RM against other foreign currencies.

(iii) Regulatory environment relating to our industry

We operate in a regulated industry. Government policies, regulations and their implementation and enforcement have historically had and we expect will continue to have an impact on the availability of our products in the countries in which we manufacture and/or sell our products as well as on our competitive environment and compliance costs. Our ability to successfully register or maintain registration of our products in each such country will affect our revenue.

The regulatory environment with regard to direct selling in emerging and developing markets where we distribute our products is evolving and government officials in such locations often exercise broad discretion in interpreting and applying relevant regulations. We may be subject to government inquiries, reviews, investigations and other legal or regulatory proceedings which may lead to fines, penalties, interruptions to our business, termination of necessary licences and permits and modification to our business practices.

See Section 7.26 of this Prospectus for further details on the governing laws and regulations that affect our business.

(iv) Competition relating to our industry

We operate in a competitive industry. We primarily compete with other direct selling companies for member relationships and with other companies that offer health-oriented and wellness consumer products on product quality, price and brand reputation. According to Frost & Sullivan, the direct selling market of FFB, HDS, and PCC products is highly fragmented. It comprises both small localised and large multinational companies, with different product offerings and geographical presence. In this fragmented market, we have positioned ourselves with innovative differentiated products which are manufactured in-house with a level of capital expenditure similar to that of comparable direct selling companies. Our ability to compete successfully with current and future competitors would have an impact on our business and results of operations.

(v) Our ability to maintain and manage our marketing and distribution network

Our ability to maintain and grow our business will depend on our ability to maintain and manage our distribution network of Members and external distribution agencies. In addition, our strategies contemplate that we will seek to, among others, expand our distribution network and scale our presence in markets in which we are currently present and expand to new geographical markets, which will require us to maintain and establish relationships with existing and new distributors, respectively. The quality and size of our distribution network will affect our distribution capacity and, accordingly, sales volumes and revenues.

(vi) Prices and availability of raw materials

The table below sets out the total cost of raw materials that we used for the production of our products as a percentage of our cost of goods sold for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	
	2019	**2020**	**2021**	**2020**	**2021**
Total cost of raw materials (RM'000)...	96,134	105,656	108,200	72,238	116,505
Cost of goods sold (RM'000)	145,672	191,488	179,886	150,390	183,389
Total cost of raw materials / Cost of goods sold (%).........	66.0	55.2	60.1	48.0	63.5

The primary raw materials that we use are coffee powder, non-dairy creamer, sugar, cocoa powder and wheat cereal powder, which are ingredients that we use to produce our finished products, and the packaging materials we use include aluminium foil, empty capsules, labels and plastic containers. For details on the cost of our primary raw materials as a percentage of purchases of our raw materials and finished goods, see Section 7.12 of this Prospectus. The prices and availability of raw materials are influenced by various factors, including global supply and demand conditions, global and regional economic conditions (including the ongoing COVID-19 pandemic and geopolitical tensions), negotiations with our suppliers and environmental factors that reduce cultivation output and increase cost of raw materials. We offset any increases in our costs by increasing our selling prices annually and we seek to stabilise our raw material costs by purchasing raw materials well in advance. As a result, increases in the prices of raw materials had not contributed to material increases in our costs in the past.

(vii) COVID-19 pandemic

The COVID-19 pandemic has impacted various aspects of our business, including logistics, production and supply chain, all of which have affected our profitability, particularly since April 2020.

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

Between May to July 2021, we suspended some of our coffee and juice production facilities in Malaysia for 15 days due to employees at such facilities testing positive for COVID-19, as required by the MOH.

For more information on the effects of the COVID-19 pandemic on our operations, see Section 5.1.8 of this Prospectus.

(viii) Foreign currency fluctuations

Fluctuations in currencies between RM and foreign currencies in which we transact may directly impact our financial condition and results of operations as our cost of goods sold are predominantly denominated in one currency while our sales are made in multiple currencies.

The currencies to which we are exposed through sales or borrowings in addition to RM are PEN, MXN, BOB, INR, USD and EUR, while the majority of our purchases are primarily denominated in RM and USD. Further, our labour costs and other operating expenses are generally denominated in the respective local currencies of the place of operations, which both diversifies our costs and enables us to use local currency earned from sales in that jurisdiction to pay for local operating costs.

The table below sets out the percentage exposure of our revenue denominated in the indicated currencies as a proportion of our revenue for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	
	2019	2020	2021	2020	2021
	%(1)	%(1)	%(1)	%(1)	%(1)
PEN	20.4	22.6	21.6	22.0	22.7
MXN	12.5	13.3	14.2	14.0	13.9
BOB	11.4	12.1	12.0	11.3	14.4
INR	13.5	12.8	11.5	11.4	11.0
RM	11.8	10.2	9.2	9.4	8.4
USD	9.3	8.5	8.3	8.7	5.7
EUR	2.7	2.8	3.6	3.5	3.0

Note:

(1) Calculated based on our revenue derived from the indicated foreign currency divided by our revenue.

In addition, the accounting records for our Group are maintained in their respective functional currencies, reflecting the primary economic environment in which the respective entities operate. The presentation currency for the Consolidated Financial Statements is RM.

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In preparing the Consolidated Financial Statements, assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. Income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

For further details on the risks that we face in relation to foreign currency fluctuations, see Section 5.1.24 of this Prospectus.

(ix) Registration of Members

Registration of new Members may directly impact our financial condition and results of operations, as our long-term sales growth depends on the growth of our Members.

The table below sets out the total number of our registered Members and our active Members (defined as Members who have purchased a product and any newly registered Members in the preceding and current calendar year, based on the cut-off date of 31 December for any particular year) as at the end of the last three calendar years and as at the LPD:

	As at 31 December			As at the LPD
	2019	**2020**	**2021**	**2022**
Registered Members .	9,323,151	10,567,626	12,015,291	12,694,778
Registered Members year-on-year growth	16.3%	13.3%	13.7%	5.7%
Active Members.........	2,860,718[(1)]	3,197,074[(2)]	3,388,367[(3)]	2,787,685[(4)]
Active Members year-on-year growth........	30.3%	11.8%	6.0%	(17.7)% [(5)]

Notes:

(1) Active Members as at 31 December 2019 are registered Members who have purchased a product from 1 January 2018 to 31 December 2019, and newly registered Members who joined our Group from 1 January 2018 to 31 December 2019.

(2) Active Members as at 31 December 2020 are registered Members who have purchased a product from 1 January 2019 to 31 December 2020, and newly registered Members who joined our Group from 1 January 2019 to 31 December 2020.

(3) Active Members as at 31 December 2021 are registered Members who have purchased a product from 1 January 2020 to 31 December 2021, and newly registered Members who joined our Group from 1 January 2020 to 31 December 2021.

(4) Active Members as at the LPD are registered Members who have purchased a product from 1 January 2021 to the LPD, and newly registered Members who joined our Group from 1 January 2021 up to the LPD.

(5) Active Members count at the end of each calendar year is more than the beginning of each year as membership validity is terminated at the end of each calendar year and memberships are renewed or added throughout the year.

(x) Capacity and utilisation

Our production volumes and results of operations are affected by the capacity and utilisation of our cultivation facilities to cultivate our natural ingredients and our manufacturing facilities to manufacture and process our direct-selling products. Based on gross revenue contribution, approximately 90.6% of our products were manufactured in-house in the FYE 28 February 2021. As at the LPD, we operate five cultivation facilities and nine manufacturing facilities across Malaysia, China, India, Indonesia and Mexico. See Section 7.13 of this Prospectus for further details on the production capacities of our production facilities. Any reduction in our production capacities and utilisation rates, whether due to scheduled maintenance, machinery and equipment breakdown, or unforeseen events, may cause production downtime and delays. For example, we experience frequent electricity power cuts in our cultivation facility in Odisha, India as is typical for the area during the summer period, during which we rely on more costly alternative power sources such as diesel for our irrigation and other production activities. See Section 5.1.12 of this Prospectus for further details.

We plan to increase our production capacity to meet growing demand for our products. See Section 7.13.5 of this Prospectus for further details. We believe that any expansion in production capacity needs to be managed carefully in tandem with the growth in demand for our products. If our expansion in production capacity outpaces the growth in demand, or demand for our products decreases, our results of operations and utilisation rates of our manufacturing facilities may be affected.

(xi) Material tax matters

Our financial condition and results of operations may be affected by the outcomes of tax disputes between us and the tax authorities of the jurisdictions where we operate. Any adverse rulings from the relevant authorities or adverse changes to the relevant laws and regulations and tax policies may increase our effective tax rate and negatively impact our PATAMI margin and financial condition. See Section 5.1.21 of this Prospectus for further details.

A summary of the material tax matters of our Group as at the LPD is as follows:

No.	Entity	Description of tax matter	Year of assessment ("YA")
1.	DXN Mexico	Closed tax dispute in relation to DXN Mexico's underpayment of value added tax ("**VAT**") for the importation of algae Spirulina tablets. DXN Mexico paid the additional VAT including penalties of MXN14.34 million (equivalent to RM2.87 million) for the period from February 2016 to July 2019 and MXN10.47 million (equivalent to RM2.11 million) for August 2019 to May 2021.	YA2016 to YA2021
2.	DXN Peru	Closed tax dispute in relation to certain of DXN Peru's sales commission that were disallowed as a deductible expense for tax computation purposes and imposition of additional taxes and penalties. DXN Peru paid the additional taxes and penalties of PEN0.4 million (equivalent to RM0.4 million) and recognised a provision of PEN5.4 million (equivalent to RM6.8 million) in the event the Superintendencia Nacional de Administration Tributaria Peru raises a demand for additional taxes and penalties.	YA2016 to YA2021
3.	DXN Mexico	Ongoing tax dispute in relation to certain of DXN Mexico's expenses that were non-deductible and that there was an omission of taxable income in respect of the reversal of certain excess provisions.	YA2013
4.	DXN Marketing India	Ongoing tax dispute in relation to DXN Marketing India's application of GST rates for the classification of RG and GL powder capsules, Spirulina powder capsules and Neeli hair oil.	YA2018 to YA2022
5.	Daxen Agritech	Ongoing tax dispute in relation to the ineligibility of Daxen Agritech for a tax deduction on its profits and gains under Section 80-IC of the Income Tax Act, 1961 of India.	YA2012 to YA2019
6.	Daxen Agritech	Ongoing tax dispute in relation to the custom duty paid by DXN Agritech for the import of RG and GL powders in respect of the years 2012 to 2018.	YA2012 to YA2018
7.	DXN Manufacturing India	Ongoing tax disputes in relation to ineligibility of DXN Manufacturing India for tax deductions on its profits under Section 80-IB of the Income Tax Act, 1961 of India.	YA2004 to YA 2012
8.	DXN Manufacturing India	Ongoing tax dispute in relation to the additional excise duty payable in respect of RG and GL capsules.	YA2002

We have made accounting provisions of RM35.4 million for these material tax matters as well as other potential penalties and high risk tax exposures arising from the tax authorities' assessment of the tax payable by our Group from the FYE 28 February 2018 up to the LPD. For further details on these material tax matters, see Note 36 of the Accountants' Report included in Section 13 of this Prospectus.

12.2.3 Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements in accordance with MFRS and IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities as at the reporting date. Actual results may differ from these estimates.

We review our estimates and underlying assumptions periodically. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

We believe that there are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in our Consolidated Financial Statements, other than those as set out below. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future:

(a) *Impairment loss on property, plant and equipment:*

During the FPE 31 December 2021 and the FPE 31 December 2020, there was no impairment loss.

During the FYE 28 February 2021, we recognised an impairment loss of RM10.7 million based on a valuation conducted by independent valuers using the comparison and depreciated replacement cost approach with respect to the property where we currently operate Boulder Valley, our lifestyle resort. Widespread containment measures, travel restrictions and lockdown measures by governments globally to curb the outbreak of COVID-19 caused significant disruptions in business and leisure travels, resulting in a substantial drop in the occupancy rate and revenue of the resort. The impairment loss is recognised as other expenses in our consolidated statements of profit or loss and other comprehensive income. During the FYE 28 February 2019, we recognised an impairment loss of RM3.6 million in respect of one of our aircrafts which was under repair and maintenance, and not in operational condition presented under capital work-in-progress. The impairment loss which represents the entire carrying amount of such aircraft was recognised as other expenses in our consolidated statements of profit or loss and other comprehensive income.

(b) *Extension options and incremental borrowing rate in relation to leases:*

Certain leases of agriculture land, factory buildings, warehouses, hostels for employees and offices contain extension options up to five years exercisable by our Group before the end of the non-cancellable contract period. Where applicable, we seek to include extension options in new leases to provide operational flexibility.

The extension options held are exercisable only by our Group and not by the lessors. We assess at lease commencement whether it is reasonably certain to exercise the extension options, and reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within our control.

We apply significant judgement in our assessment at lease commencement as to whether it is reasonably certain to exercise the applicable extension options, considering all facts and circumstances including past practice and any cost that will be incurred to change the asset in the event that a lease extension option is not exercised, to help determine the lease term.

We also apply judgement and assumptions in determining the incremental borrowing rate of the respective leases. We first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

(c) *Fair value information of investment properties:*

The fair value of investment properties is based on our Directors' estimation using the latest available market information, recent experience and knowledge in the location and category of the property being valued.

The fair value of leasehold land for the acquisition of land in Gua Musang, Malaysia was previously determined by independent valuers. The leasehold land was deconsolidated during the FYE 28 February 2021 upon the disposal of DXN Plantation Sdn. Bhd.

Our Directors estimate the fair value of our remaining investment properties (comprising freehold land, residential properties, shop lots and shop offices) by comparing our investment properties with similar properties that were published for sale within the same locality or other comparable localities. The most significant input is the price per square foot which would increase or decrease the estimated fair value if the price per square foot is higher or lower.

(d) *Deferred tax assets and liabilities:*

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

See Note 1(d) of the Accountants' Report included in Section 13 of this Prospectus for further details.

12.2.4 New accounting pronouncement applicable in the preparation of the financial statements

We adopted the following new standards and amendments to standards and interpretations, which were effective for annual periods beginning on or after 1 January 2018:

(i) MFRS 15, *Revenue from Contracts with Customers*;

(ii) MFRS 9, *Financial Instruments*; and

(iii) MFRS 16, *Leases*.

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that revenue is to be recognised when control over the goods and services is transferred to the customers, moving from the transfer of risks and rewards. The following are the changes arising from the adoption of MFRS 15 by our Group:

- We provide group effort-related performance bonus and personal effort-related performance bonus to customers. Upon the adoption of MFRS 15, we account for consideration paid or payable to customers as a reduction of the transaction price under the revenue recognition process unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to our Group.

- The personal effort-related performance bonus paid and payable by our Group to customers are accounted as a reduction of the transaction price under the revenue recognition process. Group effort-related performance bonus is not accounted as a reduction of the transaction price as the consideration paid or payable to customers are for distinct goods or services provided by our Group.

The effects arising from the above changes have been reflected in the consolidated financial statements of our Company for the FYE 28 February 2019 and have been consistently applied in the subsequent financial years/period. MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognised a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

On transition to MFRS 16, we elected to apply the practical expedient to grandfather the assessment of which transactions are leases. MFRS 16 was applied only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, Determining whether an Arrangement contains a Lease were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 March 2018.

Where our Group was a lessee, our Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application, if any as an adjustment to the retained earnings as at 1 March 2018.

The adoption of MFRS 9 did not have a material impact on our Consolidated Financial Statements.

We have not adopted in advance the following accounting standards and amendments that have been issued by the Malaysian Accounting Standards Board but have not been adopted by our Group:

(i) MFRSs and amendments effective for annual periods beginning on or after 1 April 2021: Amendment to MFRS 16, Leases - *COVID-19-Related Rent Concessions beyond 30 June 2021*

(ii) MFRSs and amendments effective for annual periods beginning on or after 1 January 2022:

  (a) Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*

  (b) Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*

  (c) Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*

  (d) Amendments to *Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018-2020)*

  (e) Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*

(f) Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*

(g) Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

(iii) MFRSs and amendments effective for annual periods beginning on or after 1 January 2023:

(a) MFRS 17, Insurance Contracts

(b) Amendments to MFRS 17, *Insurance Contracts - Initial application of MFRS 17 and MFRS 9 - Comparative Information*

(c) Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*

(d) Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

(e) Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

(iv) MFRSs and amendments effective for annual periods beginning on or after a date yet to be confirmed: Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

We plan to apply the abovementioned amendments, where applicable, in the respective financial years when the abovementioned amendments become effective.

We do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to our Group.

The initial application of the amendments, where applicable is not expected to have any material financial impacts to the current period and prior period financial statements of our Group.

12.2.5 Results of operations

The principal components of our consolidated statements of profit or loss and other comprehensive income are as follows:

(i) Revenue

We derive our revenue from the sale of FFB, HDS, PCC and other products and our other business activities including laboratory testing services to third parties, provision of lifestyle products and a café, less the consideration payable to our customers.

12. FINANCIAL INFORMATION *(Cont'd)*

The following table sets out our revenue from major products and services for the financial years/periods indicated:

	FYE 28/29 February						31 December 2021			
	Audited						Unaudited		Audited	
	2019		2020		2021		2020		2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
FFB	603,596	61.9	759,385	64.0	726,896	62.1	606,864	62.0	698,953	65.3
HDS	261,703	26.9	286,981	24.2	306,773	26.2	255,860	26.1	259,556	24.3
PCC	72,553	7.4	90,863	7.7	92,243	7.9	77,007	7.9	68,727	6.4
Other products[(1)]	24,167	2.5	33,022	2.8	28,558	2.4	25,166	2.6	25,155	2.4
Other business activities[(2)]	12,697	1.3	15,404	1.3	16,679	1.4	14,285	1.4	17,427	1.6
Gross revenue before consideration payable to customers	974,716	100.0	1,185,655	100.0	1,171,149	100.0	979,182	100.0	1,069,818	100.0
Less: Consideration due/paid to customers[(3)]										
Personal effort-related performance bonus	(12,611)	(1.3)	(13,274)	(1.1)	(12,925)	(1.1)	(10,879)	(1.1)	(11,762)	(1.1)
Service centre commission	(54,883)	(5.6)	(67,773)	(5.7)	(66,450)	(5.7)	(56,057)	(5.7)	(42,345)	(4.0)
100% promotion redemption[(4)]	-	-	-	-	(41,569)	(3.5)	(32,331)	(3.3)	-	-
	(67,494)	(6.9)	(81,047)	(6.8)	(120,944)	(10.3)	(99,267)	(10.1)	(54,107)	(5.1)
Revenue	**907,222**		**1,104,608**		**1,050,205**		**879,915**		**1,015,711**	

Notes:

(1) Consists of products including starter kits, raw materials, promotional packages, household products, home appliances, and water filtration systems.

(2) Other business activities that primarily serve to support our core business include laboratory testing services for third parties, provision of lifestyle products, and a café.

(3) Consideration due/paid to customers comprises personal effort-related performance bonus and service centre commission, netted against gross revenue in accordance with presentation consistent with MFRS 15.

(4) This refers to the 10.0% Discount Promotion. Each qualified Member's total discount was limited to the amount of their purchases made in April 2020 and May 2020. For accounting purposes, the discount was fully accrued in the FYE 28 February 2021.

We sell our products directly to Members or to external distribution agencies which on-sell our products to our Members. Our primary geographical markets are South America, Asia and North America.

12. FINANCIAL INFORMATION *(Cont'd)*

The following table sets out a breakdown of our revenue by geographical markets, in absolute terms in RM and as a proportion of our gross revenue for the financial years/periods indicated:

	FYE 28/29 February						FPE 31 December			
	2019		2020		2021		2020		2021	
	Revenue (RM million)	**% of gross revenue**	**Revenue (RM million)**	**% of gross revenue**	**Revenue (RM million)**	**% of gross revenue**	**Revenue (RM million)**	**% of gross revenue**	**Revenue (RM million)**	**% of gross revenue**
Revenue of health-oriented and wellness consumer products										
Malaysia	102.5	10.5	105.3	8.9	91.3	7.8	77.9	8.0	72.0	6.7
Overseas										
Peru	198.8	20.4	268.1	22.6	252.6	21.6	215.3	22.0	243.3	22.7
Mexico	121.6	12.5	158.1	13.3	166.6	14.2	136.1	13.9	148.5	13.9
India	132.2	13.6	152.0	12.8	134.4	11.5	112.1	11.4	117.6	11.0
Bolivia	111.1	11.4	143.2	12.1	140.7	12.0	110.9	11.3	153.5	14.4
Philippines	75.5	7.7	91.8	7.7	100.3	8.6	85.2	8.7	81.6	7.6
Middle East(1)	55.0	5.6	68.3	5.8	68.3	5.8	59.7	6.1	26.6	2.5
United States	28.8	3.0	31.4	2.6	35.0	3.0	29.3	3.0	28.4	2.7
Thailand	29.8	3.1	27.0	2.3	21.9	1.9	19.1	1.9	15.8	1.5
Colombia	14.6	1.5	18.7	1.6	17.5	1.5	14.7	1.5	14.1	1.3
Other markets(2)	92.1	9.4	106.4	9.0	125.8	10.7	104.6	10.7	151.0	14.1
Total revenue of health-oriented and wellness consumer products	**962.0**	**98.7**	**1,170.3**	**98.7**	**1,154.4**	**98.6**	**964.9**	**98.5**	**1,052.4**	**98.4**
Other business activities(3)	12.7	1.3	15.4	1.3	16.7	1.4	14.3	1.5	17.4	1.6
Gross revenue	**974.7**	**100.0**	**1,185.7**	**100.0**	**1,171.1**	**100.0**	**979.2**	**100.0**	**1,069.8**	**100.0**
Less: Consideration due/paid to customers…...	(67.5)		(81.1)		(120.9)(4)		(99.3)(4)		(54.1)	
Revenue	**907.2**		**1,104.6**		**1,050.2**		**879.9**		**1,015.7**	

Notes:

(1) Revenue from the Middle East is based on the imported value of the products distributed by the external distribution agency in the Middle East region.

(2) Other markets include Australia, Bangladesh, Bulgaria, Canada, China, Czech Republic, Ecuador, Ethiopia, Germany, Greece, Hong Kong, Hungary, Indonesia, Italy, Kenya, Korea, Mauritania, Mauritius, Mongolia, Morocco, Myanmar, Nepal, Nigeria, Pakistan, Panama, Singapore, Slovakia, South Africa, Spain, Sri Lanka, Sudan, Turkey and Uzbekistan. We ceased direct dealings with the Sudan market post FYE 28 February 2019. Revenue recognised from markets in which we do not have a presence is based on sales by our subsidiary, sales branch or external distribution agency to Members with registered addresses in such markets.

(3) Refers to our other business activities that primarily serve to support our core business, consisting of laboratory testing services for third parties, lifestyle products and a café.

(4) Includes the 10.0% Discount Promotion. Each qualified Member's total discount was limited to the amount of their purchases made in April 2020 and May 2020. For accounting purposes, the discount was fully accrued in the FYE 28 February 2021.

12. FINANCIAL INFORMATION *(Cont'd)*

For illustrative purposes only, the following table sets out the breakdown of the average purchase per Member for our health-oriented and wellness consumer products ("**Average Purchase per Member**")**(1)** by geographical markets, in absolute terms in RM for the financial years/period indicated:

	FYE 28/29 February			FPE 31 December
	2019	**2020**	**2021**	**2021**
	Average Purchase per Member (RM)(1)			
Health-oriented and wellness consumer products				
Malaysia	840	900	1065	1223
Overseas				
Peru	1,293	1,422	1,563	1,529
Mexico	1,923	2,158	2,137	1,983
India	415	424	418	383
Bolivia	1,602	1,759	1,956	1,884
Philippines	815	915	1,158	1,063
Middle East(2)	233	237	292	144
United States	3,442	4,058	4,862	4,686
Thailand	1,421	1,532	1,568	1,404
Colombia	1,045	1,077	1,143	1,086
Other markets(3)	725	745	871	768
Average Purchase per Member – All markets	**785**	**840**	**946**	**900**

Notes:

(1) *Computed based on the revenue of health-oriented and wellness consumer products divided by the number of Members who have purchased a product during the relevant financial year/period. The number of Members who have purchased at least one (1) of our products during the relevant financial year/period by geographical market are as follows:*

	FYE 28/29 February			*FPE 31 December*
	2019	***2020***	***2021***	***2021***
Malaysia	*121,972*	*116,974*	*85,733*	*58,860*
Overseas				
Peru	*153,714*	*188,589*	*161,599*	*159,142*
Mexico	*63,250*	*73,275*	*77,957*	*74,885*
India	*318,610*	*358,126*	*321,382*	*307,086*
Bolivia	*69,349*	*81,433*	*71,949*	*81,473*
Philippines	*92,607*	*100,288*	*86,595*	*76,791*
Middle East	*236,270*	*288,744*	*234,296*	*184,572*
United States	*8,367*	*7,737*	*7,199*	*6,061*
Thailand	*20,976*	*17,625*	*13,971*	*11,256*
Colombia	*13,972*	*17,358*	*15,313*	*12,980*
Other markets	*127,062*	*142,904*	*144,430*	*196,561*
Total	***1,226,149***	***1,393,053***	***1,220,424***	***1,169,667***

(2) *Computed based on the imported value of the products distributed by the external distribution agency in the Middle East divided by the number of Members in the Middle East who have purchased a product during the relevant financial year/period.*

(3) *Other markets include Australia, Bangladesh, Bulgaria, Canada, China, Czech Republic, Ecuador, Ethiopia, Germany, Greece, Hong Kong, Hungary, Indonesia, Italy, Kenya, Korea, Mauritania, Mauritius, Mongolia, Morocco, Myanmar, Nepal, Nigeria, Pakistan, Panama, Singapore, Slovakia, South Africa, Spain, Sri Lanka, Sudan, Turkey and Uzbekistan. We ceased direct dealings in Sudan after the FYE 28 February 2019.*

As shown in the table above, the Average Purchase per Member for our health-oriented and wellness consumer products ranges from approximately RM233 (in the Middle East) to RM4,862 (in the United States) for the three (3) financial years from the FYE 28 February 2019 to the FYE 28 February 2021 and for the FPE 31 December 2021. Factors that cause the Average Purchase per Member to vary across our top 10 markets include the following:

(a) Type of products sold and its average selling price

The average selling price of our HDS products is generally higher than that of our FFB products and the demand for our HDS products in Thailand is relatively higher as compared to the demand for our other products. Accordingly, the Average Purchase per Member in Thailand is higher than the Average Purchase per Member for all markets.

	Average Purchase per Member during the financial years and period under review
Thailand	Between RM1,404 to RM1,568
All markets	Between RM785 to RM946

(b) Pricing of our products

The prices of our products vary between the countries where we have a distribution footprint after taking into account, among others, the costs of production, transportation charges and inflation rate of the respective countries. The prices of our products in countries such as the United States, Peru, Mexico and Bolivia are generally higher as compared to our other markets, thus resulting in a higher Average Purchase per Member in these countries.

	Average Purchase per Member during the financial years and period under review
United States, Peru, Mexico and Bolivia	Between RM1,293 to RM4,862
All markets	Between RM785 to RM946

The prices our products in India are generally lower as compared to our other markets as the products are manufactured locally in India at a lower labour cost. Accordingly, the Average Purchase per Member in India is lower than the Average Purchase per Member for all markets.

	Average Purchase per Member during the financial years and period under review
India	Between RM383 to RM424
All markets	Between RM785 to RM946

(c) Exchange rate differences

The Average Purchase per Member in RM is substantially higher in the United States after conversion of sales in USD to RM due to the higher currency differential between USD and RM as compared to the currencies in our other top 10 markets.

(d) Personal purchase by Members

Members in the United States and Latin American countries such as Peru, Mexico and Bolivia have a higher Average Purchase per Member as they purchase a higher volume of our products for their own consumption as well as to on-sell these products to non-Members. Conversely in India, the consumers of our products are predominantly our Members who purchase our products for their own consumption. Hence, the Average Purchase per Member in India is lower as compared to the United States, Peru, Mexico and Bolivia.

(e) The Middle East uses an external distribution agency structure which affects our gross revenue reported from the Middle East

The Middle East uses an external distribution agency structure where our products are sold to the external distribution agency at an intermediate price based on a cost-plus structure. Accordingly, our revenue from the Middle East is derived from the imported value of the products distributed by the external distribution agency in the Middle East, being the intermediate price, which is lower than the distributor price of our products as certain costs, such as the payment of bonuses and incentives to our Members in the Middle East is borne by the external distribution agency. As a result, the Average Purchase per Member in the Middle East is among the lowest in our top 10 markets.

(ii) Other income

Other income consists primarily of bonus processing income which is levied on Members as a service charge for processing Member bonuses, system consultancy fees which are levied on external distribution agencies for marketing and business development services, gain on foreign exchange and other miscellaneous income.

	FYE 28/29 February			FPE 31 December	
	Audited			Unaudited	Audited
	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Bonus processing income..................	1,029	714	554	451	446
Income from insurance claims....	-	-	13,121	13,121	2,625
Unrealised gain on foreign exchange...	-	1,495	-	-	-
Realised gain on foreign exchange ...	-	-	-	878	-
Fair value gain on biological assets.....	-	-	-	586	-
Gain on disposal of investment in subsidiaries............	-	-	1,655	-	-
Gain on disposal of property, plant and equipment	-	106	44	-	387
Rental income..........	353	333	309	253	216

12. FINANCIAL INFORMATION *(Cont'd)*

	FYE 28/29 February			FPE 31 December	
	Audited			Unaudited	Audited
	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
System consultancy fees	8,099	10,087	9,943	8,904	6,749
Bargain purchase gain on business combination	-	5,267	-	-	-
Government grant	-	-	3,586	3,434	1,927
Miscellaneous income(1)	4,390	8,335	6,072	4,243	4,689
Other income	**13,871**	**26,337**	**35,284**	**31,870**	**17,039**

Note:

(1) Primarily comprises sales of marketing event tickets, fees charged to external distribution agencies, handling and other incidental charges for shipment, scrap sales income, income from insurance rebate and other non-recurring income.

(iii) Changes in work-in-progress and manufactured inventories, and raw materials used and trading inventories sold

Our cost of goods sold can be broadly categorised into change in work-in-progress and manufactured inventories, raw materials used and trading inventories sold, depreciation and amortisation, and employee benefits expense.

The following table sets out the components of our cost of goods sold and the percentage these costs represent as a proportion of our cost of goods sold for the financial years/periods indicated:

	FYE 28/29 February					
	2019		2020		2021	
	RM'000	%	RM'000	%	RM'000	%
Changes in work-in-progress and manufactured inventories	44,867	(30.8)	6,751	(3.5)	28,126	(15.6)
Raw materials used and trading inventories sold	(158,341)	108.7	(162,856)	85.0	(162,978)	90.6
Depreciation and amortisation	(5,174)	3.5	(6,213)	3.3	(7,536)	4.2
Employee benefits expense	(27,024)	18.6	(29,170)	15.2	(37,498)	20.8
Cost of goods sold	**(145,672)**	**100.0**	**(191,488)**	**100.0**	**(179,886)**	**100.0**

	FPE 31 December 2020		FPE 31 December 2021	
	RM'000	%	RM'000	%
Changes in work-in-progress and manufactured inventories	12,681	(8.4)	52,510	(28.6)
Raw materials used and trading inventories sold	(129,527)	86.1	(188,047)	102.6
Depreciation and amortisation	(6,177)	4.1	(9,256)	5.0
Employee benefits expense	(27,367)	18.2	(38,596)	21.0
Cost of goods sold	**(150,390)**	**100.0**	**(183,389)**	**100.0**

Changes in work-in-progress and manufactured inventories

Our changes in work-in-progress and manufactured inventories consist of the difference in the work-in-progress and manufactured inventories between financial years or periods, as measured at the end of the financial years or periods. The following table sets out our work-in-progress inventories and manufactured inventories for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	
	2019	**2020**	**2021**	**2020**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Work-in-progress inventories					
Closing balance	2,285	7,682	6,502	7,197	9,553
Less: Opening balance	3,131	2,285	7,682	7,682	6,502
	(846)	5,397	(1,180)	(485)	3,051
Manufactured inventories.............					
Closing balance	63,120	64,474	93,780	77,640	143,239
Less: Opening balance	17,407	63,120	64,474	64,474	93,780
	45,713	1,354	29,306	13,166	49,459
Total changes in work-in-progress and manufactured inventories...........	**44,867**	**6,751**	**28,126**	**12,681**	**52,510**

Our inventories consist of FFB, HDS, PCC, household products, water filtration systems and home appliances.

Raw materials used and trading inventories sold

Our raw materials used and trading inventories sold consist primarily of raw materials consumed and factory overhead, including upkeep of factory, upkeep of plant and machinery, factory rental, tools, consumables and utilities expenses.

Depreciation and amortisation

Depreciation and amortisation consists of depreciation of factory, plant and machinery, tools and equipment.

Employee benefits expense

Our employee benefits expense consists of employees' salaries, wages and bonus, contribution to state plan, contract workers, medical expenses, staff welfare, staff training and uniform.

(iv) Depreciation and amortisation

Our depreciation and amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of buildings, farms, plant and machinery, furniture, fittings and office equipment, motor vehicles and aircraft.

The following table sets out our depreciation and amortisation for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	
	Audited			Unaudited	Audited
	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	12,956	15,319	20,633	17,407	22,976
Depreciation of right-of-use assets	5,655	8,014	8,882	6,755	7,292
Depreciation of investment properties	448	1,479	1,393	1,147	197
Amortisation of intangible assets...	343	317	118	97	75
Depreciation and amortisation........	**19,402**	**25,129**	**31,026**	**25,406**	**30,540**

(v) Employee benefits expense

Our employee benefits expense includes wages and salaries as well as contributions to our employees' provident funds, state insurance and state-specific labour welfare funds for our Board as well as other personnel (including directors of our subsidiaries). The following table sets out our employee benefits expense for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	
	Audited			Unaudited	Audited
	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Wages and salaries.	86,070	94,759	105,625	83,247	99,813
Contribution to state plan	6,917	7,494	8,211	6,535	6,828
Employee benefits expense..............	**92,987**	**102,253**	**113,836**	**89,782**	**106,641**

(vi) Net gain or loss on impairment of financial assets

Our net gain or loss on impairment of financial assets consists primarily of reversal of impairment loss or impairment loss on trade and other receivables, impairment loss on amount owing from associate, bad debts written off and bad debts recovered. The following table sets out our net gain or loss on impairment of financial assets for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	
	Audited			Unaudited	Audited
	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment loss/(Reversal of impairment loss) on:					
- Trade and other receivables.........	(480)	2,189	-	2	167
- Amount owing from joint venture	-	-	-	-	432
- Amount owing from associate....	-	-	3,875	-	255
Bad debts written off	466	336	10	25	-

	FYE 28/29 February			FPE 31 December	
	Audited			Unaudited	Audited
	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Bad debts recovered.............	(18)	(3,205)	(161)	(162)	(487)
Net gain/(loss) on impairment of financial assets ..	**32**	**680**	**(3,724)**	**135**	**(367)**

(vii) Other expenses

Other expenses consist primarily of professional fees, office and administrative expenses such as impairment loss on property, plant and equipment and provision for indirect tax contingency, motor vehicle expenses, marketing, selling and distribution expenses including Member benefits such as travel seminar incentives and group effort-related performance bonuses, and planting expenses such as for upkeep of farms, Ganoderma sheds, Spirulina ponds, machinery, tools and consumables as well as utilities. The following table sets out our other expenses for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	
	Audited			Unaudited	Audited
	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Professional fees	7,139	16,222	8,921	7,622	12,050
Office and administrative expenses..............	61,040	57,128	100,007	74,541	62,173
Motor vehicle expenses..............	4,757	5,935	4,213	3,785	3,320
Marketing, selling and distribution expenses..............	304,479	421,050	401,581	349,889	409,806
Planting expenses ...	2,487	2,845	4,497	3,791	2,283
Other expenses......	**379,902**	**503,180**	**519,219**	**439,628**	**489,632**

12. FINANCIAL INFORMATION *(Cont'd)*

The table below sets out the group effort-related performance bonus and incentives provided to Members, which form part of our marketing, selling and distribution expenses, as a percentage of gross revenue, for the financial years/periods indicated:

	FYE 28/29 February						FPE 31 December			
	Audited						Unaudited		Audited	
	2019		2020		2021		2020		2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Group effort-related performance bonus	263,901	27.1	366,137	30.9	353,174	30.2	310,165	31.7	355,137	33.2
Travel seminar incentives	6,562	0.7	14,152	1.2	10,944	0.9	11,417	1.2	7,365	0.7
Total	**270,463**	**27.8**	**380,289**	**32.1**	**364,118**	**31.1**	**321,582**	**32.9**	**362,502**	**33.9**

(viii) Interest income

Interest income consists primarily of income from short-term bank deposits and short-term investment funds.

Our interest income for the FYEs 28 February 2019, 29 February 2020 and 28 February 2021 was RM8.9 million, RM6.9 million and RM6.9 million, respectively, whereas our interest income for the FPEs 31 December 2020 and 31 December 2021 was RM6.1 million and RM2.3 million, respectively.

(ix) Finance costs

Finance costs comprise interest expense on both lease liabilities and financial liabilities not measured at fair value through profit or loss, less interest expense capitalised to property, plant and equipment. The following table sets out a breakdown of our finance costs for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	
	2019	**2020**	**2021**	**2020**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Interest expense on:					
Lease liabilities	736	979	826	688	783
Financial liabilities not measured at fair value through profit or loss	3,593	3,014	3,482	2,891	3,285
Less: Capitalised to property, plant and equipment	-	-	(1,820)	(1,518)	(2,354)
Finance costs........	**4,329**	**3,993**	**2,488**	**2,061**	**1,714**

(x) Tax expense

Tax expense comprises current and deferred tax.

We calculate current tax at the statutory tax rate of the estimated assessable profit for the year/period on an entity basis in each jurisdiction.

Our deferred tax expense primarily provides for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

See Note 25 of the Accountants' Report included in Section 13 of this Prospectus for further details.

The following table sets out our tax expense for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	
	2019	**2020**	**2021**	**2020**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Current tax	106,026	95,971	89,205	80,501	105,516
Deferred tax	(4,918)	(3,380)	(2,822)	(3,029)	(11,243)
Tax expense	**101,108**	**92,591**	**86,383**	**77,472**	**94,273**

12.2.6 Review of performance for the FPE 31 December 2021 compared to FPE 31 December 2020

The following table presents selected information from our consolidated statements of profit or loss and other comprehensive income, in absolute terms and as a percentage of revenue, and the percentage changes for the financial periods indicated:

	FPE 31 December 2020		**FPE 31 December 2021**		
	RM'000	**% of revenue**	**RM'000**	**% of revenue**	**% change**
Revenue	879,915	100.0	1,015,711	100.0	15.4
Other income	31,870	3.6	17,039	1.7	(46.5)
Changes in work-in-progress and manufactured inventories	12,681	1.4	52,510	5.2	314.1
Raw materials used and trading inventories sold	(129,527)	(14.7)	(188,047)	(18.5)	45.2
Depreciation and amortisation	(25,406)	(2.9)	(30,540)	(3.0)	23.0
Employee benefits expense	(89,782)	(10.2)	(106,641)	(10.5)	18.8
Net gain/(loss) on impairment of financial assets	135	*	(367)	*	(371.9)
Other expenses	(439,628)	(50.0)	(489,632)	(48.2)	11.2
Results from operating activities	**240,258**	**27.3**	**270,033**	**26.6**	**12.4**
Interest income	6,114	0.7	2,315	0.2	(62.1)
Finance costs	(2,061)	(0.2)	(1,714)	(0.2)	(16.8)
PBT	**244,311**	**27.8**	**270,634**	**26.6**	**10.8**
Tax expense	(77,472)	(8.8)	(94,273)	(9.3)	21.7
Profit for the year	**166,839**	**18.9**	**176,361**	**17.4**	**5.7**

***Note*:**
* *Negligible.*

(i) Revenue

Our revenue increased by 15.4% from RM879.9 million for the FPE 31 December 2020 to RM1,015.7 million for the FPE 31 December 2021 primarily due to an increase in sales in Bolivia, Mexico, India, Peru and Morocco and improvements in general economic conditions amidst the COVID-19 pandemic, which had affected our sales for the FPE 31 December 2020.

(a) Our FFB revenue increased by 15.2% from RM606.9 million for the FPE 31 December 2020 to RM699.0 million for the FPE 31 December 2021 primarily due to organic growth and generally strong demand for our core products in Latin America.

(b) Our HDS revenue increased by 1.4% from RM255.9 million for the FPE 31 December 2020 to RM259.6 million for the FPE 31 December 2021 primarily due to an increase in sales in Morocco, one of our emerging markets, partially offset by a decrease in sales in the Middle East.

(c) Our PCC revenue decreased by 10.8% from RM77.0 million for the FPE 31 December 2020 to RM68.7 million for the FPE 31 December 2021 primarily due to a decrease in sales in the Middle East due to the impact of the COVID-19 pandemic on demand for PCC products, which are discretionary in nature and subject to greater impact from the pandemic.

(d) Our revenue from other products and business activities increased by 7.8% from RM39.5 million for the FPE 31 December 2020 to RM42.6 million for the FPE 31 December 2021 primarily due to an increase in sales of laboratory testing services.

(ii) Other income

Our other income decreased by 46.5% from RM31.9 million for the FPE 31 December 2020 to RM17.0 million for the FPE 31 December 2021. This was primarily due to higher insurance claims in the FPE 31 December 2020 in relation to a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia and a decrease in system consultation fee in the FPE 31 December 2021.

(iii) Changes in work-in-progress and manufactured inventories

Our changes in work-in-progress and manufactured inventories increased by 314.1% from RM12.7 million for the FPE 31 December 2020 to RM52.5 million for the FPE 31 December 2021. This was primarily due to an increase in manufactured inventories to provide for a higher stock buffer in Latin America to cope with shipment delays due to the COVID-19 pandemic.

(iv) Raw materials used and trading inventories sold

Our raw materials used and trading inventories sold increased by 45.2% from RM129.5 million for the FPE 31 December 2020 to RM188.0 million for the FPE 31 December 2021 primarily due to increased production resulting from a 15.4% increase in revenue and the decision to increase our buffer of stock.

(v) Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin and the percentage change for the financial periods indicated:

	FPE 31 December		
	2020	**2021**	**% change**
Gross profit (RM'000)	729,525	832,322	14.1
Gross profit margin (%)............	82.9	81.9	(1.0)

Our gross profit increased by 14.1% from RM729.5 million for the FPE 31 December 2020 to RM832.3 million for the FPE 31 December 2021 as a result of the reasons described above. However, our gross profit margin decreased by 1.0 percentage point from 82.9% for the FPE 31 December 2020 to 81.9% for the FPE 31 December 2021. This is partially due to the deterioration of currency, primarily of PEN against EUR, which is the base currency for purchases by DXN Peru, the largest single contributor to our revenue, from DXN Industries. DXN Peru converts its purchases from EUR to PEN based on the local exchange rate for domestic reporting purposes. Subsequently, for consolidation of our Group's accounts, such purchases are converted from PEN to RM. Revenue from sales by DXN Industries to DXN Peru are converted from EUR to RM, resulting in different RM amounts reported for DXN Peru as compared to DXN Industries. The amount to be eliminated upon consolidation is the amount that is recorded in DXN Industries' accounting records. The balance that is not eliminated is the exchange rate difference which is reflected in cost of goods sold. The deterioration of PEN against EUR for this period increased our purchase costs of finished goods from DXN Industries. Gross profit margin decreased also as a result of higher overhead costs incurred in relation to our new cultivation and production facilities in Telangana, India.

(vi) Depreciation and amortisation

Our depreciation and amortisation increased by 20.1% from RM25.4 million for the FPE 31 December 2020 to RM30.5 million for the FPE 31 December 2021. This was primarily due to an increase in property, plant and equipment that occurred as a result of continued facilities and business expansion activities.

(vii) Employee benefits expense

Our employee benefits expense increased by 18.8% from RM89.8 million for the FPE 31 December 2020 to RM106.6 million for the FPE 31 December 2021. This was primarily due to an increase in employees from 2,778 in December 2020 to 2,912 in December 2021 as well as the outsourcing of production by DXN Industries due to the fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia, as well as to cope with an increase in sales.

(viii) Net gain or loss on impairment of financial assets

We recorded a net gain on impairment of financial assets of RM0.1 million for the FPE 31 December 2020, compared to a net loss of RM0.4 million for the FPE 31 December 2021. This was primarily due to impairment loss made for debts due from a sundry debtor, associate and joint venture.

(ix) Other expenses

Our other expenses increased by 11.4% from RM439.6 million for the FPE 31 December 2020 to RM489.6 million for the FPE 31 December 2021. This was primarily due to an increase in Member bonus which was in line with increased sales, increase in transportation and shipping charges and a higher foreign exchange loss.

(x) Results from operating activities

As a result of the foregoing, our results from operating activities increased by 12.4% from RM240.3 million for the FPE 31 December 2020 to RM270.0 million for the FPE 31 December 2021.

(xi) Interest income

Our interest income decreased by 62.1% from RM6.1 million for the FPE 31 December 2020 to RM2.3 million for the FPE 31 December 2021. This was primarily due to a decrease in short-term deposits as a result of increased capital requirements for our facilities in Telangana, India; Cyberjaya, Malaysia; and generally in China and Mexico.

(xii) Finance costs

Our finance costs decreased by 16.8% from RM2.1 million for the FPE 31 December 2020 to RM1.7 million for the FPE 31 December 2021. This was primarily due to an increase in capitalisation of finance costs to property, plant and equipment, partially offset by an increase in term loans interest.

(xiii) PBT

Our PBT increased by 10.8% from RM244.3 million for the FPE 31 December 2020 to RM270.6 million for the FPE 31 December 2021. This was largely due to the reasons set out above.

Our PBT margin decreased from 27.8% for the FPE 31 December 2020 to 26.6% for the FPE 31 December 2021.

(xiv) Tax expense

Our tax expense increased by 21.7% from RM77.5 million in the FPE 31 December 2020 to RM94.3 million for the FPE 31 December 2021 largely due to higher tax expense as a result of higher profit before tax and a one-off prosperity tax of 33.0% imposed on DXN Industries in Malaysia in the FPE 31 December 2021.

(xv) Profit for the period, PATAMI and PATAMI margin

As a result of the foregoing, our profit for the period increased by 5.7% from RM166.8 million for the FPE 31 December 2020 to RM176.4 million for the FPE 31 December 2021.

Our PATAMI increased by 10.4% from RM158.2 million for the FPE 31 December 2020 to RM174.7 million for the FPE 31 December 2021. Our PATAMI margin decreased from 18.0% for the FPE 31 December 2020 to 17.2% for the FPE 31 December 2021.

12.2.7 Review of performance for the FYE 28 February 2021 compared to FYE 29 February 2020

The following table presents selected information from our consolidated statements of profit or loss and other comprehensive income, in absolute terms and as a percentage of revenue, and the percentage changes for the financial years indicated:

	FYE 29 February 2020		**FYE 28 February 2021**		
	RM'000	**% of revenue**	**RM'000**	**% of revenue**	**% change**
Revenue	1,104,608	100.0	1,050,205	100.0	(4.9)
Other income	26,337	2.4	35,284	3.4	34.0
Changes in work-in-progress and manufactured inventories	6,751	0.6	28,126	2.7	316.6
Raw materials used and trading inventories sold	(162,856)	14.7	(162,978)	15.5	0.1
Depreciation and amortisation	(25,129)	2.3	(31,026)	3.0	23.5
Employee benefits expense	(102,253)	9.3	(113,836)	10.8	11.3
Net gain/(loss) on impairment of financial assets	680	0.1	(3,724)	0.4	(647.6)
Other expenses	(503,180)	45.6	(519,219)	49.4	3.2
Results from operating activities	**344,958**	**31.2**	**282,832**	**26.9**	**(18.0)**
Interest income	6,874	0.6	6,923	0.7	0.7
Finance costs	(3,993)	0.4	(2,488)	0.2	(37.7)
PBT	**347,839**	**31.5**	**287,267**	**27.4**	**(17.4)**
Tax expense	(92,591)	8.4	(86,383)	8.2	(6.7)
Profit for the year	**255,248**	**23.1**	**200,884**	**19.1**	**(21.3)**

(i) Revenue

Our revenue decreased by 4.9% from RM1,104.6 million for the FYE 29 February 2020 to RM1,050.2 million for the FYE 28 February 2021 primarily due to movement restrictions imposed in response to the COVID-19 pandemic by the local governments of our core markets in Latin America, South Asia and South

East Asia where we operate during the FYE 28 February 2021 which saw reduced product sales during the first half of the FYE 28 February 2021.

Our Group recorded gross revenue of RM555.2 million in the first half of the FYE 28 February 2021, which was a decrease of RM21.0 million compared to the first half of the FYE 29 February 2020 of RM576.2 million. This was partially offset by a gradual recovery in the second half of the FYE 28 February 2021, where gross revenue increased to RM615.9 million, which was an increase of RM6.5 million compared to the second half of the FYE 29 February 2020 of RM609.4 million. This gradual recovery in the second half of the FYE 28 February 2021 was attributable to, among others, our introduction of a 10.0% promotional discount from June 2020 to May 2021 that incentivised Members to maintain monthly purchases of our products through the end of the year to stimulate sales during the COVID-19 pandemic and which was netted off against gross revenue when presenting our revenue in the Consolidated Financial Statements.

(a) Our FFB revenue decreased by 4.3% from RM759.4 million for the FYE 29 February 2020 to RM726.9 million for the FYE 28 February 2021 primarily due to economic effects of the COVID-19 pandemic, including income, salary and job uncertainties, which led to a general reduction in discretionary purchasing of non-essential items as well as a decrease in sales activities.

(b) Our HDS revenue increased by 6.9% from RM287.0 million for the FYE 29 February 2020 to RM306.8 million for the FYE 28 February 2021 primarily due to an increase in consumer demand for immunity-boosting products as a result of the COVID-19 pandemic.

(c) Our PCC revenue increased by 1.4% from RM90.9 million for the FYE 29 February 2020 to RM92.2 million for the FYE 28 February 2021 primarily due to an increase in sales in Peru.

(d) Our revenue from other products and business activities decreased by 6.6% from RM48.4 million for the FYE 29 February 2020 to RM45.2 million for the FYE 28 February 2021 primarily due to a reduction in sales of starter kits because of a decline in registration of new Members as a result of movement restrictions that governments imposed as a result of the COVID-19 pandemic.

(ii) Other income

Our other income increased by 34.0% from RM26.3 million for the FYE 29 February 2020 to RM35.3 million for the FYE 28 February 2021. This was primarily due to the receipt of RM13.1 million for a fire insurance claim in relation to a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia.

(iii) Changes in work-in-progress and manufactured inventories

We recorded positive changes in work-in-progress and manufactured inventories for the FYEs 29 February 2020 and 28 February 2021, which increased by 316.6% from RM6.8 million for the FYE 29 February 2020 to RM28.1 million for the FYE 28 February 2021. This was primarily due to an increase in production output towards the end of the FYE 28 February 2021 to prevent an inventory shortage following a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia and an increase in manufactured inventories to provide for a higher stock buffer in Latin America to cope with potential shipment delays due to the COVID-19 pandemic.

(iv) Raw materials used and trading inventories sold

Our raw materials used and trading inventories sold increased marginally by 0.1% from RM162.9 million for the FYE 29 February 2020 to RM163.0 million for the FYE 28 February 2021 primarily due to slight increase in factory overhead expenses.

(v) Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin and the percentage change for the financial years indicated:

	FYE 28/29 February		
	2020	**2021**	**% change**
Gross profit (RM'000) ..	913,120	870,319	(4.7)
Gross profit margin (%)	82.7	82.9	0.2

Our gross profit decreased by 4.7% from RM913.1 million for the FYE 29 February 2020 to RM870.3 million for the FYE 28 February 2021 as a result of the reasons described above. Our gross profit margin increased from 82.7% for the FYE 29 February 2020 to 82.9% for the FYE 28 February 2021, in part, due to an increase in sales of HDS in the FYE 28 February 2021, which commands a higher gross profit margin than FFB.

(vi) Depreciation and amortisation

Our depreciation and amortisation increased by 23.5% from RM25.1 million for the FYE 29 February 2020 to RM31.0 million for the FYE 28 February 2021. This was primarily due to (i) an increase in property, plant and equipment that occurred as a result of continued expansion in manufacturing facilities in Malaysia, China and Indonesia in anticipation of growth in our sales and to introduce new products in our direct selling; and (ii) a change in our depreciation policy that reduced the useful lives of our aircrafts from 25 years to five years and our resort, Boulder Valley's buildings from 50 years to 20 years to better present the cost and carrying amount of those assets based on their nature and pattern of use.

(vii) Employee benefits expense

Our employee benefits expense increased by 11.3% from RM102.3 million for the FYE 29 February 2020 to RM113.8 million for the FYE 28 February 2021. This was primarily due to an increase in the number of employees from 2,514 to 2,778 and outsourcing charges of RM4.8 million incurred in connection with the fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia.

(viii) Net gain or loss on impairment of financial assets

We recorded a net gain on impairment of financial assets for the FYE 28 February 2021 of RM3.7 million compared to a net gain of RM0.7 million for the FYE 29 February 2020. This was primarily due to the impairment on RM3.9 million owing from our associate, Box Park Management for the funding of the Tanjung Chali project, a tourism project held by Box Park Management which was put on hold due to the COVID-19 pandemic.

(ix) Other expenses

Our other expenses increased by 3.2% from RM503.2 million for the FYE 29 February 2020 to RM519.2 million for the FYE 28 February 2021. This was primarily due to impairment loss on property, plant and equipment of RM10.7 million, losses incurred in connection with a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia resulting in property, plant and equipment and inventories of RM17.6 million collectively being written off, and a provision for indirect tax contingency in the FYE 28 February 2021 of RM18.0 million.

(x) Results from operating activities

As a result of the foregoing, our results from operating activities decreased by 18.0% from RM345.0 million for the FYE 29 February 2020 to RM282.8 million for the FYE 28 February 2021.

(xi) Interest income

Our interest income increased by 0.7% from RM6.9 million for the FYE 29 February 2020 to RM6.9 million for the FYE 28 February 2021. This was primarily due to interest income accumulated on our cash and bank balances.

(xii) Finance costs

Our finance costs decreased by 37.7% from RM4.0 million for the FYE 29 February 2020 to RM2.5 million for the FYE 28 February 2021. This was primarily due to the capitalisation of interest for certain work-in-progress construction relating to the construction of DXN's new headquarters, DXN Cyberville in Cyberjaya, Malaysia, and manufacturing and cultivation facilities in India, China and Mexico.

(xiii) PBT

Our PBT decreased by 17.4% from RM347.8 million for the FYE 29 February 2020 to RM287.3 million for the FYE 28 February 2021. This was largely due to the reasons set out above.

Our PBT margin decreased from 31.5% for the FYE 29 February 2020 to 27.4% for the FYE 28 February 2021.

(xiv) Tax expense

Our tax expense decreased by 6.7% from RM92.6 million for the FYE 29 February 2020 to RM86.4 million for the FYE 28 February 2021 largely due to our lower PBT and a tax reversal amounting to RM2.9 million for Bio Synergy as a result of being granted a pioneer status tax exemption by the Malaysian Investment Development Authority.

(xv) Profit for the year, PATAMI and PATAMI margin

As a result of the foregoing, our profit for the year decreased by 21.3% from RM255.2 million for the FYE 29 February 2020 to RM200.9 million for the FYE 28 February 2021.

Our PATAMI decreased by 20.7% from RM241.7 million for the FYE 29 February 2020 to RM191.6 million for the FYE 28 February 2021. Our PATAMI margin decreased from 21.9% for the FYE 29 February 2020 to 18.2% for the FYE 28 February 2021.

12.2.8 Review of performance for the FYE 29 February 2020 compared to FYE 28 February 2019

The following table presents selected information from our consolidated statements of profit or loss and other comprehensive income, in absolute terms and as a percentage of revenue, and the percentage changes for the financial years indicated:

	FYE 28 February 2019		**FYE 29 February 2020**		
	RM'000	**% of revenue**	**RM'000**	**% of revenue**	**% change**
Revenue	907,222	100.0	1,104,608	100.0	21.8
Other income	13,871	1.5	26,337	2.4	89.9
Changes in work-in-progress and manufactured inventories	44,867	5.0	6,751	0.6	(85.0)
Raw materials used and trading inventories sold	(158,341)	17.5	(162,856)	14.7	2.9
Depreciation and amortisation	(19,402)	2.1	(25,129)	2.3	29.5
Employee benefits expense	(92,987)	10.3	(102,253)	9.3	10.0
Net gain/(loss) on impairment of financial assets	32	*	680	0.1	2,025.0
Other expenses	(379,902)	41.9	(503,180)	45.6	32.4
Results from operating activities	**315,360**	**34.8**	**344,958**	**31.2**	**9.4**
Interest income	8,944	1.0	6,874	0.6	(23.1)
Finance costs	(4,329)	0.5	(3,993)	0.4	(7.8)
PBT	**319,975**	**35.3**	**347,839**	**31.5**	**8.7**
Tax expense	(101,108)	11.2	(92,591)	8.4	(8.4)
Profit for the year	**218,867**	**24.1**	**255,248**	**23.1**	**16.6**

Note:

* *Negligible.*

(i) Revenue

Our revenue increased by 21.8% from RM907.2 million for the FYE 28 February 2019 to RM1,104.6 million for the FYE 29 February 2020 primarily due to sales increases across our core markets in Latin America, South Asia and South East Asia.

(a) Our FFB revenue increased by 25.8% from RM603.6 million for the FYE 28 February 2019 to RM759.4 million for the FYE 29 February 2020 primarily due to increased demand in Peru, Bolivia and Mexico due to organic growth, strong demand for our core products, including our coffee products in Latin America, expansion in our existing markets and entry into a new market in Uzbekistan.

(b) Our HDS revenue increased by 9.7% from RM261.7 million for the FYE 28 February 2019 to RM287.0 million for the FYE 29 February 2020 primarily due to increased sales in Peru, Mexico, India and the Philippines as a result of organic growth as well as the introduction of the HDS, Mycovita, in Bolivia.

(c) Our PCC revenue increased by 25.2% from RM72.6 million for the FYE 28 February 2019 to RM90.9 million for the FYE 29 February 2020 primarily due to increased sales in India, including strong demand for Ganozhi soap, as well as the introduction in Malaysia of the Miracle Marine series which are Korean cosmetic products that were originally launched in several countries in Europe, Mongolia, and Hong Kong in December 2018.

(d) Our revenue from other products and business activities increased by 31.4% from RM36.9 million for the FYE 28 February 2019 to RM48.4 million for the FYE 29 February 2020 primarily due to increased sales of promotional packages, the provision of marketing and operating services to a stockist on Uzbekistan, and a one-time sale of machines by our subsidiary, Golden Health Trading. Such sale was made to Florin Fujian and Anxi Gande Foluohua, which later became our subsidiaries.

(ii) Other income

Our other income increased by 89.9% from RM13.9 million for the FYE 28 February 2019 to RM26.3 million for the FYE 29 February 2020. This was primarily due to recognition of a gain of RM5.3 million from the acquisition of Amazing Discovery, gain on foreign exchange amounting to RM1.5 million and an increase of RM2.0 million in income from system consultancy fees paid to our Group from our external distribution agency in Dubai.

(iii) Changes in work-in-progress and manufactured inventories

Our changes in work-in-progress and manufactured inventories decreased by 85.0% from RM44.9 million for the FYE 28 February 2019 to RM6.8 million for the FYE 29 February 2020. This was primarily due to a marginal change in the opening and closing stock levels of manufactured inventories in the FYE 29 February 2020 as compared to the FYE 28 February 2019 as a result of us keeping a higher level of manufactured inventory buffer at the end of the FYE 29 February 2020 to cater for the sales demand in Latin America.

(iv) Raw materials used and trading inventories sold

Our raw materials used and trading inventories sold increased by 2.9% from RM158.3 million for the FYE 28 February 2019 to RM162.9 million for the FYE 29 February 2020 in line with an increase in our revenue.

(v) Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin and the percentage change for the financial years indicated:

	FYE 28/29 February		
	2019	**2020**	**% change**
Gross profit (RM'000)	761,551	913,120	19.9
Gross profit margin (%).......	83.9	82.7	(1.2)

Our gross profit increased by 19.9% from RM761.6 million for the FYE 28 February 2019 to RM913.1 million for the FYE 29 February 2020 as a result of the reasons described above. However, our gross profit margin decreased by 1.2 percentage points from 83.9% for the FYE 28 February 2019 to 82.7% for the FYE 29 February 2020 due to a higher increase in the sales of FFB in the FYE 29 February 2020 than HDS since FFB has a lower gross profit margin than HDS.

(vi) Depreciation and amortisation

Our depreciation and amortisation increased by 29.5% from RM19.4 million for the FYE 28 February 2019 to RM25.1 million for the FYE 29 February 2020. This was primarily due to an increase in depreciation of property, plant and equipment of RM2.4 million as a result of the increase in property, plant and equipment from RM157.1 million for the FYE 28 February 2019 to RM346.2 million for the FYE 29 February 2020, increase in depreciation of investment property of RM1.0 million primarily due to the acquisition of land in Gua Musang, Malaysia in the FYE 29 February 2020 and an increase in the depreciation of right-of-use assets amounting to RM2.3 million.

(vii) Employee benefits expense

Our employee benefits expense increased by 10.0% from RM93.0 million for the FYE 28 February 2019 to RM102.3 million for the FYE 29 February 2020. This was primarily due to an increase in employees from 2,161 for the FYE 28 February 2019 to 2,514 for the FYE 29 February 2020 to support increased market demand as well as an increase in salaries from RM86.1 million for the FYE 28 February 2019 to RM94.8 million for the FYE 29 February 2020.

(viii) Net gain or loss on impairment of financial assets

We recorded a net gain on impairment of financial assets for the FYE 29 February 2020 of RM0.7 million, compared to a RM32,000 gain for the FYE 28 February 2019. This was primarily due to the recovery of bad debts amounting to RM3.2 million in India which was partially offset by impairment on the amount due from other debtors amounting to RM2.1 million.

(ix) Other expenses

Our other expenses increased by 32.4% from RM379.9 million for the FYE 28 February 2019 to RM503.2 million for the FYE 29 February 2020. This was primarily due to a larger reversal of provision for Member bonus in the FYE 28 February 2019 by RM19.2 million as compared with the FYE 29 February 2020 as well as a non-recurring professional fee of RM6.6 million for a due diligence exercise in the FYE 29 February 2020 and higher operating and marketing expenses as a result of higher sales in the FYE 29 February 2020.

(x) Results from operating activities

As a result of the foregoing, our results from operating activities increased by 9.4% from RM315.4 million for the FYE 28 February 2019 to RM345.0 million for the FYE 29 February 2020.

(xi) Interest income

Our interest income decreased by 23.1% from RM8.9 million for the FYE 28 February 2019 to RM6.9 million for the FYE 29 February 2020. This was primarily due to a decrease in our investments in short-term deposits as a result of increased capital requirements for our headquarters, DXN Cyberville in Cyberjaya, Malaysia and our new manufacturing and cultivation facilities in India, China and Mexico.

(xii) Finance costs

Our finance costs decreased by 7.8% from RM4.3 million for the FYE 28 February 2019 to RM4.0 million for the FYE 29 February 2020. This was primarily due to a decrease in revolving credit interest expense as a result of lower interest rates offered by banks.

(xiii) PBT

Our PBT increased by 8.7% from RM320.0 million for the FYE 28 February 2019 to RM347.8 million for the FYE 29 February 2020. This was largely due to the reasons set out above.

However, our PBT margin decreased from 35.3% for the FYE 28 February 2019 to 31.5% for the FYE 29 February 2020.

(xiv) Tax expense

Our tax expense decreased by 8.4% from RM101.1 million in the FYE 28 February 2019 to RM92.6 million for the FYE 29 February 2020 largely due to provision for tax dispute cases in India and Peru in the FYE 28 February 2019 and reversal of income tax in India in the FYE 29 February 2020.

(xv) Profit for the year, PATAMI and PATAMI margin

As a result of the foregoing, our profit for the year increased by 16.6% from RM218.9 million for the FYE 28 February 2019 to RM255.2 million for the FYE 29 February 2020.

Our PATAMI increased by 15.1% from RM210.0 million for the FYE 28 February 2019 to RM241.7 million for the FYE 29 February 2020. However, our PATAMI margin decreased from 23.1% for the FYE 28 February 2019 to 21.9% for the FYE 29 February 2020.

12.2.9 Liquidity and capital resources

(i) Working capital

Our working capital is funded through cash generated from our operating activities, cash and bank balances, and credit facilities.

As at 31 December 2021, we had short-term investments of RM38.8 million, deposits with licensed banks of RM21.7 million, cash and bank balances of RM373.2 million and multi-currency trade facilities comprising term loan facilities, revolving credit facilities, overdraft facilities and other trade financings with a combined limit of RM557.9 million, of which RM250.3 million was drawn and RM307.6 million was undrawn.

As at 31 December 2021, our working capital, calculated as current assets minus current liabilities, was RM132.8 million.

Based on our cash generated from our operating activities, cash and bank balances, credit facilities and the gross proceeds of approximately RM[●] million that we expect to raise from our Public Issue, our Board believes that we have sufficient working capital for a period of 12 months from the date of this Prospectus.

(ii) Cash flows

The following table sets out a summary of our consolidated statements of cash flows for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	
	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	173,713	307,393	250,408	209,257	198,677
Net cash (used in)/from investing activities.....	17,817	(242,686)	(183,458)	(149,956)	6,390
Net cash (used in)/from financing activities.....	(145,755)	(3,750)	12,616	17,570	(135,004)
Net increase/ (decrease) in cash and cash equivalents	45,775	60,957	79,566	76,871	70,063
Foreign exchange translation differences	(1,608)	1,708	(7,348)	(8,643)	(1,471)
Cash and cash equivalents at beginning of the financial year/period..	144,303	188,470	251,135	251,135	323,353
Cash and cash equivalents at end of the financial year/period...............	**188,470**	**251,135**	**323,353**	**319,363**	**391,945**

Most of our cash and cash equivalents are held in RM, PEN, BOB, INR, MXN, EUR and USD. With the exception of restrictions on repatriation of dividends from two of our subsidiaries in India that are due to errors in the registration of shareholding of our Indian subsidiaries, there are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

Net cash from operating activities

FPE 31 December 2021

Our net cash from operating activities was RM198.7 million for the FPE 31 December 2021. Our PBT was RM270.6 million, which was adjusted for non-cash and other items of RM31.5 million and further adjusted for working capital changes which primarily comprised:

(a) an increase in inventories of RM52.0 million for the FPE 31 December 2021 due to an increase in stock buffer levels in Latin America to cope with potential shipment delays; and

(b) a decrease in contract liabilities of RM8.3 million for the FPE 31 December 2021 following the redemption or reversal of the points awarded to Members at the end of the 10.0% Discount Promotion in May 2021,

which was partially offset by:

(i) a decrease in trade and other receivables of RM11.4 million for the FPE 31 December 2021 due to the receipt of an insurance claim receivable in the FPE 31 December 2021 in relation to a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia; and

(ii) an increase in trade and other payables of RM35.7 million for the FPE 31 December 2021 due to an increase in Member bonus payables as a result of an increase in sales.

We paid RM90.0 million in income tax for the FPE 31 December 2021.

FPE 31 December 2020

Our net cash from operating activities was RM209.3 million for the FPE 31 December 2020. Our PBT was RM244.3 million, which was adjusted for non-cash and other items of RM29.0 million and further adjusted for working capital changes which primarily comprised:

(a) an increase of inventories of RM26.4 million for the FPE 31 December 2020 due to an increase in stock buffer levels in Latin America to cope with potential shipment delays, an increase in production output to prevent an inventory shortage following a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia; and

(b) an increase in trade and other receivables of RM15.8 million for the FPE 31 December 2020 due to an insurance claim receivable in relation to a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia,

which was partially offset by an increase in trade and other payables of RM60.1 million for the FPE 31 December 2020 due to increase in trade payables as a result of higher purchase of raw materials to rebuild inventory after the fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia, an increase in Member bonus payables, and an increase in provision for travel seminar incentives due to an increase in sales.

We paid RM81.1 million in income tax for the FPE 31 December 2020.

FYE 28 February 2021

Our net cash from operating activities was RM250.4 million for the FYE 28 February 2021. Our PBT was RM287.3 million, which was adjusted for non-cash and other items of RM44.8 million and further adjusted for working capital changes which primarily comprised:

(a) an increase in inventories of RM43.0 million for the FYE 28 February 2021 due to our decision to increase our stock buffer to cater for market demand and to cope with potential shipment delays; and

(b) an increase in trade and other receivables of RM14.4 million for the FYE 28 February 2021 primarily due to an insurance claim receivable amounting to RM10.1 million in the FYE 28 February 2021 in connection with a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia,

which was partially offset by:

(i) an increase in trade and other payables of RM66.6 million for the FYE 28 February 2021 due to a dividend of RM52.7 million declared in the FYE 28 February 2021 and paid after the FYE 28 February 2021 as well as a provision for indirect tax contingency of RM18.0 million in the FYE 28 February 2021; and

(ii) an increase in contract liabilities of RM8.3 million for the FYE 28 February 2021 due to the full accrual of the points awarded to Members in relation to the 10.0% Discount Promotion.

We paid RM98.6 million in income tax for the FYE 28 February 2021.

FYE 29 February 2020

Our net cash from operating activities was RM307.4 million for the FYE 29 February 2020. Our PBT was RM347.8 million, which was adjusted for non-cash and other items of RM21.6 million and further adjusted for working capital changes which primarily comprised:

(a) an increase in inventories of RM5.8 million due to growth in sales in Latin America requiring a higher volume of stock buffer to cater for market demand,

which was partially offset by:

(i) a decrease in trade and other receivables of RM4.1 million due to the reclassification of a deposit paid for a piece of land in Pahang to right of use in the FYE 29 February 2020 and a decrease in indirect tax receivables; and

(ii) an increase in trade and other payables of RM43.7 million due to an increase in Member bonus payables in the FYE 29 February 2020 and an increase in provision for travel seminar incentives as a result of an increase in sales.

We paid RM103.4 million in income tax for the FYE 29 February 2020.

FYE 28 February 2019

Our net cash generated from operating activities was RM173.7 million for the FYE 28 February 2019. Our PBT was RM320.0 million, which was adjusted for non-cash and other items of RM22.1 million and further adjusted for working capital changes which primarily comprised:

(a) an increase in inventories of RM63.0 million due to growth in sales in Latin America;

(b) an increase in trade and other receivables of RM23.3 million due to a deposit of RM6.0 million paid for a piece of land in Pahang and an increase in indirect tax receivables; and

(c) a decrease in trade and other payables of RM5.6 million due to a reversal of provision for Member bonuses in the FYE 28 February 2019 from the accumulation of long outstanding amounts from prior years as part of an ongoing review by our management in assessing whether Member bonuses accrued are still probable to be claimed by Members, with FYE 28 February 2019 being the first year when such a reversal was made. The accumulation of long outstanding amounts stems from the fact that most of the bonuses that are not paid out belong to Members who are purely consumers of our products. As they become inactive over time, the bonus accrued becomes outstanding amounts.

We paid RM76.4 million in income tax for the FYE 28 February 2019.

Net cash from/used in investing activities

FPE 31 December 2021

Our net cash from investing activities was RM6.4 million for the FPE 31 December 202, which primarily comprised withdrawal of short term investment of RM154.9 million and interest income from short-term deposits, investment funds and advances of RM2.3 million, partially offset by purchases of property, plant and equipment of RM152.1 million relating to construction work-in-progress for DXN Cyberville in Cyberjaya, Malaysia, and cultivation and manufacturing facilities in India, China and Mexico, purchase of plant and machinery for the facilities in India, Malaysia and China and purchase of laboratory equipment in Malaysia, as well as other building costs, purchase of furniture and fittings, and motor vehicles and vessels.

FPE 31 December 2020

Our net cash used in investing activities was approximately RM150.0 million for the FPE 31 December 2020, which primarily comprised purchases of property, plant and equipment of RM100.1 million, acquisition of subsidiaries, net of cash and cash equivalents of RM8.4 million, and placement of short term investments of RM46.7 million, partially offset by interest income from short-term deposits, investment funds and advances of RM6.1 million.

FYE 28 February 2021

Our net cash used in investing activities was RM183.5 million for the FYE 28 February 2021, which primarily comprised:

(i) purchases of property, plant and equipment of RM140.1 million including capital work-in-progress amounting to RM109.8 million for our headquarters, DXN Cyberville in Cyberjaya, Malaysia and cultivation and manufacturing facilities in India, China and Malaysia, purchase of plant and machinery amounting to RM19.9 million for our facilities in India, Malaysia and China and purchase of laboratory equipment in Malaysia, building costs, purchase of motor vehicles, purchase of aircraft as well as furniture and fittings;

(ii) acquisition of subsidiaries, net of cash and cash equivalents, of RM8.4 million for our cultivation facility and manufacturing facility in Anxi, China; and

(iii) placement of short-term investments in fixed income trusts and funds amounting to RM41.0 million,

partially offset by interest income from short-term deposits, investment funds and advances of RM6.9 million.

FYE 29 February 2020

Our net cash used in investing activities was RM242.7 million for the FYE 29 February 2020, which primarily comprised:

(i) purchases of property, plant and equipment of RM146.1 million, including capital work-in-progress amounting to RM106.1 million for our headquarters, DXN Cyberville in Cyberjaya, Malaysia and cultivation and manufacturing facilities in India, China, Mexico, Malaysia and Indonesia, building costs amounting to RM19.0 million for a shop building in Thailand, warehouse in Malaysia and manufacturing facility in China, purchase of plant and machinery amounting to RM7.7 million for our facilities in Malaysia and Indonesia and purchase of laboratory equipment in

Malaysia, purchase of land in Mexico amounting to RM3.7 million for use as a production facility, motor vehicles amounting to RM2.4 million as well as furniture and fittings amounting to RM5.9 million; and

(ii) purchase of investment properties of RM37.3 million in Gua Musang, Malaysia for the expansion of our cultivation facilities,

partially offset by interest income from short-term deposits, investment funds and advances of RM6.9 million.

FYE 28 February 2019

Our net cash from investing activities was RM17.8 million for the FYE 28 February 2019, which primarily comprised:

(i) purchase of investment property of RM61.8 million relating to the payment of deposit for the purchase of land in Gua Musang, Malaysia; and

(ii) purchase of property, plant and equipment of RM47.4 million relating to the purchase of a manufacturing facility in Telangana, India amounting to RM6.0 million, purchase of aircraft amounting to RM7.9 million, purchase of property in Spain and Malaysia for sales and administrative offices amounting to RM4.3 million and the expansion of plant and machinery for a cultivation facility in China amounting to RM3.8 million and a laboratory business in Malaysia amounting to RM2.8 million,

partially offset by the withdrawal of short-term investments in fixed income trust and funds placed with financial institutions amounting to RM120.2 million and interest income from short-term deposits, investment funds and advances of RM8.9 million.

Net cash from/used in financing activities

FPE 31 December 2021

Our net cash used in financing activities was RM135.0 million for the FPE 31 December 2021, which primarily comprised dividends paid to our shareholders of RM112.7 million, repayment of revolving credit of RM32.5 million, repayment of interest of RM4.1 million and repayment of lease liabilities of RM8.6 million, partially offset by drawdown of term loans of RM23.7 million.

FYE 28 February 2021

Our net cash from financing activities was RM12.6 million for the FYE 28 February 2021, which primarily comprised drawdown of revolving credits and term loans of RM96.6 million and RM4.9 million respectively, partially offset by dividends paid to our shareholders of RM80.0 million, repayment of interest of RM4.3 million and repayment of lease liabilities of RM8.6 million.

FYE 29 February 2020

Our net cash used in financing activities was RM3.8 million for the FYE 29 February 2020, which primarily comprised dividends paid to our shareholders of RM55.0 million, repayment of term loans of RM20.7 million, repayment of lease liabilities of RM7.1 million and repayment of interest of RM4.0 million, partially offset by drawdown of revolving credits of RM85.2 million.

FYE 28 February 2019

Our net cash used in financing activities was RM145.8 million for the FYE 28 February 2019, which primarily comprised dividends paid to our shareholders of RM94.0 million, repayment of revolving credit of RM42.1 million, repayment of lease liabilities of RM5.3 million and repayment of interest of RM4.3 million.

(iii) Borrowings

As at 31 December 2021, our total borrowings, all of which were interest bearing, amounted to RM249.5 million as set out in the table below:

	RM'000	Contractual interest rate %
Non-current		
Hire purchase liabilities	1,506	1.71 – 3.54
Term loans, secured	33,345	2.00 – 7.00
	34,851	
Current		
Hire purchase liabilities	912	1.71 – 3.54
Term loans, secured	11,089	2.00 – 7.00
Revolving credits, secured	197,549	1.06 – 1.60
Revolving credits, unsecured	5,063	1.06 – 1.60
	214,613	
Total loans and borrowings	**249,464**	

	RM'000
Currency profile of borrowings:	
USD	154,670
EUR	90,611
RM	4,180
PHP	3
Total	**249,464**
Gearing ratio (times)[(1)]	0.3
Net gearing ratio (times)[(2)]	(0.2)

Notes:

(1) Calculated based on total borrowings (excluding lease liabilities) divided by total equity.

(2) Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents divided by total equity.

Our term loans and revolving credits as at 31 December 2021 are secured by way of legal charges over lands and buildings of our Group, inventories, short term deposits and land held for property development owned by our former subsidiary, Yiked-DXN Stargate Sdn Bhd ("**Yiked Lands**") which was disposed of in February 2021. As at the LPD, we have engaged a legal counsel for the discharge of the Yiked Lands and to replace the charge over the Yiked Lands with a property owned by Amazing Discovery.

The maturity profile of our borrowings as at 31 December 2021 is set out below:

	On demand or within one year	Within one year to five years	Over five years	Total
		RM'000		
Hire purchase liabilities	912	1,506	-	2,418
Term loans	11,089	32,914	431	44,434
Revolving credits	202,612	-	-	202,612
Total	**214,613**	**34,420**	**431**	**249,464**

As at 31 December 2021, our loans and borrowings are denominated in RM, USD, EUR, and PHP and are subject to both fixed and floating rates.

For more information on our borrowings, see Note 18 of the Accountants' Report included in Section 13 of this Prospectus.

We have not been in default of either interest or principal for any of our borrowings during the FYEs 28 February 2019, 29 February 2020 and 28 February 2021, the FPE 31 December 2021 and from 1 January 2022 up to and including the LPD. As at the LPD, we are not in breach of the terms and conditions or covenants associated with our borrowings which would materially affect our financial position and results of operations or the investment in our Shares.

(iv) Key financial ratios

The following table sets out certain of our key financial ratios for the financial years/period indicated:

	FYE 28/29 February			FPE 31 December
	2019	2020	2021	2021
Trade receivables turnover (days)(1)	5	4	5	5
Trade payables turnover (days)(2)	17	16	26	20
Inventory turnover (days)(3)	210	227	293	321
Current ratio (times)(4)	1.6	1.4	1.2	1.2
Gearing ratio (times)(5)	0.1	0.2	0.4	0.3
Net gearing ratio (times)(6)	(0.2)	(0.1)	(0.1)	(0.2)

***Notes**:*

(1) Computed based on average trade receivables as at the beginning and end of the financial year/period divided by revenue for such financial year/period, multiplied by number of days in the financial year/period.

(2) Computed based on average trade payables as at the beginning and end of the financial year/period divided by cost of goods sold for such year/period, multiplied by number of days in the financial year/period.

(3) Computed based on average inventories (excluding land held for property development and developed properties) as at the beginning and end of the financial year divided by cost of goods sold for such financial year/period, multiplied by number of days in the financial year/period.

(4) Computed based on current assets over current liabilities as at the end of the financial year/period.

(5) Computed based on total borrowings (excluding lease liabilities) over total equity as at the end of the financial year/period.

(6) Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents divided by total equity as at the end of the financial year/period.

(a) **Trade receivables turnover**

Our sales to Members are through financial institutions providing retail credit services such as credit cards, through online payment channels and payments made using Member bonuses with cash and ePoints.

For external distribution agencies and other third parties such as customers of our laboratory testing services, we allow payment by letters of credit or credit terms ranging from 30 to 90 days. These credit terms are determined on a case-by-case basis, taking into consideration factors such as our business relationship with the external distribution agency, customer creditworthiness and historical payment trends as well as transaction volume and value before approving customer credit applications.

Our trade receivables turnover period for the FYEs 28 February 2019, 29 February 2020 and 28 February 2021 and the FPE 31 December 2021 has remained within the normal credit terms that we impose on our customers.

Our trade receivables turnover period has been stable for the FYEs 28 February 2019, 29 February 2020 and 28 February 2021 and the FPE 31 December 2021, at five days and below.

The following table sets out the aging analysis for our trade receivables as at 31 December 2021:

		Past due			
	Current	**1-30 days**	**31-120 days**	**More than 120 days**	**Total**
		(RM'000, except percentages)			
As at 31 December 2021					
Trade receivables..	8,360	5,152	1,033	2,457	17,002
% of total trade receivables	49.2	30.3	6.1	14.4	100.0
As at the LPD:					
- Trade receivables settled................	7,799	4,648	821	1,532	14,800
- Trade receivables settled (% of total trade receivables)........	45.9	27.3	4.8	9.0	87.0
- Trade receivables outstanding.........	561	504	212	925	2,202

As at 31 December 2021, our total trade receivables were approximately RM17.0 million, of which RM8.6 million or 50.8% of our trade receivables are past due. The trade receivables that are past due are mainly amounts due from a stockist holding certain slow moving products, where we have arranged for collection of payment on actual sales, as well as advanced stock to stockists for new market development.

As at the LPD, we have collected RM14.8 million or 87.0% of our total outstanding trade receivables as at 31 December 2021. Out of the remaining trade receivables of approximately RM2.2 million, a provision of RM0.5 million has been made in February 2022 on the amount owed from the said stockist, RM0.2 million will be collectible by way of bonus deduction for the said stockist and the collection of RM0.5 million has been postponed for a customer who is in the midst of changing bank authorisation signatory. We actively communicate and follow-up for collection of outstanding trade receivables exceeding our credit period.

(b) **Trade payables turnover**

Our trade payables relate to transactions with third party suppliers. The credit period given by our trade creditors generally ranges between 30 to 60 days. Our trade payables turnover period for the FYEs 28 February 2019, 29 February 2020 and 28 February 2021 and the FPE 31 December 2021 has remained within the normal credit period that our trade creditors extend to us.

Our trade payables turnover period has remained stable in the FYE 28 February 2019 and the FYE 29 February 2020 at 17 days and 16 days, respectively.

Our trade payables turnover period increased from 16 days for the FYE 29 February 2020 to 26 days for the FYE 28 February 2021 primarily due to higher purchase volumes of raw materials due to a need to restock some inventories due to losses from a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia.

Our trade payables turnover period decreased from 26 days for the FYE 28 February 2021 to 20 days for the FPE 31 December 2021 primarily due to lower purchase volumes of raw materials as the stock has achieved the required stock buffer level.

The following table sets out the aging analysis for our trade payables as at 31 December 2021:

		Past due			
	Current	**1-30 days**	**31-120 days**	**More than 120 days**	**Total**
		(RM'000, except percentages)			
As at 31 December 2021					
Trade payables......	6,831	73	5	1,023	7,932
% of total trade payables............	86.1	0.9	0.1	12.9	100.0
As at the LPD:					
- Trade payables settled................	6,805	73	5	1	6,884
- Trade payables settled (% of total trade payables)...	85.8	0.9	0.1	*	86.8
- Trade payables outstanding.........	26	-	-	1,022	1,048

Note:
* *Negligible.*

As at 31 December 2021, our total trade payables were approximately RM7.9 million, with RM1.1 million or 13.9% of our trade payables past due. The trade payables that are past due are primarily due to the RM1.0 million amount outstanding owed by our subsidiary, DXN Healthtech, to a supplier of household electrical products.

As at the LPD, we have paid approximately RM6.9 million or 86.8% of our total outstanding trade payables as at 31 December 2021. We do not intend to settle the outstanding amount due to the said supplier, pending the resolution of our legal dispute over amounts owed by the same supplier to DXN Biotechnology Ningxia and DXN Corporation Ningxia.

(c) **Inventory turnover**

Our inventory comprises raw materials, work-in-progress and finished products. The table below sets out a summary breakdown of our inventories for the financial years/period indicated:

	FYE 28/29 February			**FPE 31 December**
	2019	**2020**	**2021**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Raw materials..................	49,041	50,852	65,763	65,283
Work-in-progress products........................	2,285	7,682	6,502	9,553
Finished products............	63,411	64,608	93,861	143,304
Closing inventory[1].......	**114,737**	**123,142**	**166,126**	**218,140**
Cost of goods sold...........	145,672	191,488	179,886	183,389
Inventory turnover (days)[2]	210	227	293	321
Inventory turnover for raw materials and work-in-progress products (days)[2]	108	105	132	123
Inventory turnover for finished products (days)[2]	102	122	161	198

Notes:

(1) This excludes land held for development (non-current assets) and developed properties (current assets) since that is not our core business and that land and properties have been disposed of in the FYE 28 February 2021.

(2) Computed as an average of the opening and closing inventory for the financial year/period divided by cost of goods sold for such financial year/period, multiplied by number of days in the financial year/period.

Generally, while our inventory turnover period depends on the expected demand from our customers for the type of products and also the value of inventories during the period, we aim to keep inventory levels of raw materials, work-in-progress and finished products of six to nine months of stock to protect against shortages from sudden spikes in demand.

Our inventory turnover period for raw materials and work-in-progress products decreased from 108 days for the FYE 28 February 2019 to 105 days for the FYE 29 February 2020. Our inventory turnover period for finished products increased from 102 days for the FYE 28 February 2019 to 122 days for the FYE 29 February 2020 primarily due to completion of a new warehouse in Kedah, Malaysia in 2019 that enabled us to keep higher stock levels.

Our inventory turnover period for raw materials and work-in-progress products increased from 105 days for the FYE 29 February 2020 to 132 days for the FYE 28 February 2021, while our inventory turnover period for finished products increased from 122 days for the FYE 29 February 2020 to 161 days for the FYE 28 February 2021. This was due to our decision to increase our stock buffer from three to six months to better protect against shortages, in response to a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia and shipment delays affecting global supply chains due to the COVID-19 pandemic.

Our inventory turnover period for raw materials and work-in-progress products decreased from 132 days for the FYE 28 February 2021 to 123 days for the FPE 31 December 2021 as more of our raw materials and work-in-progress products were used to produce finished goods, and there was a delay in restocking raw materials due to the COVID-19 pandemic. Our inventory turnover period for finished products increased from 161 days for the FYE 28 February 2021 to 198 days for the FPE 31 December 2021 due to an increase in stock buffer in our core markets to prevent shortages and manage longer shipment durations due to the COVID-19 pandemic.

Our raw materials have varying shelf lives depending on their nature, ranging mainly from two to three years, and our work-in-progress and finished products have an average shelf life of three years. Our Board is of the view that no material impairment is required for our inventory as at the LPD as the raw materials, work-in-progress and finished products are within their respective shelf life period.

(d) **Current ratio**

Our current ratio decreased from 1.6 times as at 28 February 2019 to 1.4 times as at 29 February 2020 primarily due to an increase in revolving credit by RM85.2 million to fund our working capital requirements to support our increase in sales in the FYE 29 February 2020.

Our current ratio decreased from 1.4 times as at 29 February 2020 to 1.2 times as at 28 February 2021 primarily due to an increase in our revolving credit by RM96.6 million to fund our working capital requirements to build up the inventory loss due to a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia as well as dividend payable of RM52.7 million that was paid after the FYE February 2021.

Our current ratio remained stable at 1.2 times as at 31 December 2021.

(e) **Gearing ratio**

Our gearing ratio increased from 0.1 times as at 28 February 2019 to 0.2 times as at 29 February 2020 primarily due to the drawdown of revolving credit to fund our working capital requirements in the FYE 29 February 2020.

Our gearing ratio increased from 0.2 times as at 29 February 2020 to 0.4 times as at 28 February 2021 primarily due to an increase in revolving credit by RM96.6 million to fund our working capital requirements to build up the inventory loss due to a fire in September 2020 that occurred in one of our warehouses in our manufacturing facility in Kedah, Malaysia as well as our investment in production facilities in India and China and drawdown of a new term loan for the construction of DXN Cyberville in the FYE 28 February 2021.

Our gearing ratio decreased from 0.4 times as at 28 February 2021 to 0.3 times as at 31 December 2021 primarily due to the increase in retained earnings in the FPE 31 December 2021.

(v) Capital expenditure

The following table sets out our capital expenditure for the financial years/periods indicated:

	FYE 28/29 February			**FPE 31 December**	**1 January 2022 up to and including the LPD**
	2019	**2020**	**2021**	**2021**	
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Expansion of cultivation and manufacturing facilities	25,736	118,798	108,260	104,466	13,976
Lifestyle offering projects	551	33,148	30,801	31,855	7,308
Others[(1)]	6,450	7,506	760	682	18,470
Total	**32,736**	**159,452**	**139,821**	**137,003**	**39,754**

Note:

(1) Others comprise of a café, third party laboratory testing services business and purchase of office buildings.

Our capital expenditure increased by 387.1% from RM32.7 million for the FYE 28 February 2019 to RM159.5 million for the FYE 29 February 2020 primarily due to: (i) construction of manufacturing and cultivation facilities in Telangana, India; (ii) construction of a new beverage factory in Ningxia, China; and (iii) expansion of various cultivation and manufacturing facilities in Malaysia. Our capital expenditure in the FYE 28 February 2021 marginally decreased by 12.3% from RM159.5 million for the FYE 29 February 2020 to RM139.8 million for the FYE 28 February 2021, which was mainly incurred in relation to (i) construction of manufacturing and cultivation facilities in Telangana, India; (ii) acquisition of Florin Fujian and subsequent expansion of its cultivation facility in Anxi, China; and (iii) construction of the new beverage factory in Ningxia, China.

The majority of our capital expenditure incurred in the past were in connection with the expansion of our cultivation and manufacturing facilities, including the following:

(i) expansion of a research facility, cultivation facility and two manufacturing facilities in Kedah, Malaysia, and two manufacturing facilities in Pondicherry, India and West Java, Indonesia;

(ii) construction and subsequent expansion of a research facility to conduct research related to FFB, edible fungi, Spirulina and fermentation, a cultivation facility to cultivate Spirulina powder and a manufacturing facility to manufacture food and fortified beverages and Spirulina tablets in Ningxia, China;

(iii) acquisition of Florin Fujian and subsequent expansion of its cultivation facility to cultivate tea trees as well as a manufacturing facility to manufacture tea products in Anxi, China;

(iv) construction and subsequent expansion of a cultivation facility in Pondicherry, India to cultivate Spirulina and Noni, and a cultivation facility Odisha, India to cultivate Ganoderma, Lion’s Mane mushroom and Cordyceps;

(v) construction and subsequent expansion of three manufacturing facilities in: (i) Himachal Pradesh, India to manufacture RG and GL capsules, and fortified beverages; (ii) Tlaxcala, Mexico to manufacture fortified beverages; and (iii) South Kalimantan, Indonesia to manufacture virgin coconut oil;

(vi) construction of a cultivation and manufacturing facilities in Telangana, India to cultivate Ganoderma and Spirulina, and produce fortified beverages, food supplements and cosmetics;

(vii) acquisition of Esen Lifesciences that owns one facility in Pondicherry, India;

(viii) construction of a cultivation and manufacturing facilities in Ningxia, China to cultivate Spirulina, Lion's Mane mycelium, Cordyceps mycelium and other mycelia of edible fungi, and produce carbonated beverage products, as well as to serve as a distribution centre for our products to our Group; and

(ix) construction of a manufacturing facility in Tlaxcala, Mexico to produce FFB, including premixed coffee, premixed cocoa and juices, and food supplements products, including capsules and tablets.

See Section 6.1.3 of this Prospectus for further details on our investments in our production facilities.

Our capital expenditure incurred in relation to our lifestyle offering projects are for Boulder Valley and DXN Cyberville.

Boulder Valley is a lifestyle resort in Penang, Malaysia, that consists of tented accommodations and space for small parties and events. In April 2019, we acquired 100% of the shares in Amazing Discovery, which owns Boulder Valley, for RM2.4 million. We funded this using cash from internally generated funds.

DXN Cyberville is our new headquarters. We commenced construction of this project in Cyberjaya, Malaysia in 2019 and have incurred RM83.5 million as at the LPD. It is a three-storey wellness and retreat centre with a 10-storey apartment and two-storey recreational space that includes a sales counter, branch office, stockist sales counter, VIP lounges, convention hall and helipad. We intend for this space to offer Members a space to receive Ganotherapy and other natural health treatments using DXN products, including as part of group retreats. We have completed the first phase of construction for the three-storey wellness and retreat centre, which includes the DXN experiential gallery and training rooms for accommodating over 1,500 visitors, with the remaining construction to be completed in the third quarter of 2022.

We completed our acquisition of an 82.8% equity interest in Florin Fujian in China (with the remaining 17.2% equity interest held by Fujian Anxi Jinjiang Source Tea Technology Co., Ltd.) in the FYE 28 February 2021 for a total cost of RM24.1 million using internal funds from operations.

The general purpose of the capital expenditure throughout the financial years/periods above was to expand into other business activities that primarily serve to support our core businesses in terms of production, marketing or delivering services to Members. Our sources of funding for these capital expenditures were internal funds from operations and bank borrowings. We used term loans to finance the purchase of land and construction of building for DXN Cyberville.

The following table sets out our capital expenditure by geographical location for the financial years/periods indicated:

	FYE 28/29 February			FPE 31 December	1 January 2022 up to and including the LPD
	2019	**2020**	**2021**	**2021**	
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia..................	13,904	49,215	51,586	45,496	28,704
China	7,610	24,623	36,754	40,606	6,282
India........................	7,867	61,724	47,561	43,695	3,421
Mexico	194	10,096	2,481	6,806	1,153
Others[(1)]	3,161	13,794	1,439	400	194
Total	**32,736**	**159,452**	**139,821**	**137,003**	**39,754**

Note:

(1) Others comprise Indonesia, Spain and Thailand.

(vi) Material investments and divestitures

Saved as disclosed in Section 12.2.9(v) of this Prospectus and below, we have not undertaken any material investments or divestitures during the FYEs 28 February 2019, 29 February 2020 and 28 February 2021, the FPE 31 December 2021 and up to and including the LPD:

(i) in April 2019, we acquired the entire equity interest in Amazing Discovery in Malaysia for a total cash consideration of RM2.4 million using internal funds from operations.

(ii) in February 2021, we disposed of the following subsidiaries located in Malaysia to DXN Global, our substantial shareholder:

(a) entire equity interest in DXN Plantation Sdn. Bhd. for a total cash consideration for RM2.6 million;

(b) entire equity interest in DXN Land Sdn. Bhd. including its subsidiaries Yiked Lands, Richmont Sapphire Sdn. Bhd. and Bio Synergy Engineering Sdn. Bhd. for a total cash consideration amounting to of RM5.5 million; and

(c) redeemable preference shares held directly by our Company in Yiked Lands for a total cash consideration amounting to RM39.0 million.

The total cash consideration of RM47.1 million from the above divestments was set off against our dividends payable to DXN Global.

In conjunction with the above divestments, DXN Global also agreed to set off the dividends payable by our Company amounting to RM100.2 million against the amount owing by the disposed subsidiaries to our Company.

(vii) Capital commitments and contractual obligations

Capital commitments

Our capital commitments as at the LPD are as follows:

	As at 31 December 2021	As at the LPD
	RM'000	RM'000
Contracted but not provided for:		
Property, plant and equipment	82,377	68,548
Total	**82,377**	**68,548**

Our contracted but not provided for capital commitments as at the LPD primarily comprise RM25.8 million for the construction of DXN Cyberville, RM20.5 million for the construction of a manufacturing facility in Telangana, India, RM15.3 million for the construction of cultivation and manufacturing facilities in China, RM6.4 million for purchase of machineries and equipment as well as RM0.5 million for the purchase of lab equipment. We plan to meet our capital commitments through our cash and cash equivalents, cash generated from our operations and funding from other financing activities (if required).

Save as disclosed above, as at the LPD, we do not have any other material capital commitments incurred or known to be incurred by us that may have a material adverse effect on our financial results.

Other contractual obligations

Our contractual obligations (excluding capital expenditure commitments) as at 31 December 2021 comprise primarily of repayment obligations under our leases and in respect of our borrowings.

The following table sets out the maturity profile of our contractual cash repayment obligations under our leases as at 31 December 2021:

	As at 31 December 2021
	RM'000
Payments due by period	
Not later than one year	9,159
Later than one year and not later than five years	15,160
Later than five years	1,749
Total	**26,068**

The following table sets out the maturity profile of our contractual cash repayment obligations in respect of our borrowings as at 31 December 2021:

	As at 31 December 2021
	RM'000
Payments due by period	
Not later than one year	115,545
Later than one year and not later than five years	134,478
Later than five years	2,656
Total	**252,679**

We plan to meet our contractual cash obligations through our cash and cash equivalents on hand, as well as cash generated from future operations and funding from other financing activities (if required).

(viii) Contingent liabilities

Save for our undertaking to provide financial support to our associate, Box Park Management, and our joint venture, DNC Food Industries to enable them to continue operating as a going concern, as disclosed below, we do not have any other contingent liabilities as at the LPD which, upon becoming enforceable, may have a material adverse effect on our results of operations or financial position:

	Total balance (gross) as at 31 December 2021	Total balance (net) as at 31 December 2021[3]
	RM'000	RM'000
Amounts due from		
Box Park Management[1]	4,130	-
DNC Food Industries[2]	2,682	2,250

Notes:

(1) Financial support was provided to Box Park Management for the funding of the Tanjung Chali project, a tourism project undertaken by Box Park Management. As at the LPD, the project is on hold due to the COVID-19 pandemic.

(2) Financial support was provided to DNC Food Industries for the joint purchase of industrial land in collaboration with our joint venture partner, CSC Food Industries Sdn. Bhd, with the intention of building a factory. Due to a change in our strategic plans, our management does not intend to proceed with the construction of the factory, and will look to dispose of the land at the appropriate time.

(3) After impairment of approximately RM4.1 million owing from Box Park Management and approximately RM0.4 million owing from DNC Food Industries.

(ix) Off-balance sheet arrangements

We did not have any off-balance sheet arrangements during the FYEs 28 February 2019, 29 February 2020 and 28 February 2021 and the FPE 31 December 2021.

12.2.10 Financial risk management

We are exposed to market risk arising from our operations and use of financial instruments. Our overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. We are exposed to foreign currency risk on our sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of our Group’s entities. The currencies giving rise to this risk are primarily EUR, USD and THB.

Transactions in foreign currencies are measured and recorded on initial recognition in the respective functional currencies of our Group's entities at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

We do not have a formal hedging policy with respect to foreign exchange exposure. Rather, we monitor foreign exchange exposure on an ongoing basis and endeavour to keep net exposures to an acceptable level. If determined as necessary due to prevailing and anticipated conditions, we may enter into forward foreign exchange contracts to hedge foreign currency risk. For example, we have entered into foreign exchange forward currency contracts to hedge our sales proceeds denominated in USD and EUR.

The following table demonstrates the sensitivity of our profit for the year/period to a 10.0% change in EUR and USD as at the end of the reporting year/period, with all other variables, in particular interest rates, held constant:

	Increase/(decrease)			
	FYE 28/29 February			FPE 31 December
	2019	2020	2021	2021
	RM'000	RM'000	RM'000	RM'000
Effects on profit for the year/period				
USD				
- Strengthened by 10% .	1,799	2,310	3,892	5,960
- Weakened by 10%	(1,799)	(2,310)	(3,892)	(5,960)
EUR				
- Strengthened by 10% .	(190)	4,459	7,551	9
- Weakened by 10%	190	(4,459)	(7,551)	(9)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises from our significant interest-earning financial assets and interest-bearing financial liabilities in the form of deposit placements and fixed and floating rate borrowings. Short-term receivables and payables are not significantly exposed to interest rate risk.

Our deposit placements as at the end of the reporting period are short-term and therefore exposure to the effects of future changes at prevailing level of interest rates is limited.

Our fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Our variable rate borrowings are exposed to a risk of changes in cash flow due to changes in interest rates.

Our practice is to obtain the most favourable interest rates available. We do not enter into interest rate swaps.

12. FINANCIAL INFORMATION *(Cont'd)*

The following table demonstrates the sensitivity of our profit for the year/period to a 100 basis point change in interest rates at the end of the reporting year/period, with all other variables, in particular foreign currency rates, held constant:

	Increase/(Decrease) in profit for the year/period			
	FYE 28/29 February			FPE 31 December
	2019	2020	2021	2021
	RM'000	RM'000	RM'000	RM'000
Floating rate instruments				
Increase of 100 basis points	(539)	(1,150)	(1,914)	(1,861)
Decrease of 100 basis points....	539	1,150	1,914	1,861

(iii) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Our exposure to credit risk arises mainly from our receivables with customers. We manage our exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets, cash and bank balances, we minimise credit risk by dealing exclusively with high credit rating counterparties.

As at 31 December 2021, we have not incurred material credit losses on our financial assets or other financial instruments.

(iv) Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. Our exposure to liquidity risk arises primarily from various payables, loans and borrowings.

We practise prudent risk management by maintaining a level of cash and cash equivalents and banking facilities deemed adequate by the management to ensure, as far as possible, that we will have sufficient liquidity to meet our liabilities when they fall due.

See Note 31.5 of the Accountants' Report included in Section 13 of this Prospectus for a summary of the maturity profile of our financial liabilities as at the end of the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and FPE 31 December 2021 based on undiscounted contractual payments.

12.2.11 Seasonality

See Section 7.19 of this Prospectus for details on the seasonality of our business.

12.2.12 Inflation

Inflation has not had a material impact on our results of operations in the FYEs 28 February 2019, 29 February 2020 and 28 February 2021 and the FPE 31 December 2021.

12.2.13 Order book

Due to the nature of our business, we do not maintain an order book.

12.2.14 Trends information

As at the LPD, the Russia-Ukraine war which began in February 2022 is still on-going. We have not experienced any material impact to our operations arising from the war as our Group does not export to Russia or Ukraine and does not purchase raw materials from suppliers in Russia or Ukraine. Nevertheless, with the global economy largely reliant on Russia for both oil and gas, inflationary pressures have affected our energy costs as well as the cost of our raw materials, in particular, packaging materials, coffee powder and creamer. While these have not had a material impact on our Group, in the event the war prolongs, such inflationary pressures may materially affect our business, results of operations and financial condition.

Save as disclosed in this section and in Section 5 of this Prospectus, and to the best of our Board's knowledge and belief, there are no other known factors, trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our business, financial condition and results of operations.

12.2.15 Significant changes

Save as disclosed in this Prospectus, no significant changes have occurred since 31 December 2021 which may have a material effect on our financial position and results of operations.

See Section 7.23 of this Prospectus for further details on the effects of the COVID-19 pandemic on our business.

12.2.16 Government, economic, fiscal and monetary policies

We are subject to the risks of government policies, where any unfavourable change may materially affect our business operations, financial performance and prospects.

For the FYEs 28 February 2019, 29 February 2020 and 28 February 2021, the FPE 31 December 2021 and up to and including the LPD, our results were not materially and adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies.

12.2.17 Accounting standards issued but not yet effective and not early adopted

For a description of accounting standards issued but not yet effective and not early adopted, see Note 1(a) of the Accountants' Report included in Section 13 of this Prospectus.

12.2.18 Treasury policies and objectives

One of the main treasury responsibilities is to ensure that we have the liquidity and cash to meet our obligations as they fall due. Our principal sources of liquidity are our cash and bank balances, cash generated from our operations, as well as loans and borrowings. Using appropriate governance and policies, it is the responsibility of treasury to identify, quantify, monitor and control the risks (liquidity, interest, currency, credit, legal and regulatory) associated with these activities, using appropriate mitigation and hedging techniques.

We are exposed to currency exchange risk on sales and purchases, borrowings and bank balances that are denominated in a currency other than RM. The currencies giving rise to this risk are primarily USD and EUR. To mitigate the effect of foreign currency fluctuation to our profit performance, we have obtained loans and borrowings denominated in USD and EUR to hedge against our account receivables and bank balances in those currencies. We also use forward contract to hedge foreign currency risk.

12.3 CAPITALISATION AND INDEBTEDNESS

The table below presents our capitalisation and indebtedness as at 31 March 2022 and on the assumption that our IPO, Listing and the use of proceeds from our Public Issue as set out in Section 4 of this Prospectus had occurred on 31 March 2022. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 March 2022 and is provided for illustrative purposes only.

	Unaudited As at 31 March 2022	**Adjustments[(1)]**	**Pro Forma After our IPO, Listing and Use of Proceeds**
	RM'000	**RM'000**	**RM'000**
Indebtedness:			
Current			
Secured and guaranteed			
Term loans	11,039	([●])	[●]
Revolving credit	194,621	([●])	[●]
Unsecured and unguaranteed			
Hire purchase liabilities	900		900
Revolving credit	5,042		5,042
Lease liabilities	8,002		8,002
Non-current			
Secured and guaranteed			
Term loans	30,415	([●])	[●]
Unsecured and unguaranteed			
Hire purchase liabilities	1,293		1,293
Lease liabilities	14,156		14,156
Total indebtedness	**265,468**	**([●])**	**[●]**
Equity attributable to owners of our Company	751,897	[●]	[●][(1)]
Non-controlling interests	50,972		50,972
Total equity / capitalisation	**802,869**	**[●]**	**[●]**
Total capitalisation and indebtedness	**1,068,337**	**([●])**	**[●]**
Gearing[(2)]		**0.3**	**0.1**

Notes:

(1) *Calculated after taking into account, among others, the payment of the third interim dividend in respect of the FYE 28 February 2022 of RM15.0 million, gross proceeds of approximately RM[●] million from our Public Issue based on the Retail Price and the estimated listing expenses of approximately RM[●] million.*

(2) *Calculated based on total indebtedness (excluding lease liabilities) divided by total equity.*

12.4 DIVIDEND POLICY

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

The actual dividend that our Board may recommend or declare in any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board. In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to consider various factors including:

(i) the level of our cash, gearing, return on equity and retained earnings;

(ii) our projected levels of capital expenditure and other growth/investment plans; and

(iii) applicable restrictive covenants under our financing documents.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries, joint venture company and associate. Distributions by our subsidiaries, joint venture and associate will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors including exchange controls. There are no dividend restrictions imposed on our subsidiaries, joint venture and associate as at the LPD save for in India, where two (2) of our subsidiaries are currently unable to remit profits to Malaysia due to errors in the registration of shareholding of our Indian subsidiaries, though such subsidiaries are not restricted from declaring dividends. We are still in the process of preparing regularisation applications to the relevant authorities in India to regularise these errors in the registration of shareholding of our Indian subsidiaries, which we expect to be completed within one (1) year from the date of this Prospectus.

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

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. There can be no assurance that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. See Section 5.3.5 of this Prospectus for the factors which may affect or restrict our ability to pay dividends.

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

	FYE 28/29 February			**FPE 31 December**
	2019	**2020**	**2021**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total dividends declared	94,000	55,000	280,000	60,000
Total dividends paid	94,000	55,000	80,000[(1)]	112,700[(2)]
Profit for the year/period............	218,867	255,248	200,884	176,361
Dividend payout ratio[(3)]	0.43	0.22	0.40	0.64

Notes:

(1) Of the total dividends declared in the FYE 28 February 2021, RM80.0 million was paid out of our internally generated funds from operations, RM47.1 million was set off against the proceeds from the disposal of subsidiaries, RM100.2 million was set off against the amount due from the disposed subsidiaries to our Company and the remaining RM52.7 million was paid in the FPE 31 December 2021.

(2) The total dividends paid in the FPE 31 December 2021 include the dividend of RM52.7 million declared in the FYE 28 February 2021.

(3) Computed based on dividend paid out divided by profit for the year/period during the financial year/period.

On 6 January 2022, we declared a second interim dividend of 4.15 sen per Share amounting to RM10.0 million in respect of the FYE 28 February 2022 which was paid on 10 January 2022. On 7 April 2022, we declared a third interim dividend of 6.23 sen per Share amounting to RM15.0 million in respect of the FYE 28 February 2022 which was paid on 8 April 2022.

Save as mentioned above, we have not declared or paid any other dividends to our shareholders. Unless otherwise stated, the dividends above were funded by our internal funds from operations. These dividends will not affect the execution and implementation of our future plans or strategies.

12.5 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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Private and Confidential

The Board of Directors
DXN Holdings Bhd.
Wisma DXN
213, Lebuhraya Sultan Abdul Halim
05400 Alor Setar
Kedah Darul Aman

Date: [ ] 2022

DRAFT FOR PURPOSE OF INCLUSION IN THE PROSPECTUS EXPOSURE

Dear Sirs,

DXN Holdings Bhd. ("DXN" or the "Company") and its subsidiaries (the "Group")

Report on the compilation of pro forma consolidated statement of financial position for inclusion in the Company's draft prospectus in connection with the proposed initial public offering of up to 1,406,250,000 ordinary shares in the Company ("Shares") ("Proposed IPO") in conjunction with the proposed listing of and quotation for the entire enlarged issued Shares on the Main Market of Bursa Malaysia Securities Berhad ("Draft Prospectus") ("Proposed Listing")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of DXN as at 31 December 2021 ("Pro Forma Financial Position") prepared by the Management of the Company. The Pro Forma Financial Position and the related notes as set out in Attachment A, have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of the Company (the "Directors") have compiled the Pro Forma Financial Position are described in the notes to the Pro Forma Financial Position. The Pro Forma Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Financial Position has been compiled by the Directors for inclusion in the Draft Prospectus solely to illustrate the impact of the transactions as set out in the notes to the Pro Forma Financial Position in Attachment A on the Group's statement of financial position as at 31 December 2021, as if the transactions had taken place as at 31 December 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the audited consolidated financial statements of DXN for the period ended 31 December 2021, on which an auditors' report dated 25 May 2022 has been issued.

Directors' Responsibility for the Pro Forma Financial Position

The Directors are responsible for compiling the Pro Forma Financial Position on the basis described in the notes to the Pro Forma Financial Position in Attachment A as required by the Prospectus Guidelines.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* adopted by the Malaysian Institute of Accountants, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines about whether the Pro Forma Financial Position has been compiled, in all material respects, by the Directors on the basis described in the notes to the Pro Forma Financial Position in Attachment A.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Financial Position on the basis described in the notes to the Pro Forma Financial Position in Attachment A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Position.

The purpose of the Pro Forma Financial Position included in the Draft Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

KPMG

Reporting Accountants' Responsibilities (continued)

A reasonable assurance engagement to report on whether the Pro Forma Financial Position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Financial Position has been compiled, in all material respects, on the basis described in the notes to the Pro Forma Financial Position in Attachment A.

Other Matter

Our report on the Pro Forma Financial Position has been prepared in connection with the Proposed Listing and should not be relied upon for any other purposes.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Raymond Chong Chee Mon
Approval Number: 03272/06/2022 J
Chartered Accountant

Attachment A

DXN Holdings Bhd. ("DXN" or the "Company") and its subsidiaries (the "Group")
Pro Forma Financial Position and the notes thereon

Pro Forma Financial Position

The pro forma consolidated statement of financial position of DXN as at 31 December 2021 ("Pro Forma Financial Position") as set out below has been prepared for illustrative purposes only to show the effects of the transactions referred to in Note 2 had these transactions been effected on 31 December 2021, and should be read in conjunction with the said notes to the Pro Forma Financial Position.

			Pro Forma I	**Pro Forma II**	**Pro Forma III**	**Pro Forma IV**
	Note	**As at 31 December 2021* RM'000**	**After adjustment for subsequent event RM'000**	**After Pro Forma I and the Pre-IPO Exercise RM'000**	**After Pro Forma II and the Proposed IPO RM'000**	**After Pro Forma III and the proposed use of proceeds RM'000**
Assets						
Property, plant and equipment		581,944	581,944	581,944	581,944	581,944
Right-of-use assets		35,852	35,852	35,852	35,852	35,852
Investment properties		7,108	7,108	7,108	7,108	7,108
Intangible assets		42	42	42	42	42
Investment in an associate		1	1	1	1	1
Investment in joint venture		1	1	1	1	1
Deferred tax assets		48,860	48,860	48,860	48,860	48,860
Prepayments		5,117	5,117	5,117	5,117	5,117
Total non-current assets		678,925	678,925	678,925	678,925	678,925
Biological assets		76	76	76	76	76
Inventories		218,140	218,140	218,140	218,140	218,140
Contract assets		951	951	951	951	951
Trade and other receivables, including derivatives		82,280	82,280	82,280	82,280	82,280
Current tax assets		14,770	14,770	14,770	14,770	14,770
Short term investments		38,832	38,832	38,832	38,832	38,832
Cash and cash equivalents	3(a)	394,884	369,884	369,884	[.]	[.]
Total current assets		749,933	724,933	724,933	[.]	[.]
Total assets		1,428,858	1,403,858	1,403,858	[.]	[.]

** Extracted from the audited consolidated financial statements of the Company for the financial period ended 31 December 2021.*

1

Attachment A

DXN Holdings Bhd. ("DXN" or the "Company") and its subsidiaries (the "Group")
Pro Forma Financial Position and the notes thereon

	Note	As at 31 December 2021* RM'000	Pro Forma I After adjustment for subsequent event RM'000	Pro Forma II After Pro Forma I and the Pre-IPO Exercise RM'000	Pro Forma III After Pro Forma II and the Proposed IPO RM'000	Pro Forma IV After Pro Forma III and the proposed use of proceeds RM'000
Equity						
Share capital	3(b)	60,191	60,191	60,191	[.]	[.]
Translation reserve		(2,513)	(2,513)	(2,513)	(2,513)	(2,513)
Retained earnings	3(c)	644,677	619,677	619,677	619,677	[.]
Equity attributable to owners of the Company		702,355	677,355	677,355	[.]	[.]
Non-controlling interests		49,777	49,777	49,777	49,777	49,777
Total equity		752,132	727,132	727,132	[.]	[.]
Liabilities						
Loans and borrowings		34,851	34,851	34,851	34,851	34,851
Retirement benefits		5,403	5,403	5,403	5,403	5,403
Lease liabilities		15,705	15,705	15,705	15,705	15,705
Deferred tax liabilities		3,674	3,674	3,674	3,674	3,674
Total non-current liabilities		59,633	59,633	59,633	59,633	59,633
Loans and borrowings		214,613	214,613	214,613	214,613	214,613
Lease liabilities		8,280	8,280	8,280	8,280	8,280
Trade and other payables, including derivatives		359,473	359,473	359,473	359,473	359,473
Current tax liabilities		34,727	34,727	34,727	34,727	34,727
Total current liabilities		617,093	617,093	617,093	617,093	617,093
Total liabilities		676,726	676,726	676,726	676,726	676,726
Total equity and liabilities		1,428,858	1,403,858	1,403,858	[.]	[.]

** Extracted from the audited consolidated financial statements of the Company for the financial period ended 31 December 2021.*

Attachment A

DXN Holdings Bhd. ("DXN" or the "Company") and its subsidiaries (the "Group")
Pro Forma Financial Position and the notes thereon

Supplementary information

		Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
	As at 31 December 2021*	After adjustment for subsequent event	After Pro Forma I and the Pre-IPO Exercise	After Pro Forma II and the Proposed IPO	After Pro Forma III and the proposed use of proceeds
Number of ordinary shares ('000)	240,764	240,764	4,825,000	4,985,000	4,985,000
Net assets per share attributable to owners of the Company^ (RM)	2.92	2.81	0.14	[.]	[.]
Net assets per share# (RM)	3.12	3.02	0.15	[.]	[.]

* *Extracted from the audited consolidated financial statements of the Company for the financial period ended 31 December 2021.*
^ *Based on equity attributable to owners of the Company over the number of ordinary shares in the Company ("Shares").*
\# *Based on total equity over the number of Shares*

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Attachment A

DXN Holdings Bhd. ("DXN" or the "Company") and its subsidiaries (the "Group")
Pro Forma Financial Position and the notes thereon

Notes to the Pro Forma Consolidated Statement of Financial Position

The pro forma consolidated statement of financial position of DXN as at 31 December 2021 ("Pro Forma Financial Position") has been prepared for inclusion in the draft prospectus of the Company in connection with the proposed initial public offering of up to 1,406,250,000 ordinary shares in the Company ("Shares") ("Proposed IPO") in conjunction with the proposed listing of and quotation for the entire enlarged issued Shares on the Main Market of Bursa Malaysia Securities Berhad ("Draft Prospectus") ("Proposed Listing") and should not be relied upon for any other purposes.

1. Basis of preparation

The applicable criteria on the basis of which the Board of Directors of the Company ("Directors") has compiled the Pro Forma Financial Position are as described below. The Pro Forma Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Financial Position has been prepared based on the audited consolidated financial statements of DXN for the financial period ended 31 December 2021, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the statement of financial position and the accounting policies adopted by the Group, adjusted for the events and transactions detailed in Note 2.

The pro forma adjustments are appropriate for the purpose of preparing the Pro Forma Financial Position.

The auditors' report dated 25 May 2022 on the audited consolidated financial statements of DXN for the financial period ended 31 December 2021 was not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Financial Position is not necessarily indicative of the financial position that would have been attained had the Proposed IPO actually occurred at the respective dates. The Pro Forma Financial Position has been prepared for illustrative purposes only.

2. Pro forma adjustments to the Pro Forma Financial Position

The Pro Forma Financial Position illustrates the effects of the following events or transactions:

2.1 Pro Forma I - Adjustment for subsequent event

Dividend declaration

The following are the dividends declared and paid by the Company after 31 December 2021:

(i) a second interim dividend of approximately 4.15 sen per Share totalling RM10,000,000 in respect of financial year ended 28 February 2022 which was declared on 6 January 2022 and paid on 10 January 2022; and

(ii) a third interim dividend of approximately 6.23 sen per Share totalling RM15,000,000 in respect of financial year ended 28 February 2022 which was declared on 7 April 2022 and paid on 8 April 2022.

The above dividends have been paid to the shareholders of the Company prior to the Proposed IPO and are illustrated in the Pro Forma Financial Position.

2. Pro forma adjustments to the Pro Forma Financial Position (continued)

2.2 Pro Forma II – Pre-IPO Exercise

The Pre-IPO Exercise entails a proposed subdivision of one (1) existing Share into approximately twenty (20) Shares in which the existing 240,764,000 Shares in issue will be subdivided into 4,825,000,000 Shares.

2.3 Pro Forma III - Proposed IPO

The Proposed IPO entails the initial public offering of up to 1,406,250,000 Shares which comprises the following:

(i) Proposed Public Issue

The proposed public issue of 160,000,000 new Shares ("Issue Shares") at an indicative price of RM[.] per Issue Share.

(ii) Proposed Offer for Sale

The proposed offer for sale by DXN Global Sdn. Bhd. and Gano Global Supplements Pte. Ltd. (collectively, the "Selling Shareholders") of up to 1,246,250,000 existing Shares ("Offer Share(s)") at an indicative price of RM[.] per Offer Share.

The Company will not receive any proceeds from the Proposed Offer for Sale. The gross proceeds of RM[.] million from the Proposed Offer for Sale will accrue entirely to the Selling Shareholders.

2.4 Pro Forma IV - Proposed use of proceeds

The total gross proceeds from the Proposed Public Issue of RM[.] million are intended to be used as follows:

	RM'000
Repayment of bank borrowings [(1)]	[.]
Working capital	[.]
Estimated listing expenses [(2)]	[.]
	[.]

Notes:

(1) As at the latest practicable date of 30 April 2022, the Company has yet to enter into any contractual binding arrangements with the relevant banks in relation to the repayment of bank borrowings. Accordingly, the use of proceeds earmarked for the repayment of bank borrowings is not reflected in the Pro Forma Financial Position.

(2) The estimated listing expenses comprise the following:

	RM'000
Professional fees	[.]
Fees payable to authorities	[.]
Fees and expenses for printing, advertising, travel and roadshow	[.]
Brokerage fee, underwriting commission and placement fees	[.]
Miscellaneous expenses and contingencies	[.]
	[.]

The total listing expenses to be borne by the Company is estimated to be RM[.] million. As of 31 December 2021, RM[.] million has been paid and recognised in profit or loss of the Group. Upon completion of the Proposed Listing, the estimated listing expenses of RM[.] million directly attributable to the Proposed Public Issue will be debited against the share capital of the Company, and the remaining estimated listing expenses of RM[.] million will charged to the profit or loss of the Group.

2.0 Pro forma adjustments to the Pro Forma Financial Position (continued)

2.5 Proposed Employee Share Option Scheme ("Proposed ESOS")

In conjunction with the Proposed Listing, the Company proposes to establish the Proposed ESOS which entails the granting of ESOS options to eligible Directors and employees of the Group.

The Proposed ESOS shall be administered by a committee to be appointed by the Directors and governed by the By-Laws. The total number of Shares which may be made available under the Proposed ESOS shall not exceed in aggregate five percent (5%) of the total number of issued Shares (excluding treasury shares, if any) at any point in time during the duration of the Proposed ESOS.

The Proposed ESOS is not illustrated in the Pro Forma Financial Position as the ESOS options under the Proposed ESOS have yet to be granted as of the date of this report.

3. Effects on the Pro Forma Financial Position

(a) Movements in cash and cash equivalents

	RM'000
Balance as at 31 December 2021	394,884
Effects of Pro Forma I:	
- Dividends paid	(25,000)
Pro Forma I and II	369,884
Effects of Pro Forma III:	
- Proceeds from the Proposed Public Issue	[.]
Pro Forma III	[.]
Effects of Pro Forma IV:	
- Estimated listing expenses	[.]
Pro Forma IV	[.]

(b) Movements in share capital

	RM'000
Balance as at 31 December 2021 / Pro Forma I and II	60,191
Effects of Pro Forma III:	
- Proposed Public Issue	[.]
Pro Forma III	[.]
Effects of Pro Forma IV:	
- Estimated listing expenses	[.]
Pro Forma IV	[.]

3. Effects on the Pro Forma Financial Position (continued)

(c) Movement in retained earnings

	RM'000
Balance as at 31 December 2021	644,677
Effects of Pro Forma I:	
- Dividends paid	(25,000)
Pro Forma I, II and III	619,677
Effects of Pro Forma IV:	
- Estimated listing expenses	[.]
Pro Forma IV	[.]

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