

3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF OUR IPO

3.1.1 Institutional Offering

The Institutional Offering involves the offering of up to 1,246,250,000 Offer Shares, representing up to 25.0% of our enlarged issued Shares, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.2.4 and 4.2.5 of this Prospectus, at the Institutional Price in the following manner:

- (i) 623,125,000 Offer Shares, representing 12.5% of our enlarged issued Shares to Bumiputera investors approved by the MITI; and
- (ii) up to 623,125,000 Offer Shares, representing up to 12.5% of our enlarged issued Shares to the following persons:
 - (a) Malaysian institutional and selected investors (other than Bumiputera investors approved by the MITI); and
 - (b) foreign institutional and selected investors outside the United States in reliance on Regulation S.

3.1.2 Retail Offering

The Retail Offering involves the offering of 160,000,000 Issue Shares, representing approximately 3.2% of our enlarged issued Shares, subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus, at the Retail Price in the following manner:

(i) Allocation to the Eligible Persons

60,000,000 Issue Shares, representing 1.2% of our enlarged issued Shares, are reserved for application by the Eligible Persons.

(ii) Allocation via balloting to the Malaysian Public

100,000,000 Issue Shares, representing 2.0% of our enlarged issued Shares, are reserved for application by the Malaysian Public, of which 50,000,000 Issue Shares have been set aside for application by Bumiputera citizens, companies, co-operatives, societies and institutions.

3.1.3 Moratorium on our Shares

In accordance with the Equity Guidelines, the Moratorium Providers are not allowed to sell, transfer or assign any part of their respective holding in our Shares as at the date of our Listing, for a period of six months from the date of our Listing. DLSJ and DLBL, being the direct shareholders of DXN Global, are not allowed to sell, transfer or assign any part of their interest in DXN Global, including our Shares which are held on trust by DXN Global for them, for a period of six months from the date of our Listing.

Our Public Issue and the Offer for Sale will raise gross proceeds of RM[●] million and RM[●] billion, respectively. For further details relating to our IPO and moratorium on our Shares, see Sections 2.2 and 4.2 of this Prospectus, respectively.

3. PROSPECTUS SUMMARY (Cont'd)

3.2 OUR BUSINESS

Our Company was incorporated in Malaysia under the Companies Act, 1965 on 11 October 1995 as a private limited company under the name of Magcure Marketing Sdn Bhd and is deemed registered under the Act. On 3 August 1998, our Company changed its name from Magcure Marketing Sdn Bhd to DXN Holding Sdn Bhd and subsequently changed its name to DXN Holdings Sdn Bhd on 21 June 2002. Our Company was converted into a public limited company on 16 July 2002.

The principal activities of our Company are investment holding and provision of management services. As at the LPD, we have 78 subsidiaries across 40 countries, which are principally involved in the sales of health-oriented and wellness consumer products through a direct selling model. Our Group's direct selling network consists of Members (including stockists) and external distribution agencies who exclusively carry our products to on-sell and distribute to other Members and end-consumers. Our Group's other business activities that primarily serve to support our core business include conducting laboratory testing services for third parties, offering of lifestyle products and operating a café.

Our top 10 markets in terms of revenue for the FYE 28 February 2021 are Peru, Mexico, India, Bolivia, Malaysia, Philippines, the Middle East, United States, Thailand and Colombia. Our Group has sales branches in these top 10 markets except for the Middle East, where our Group uses an external distribution agency structure.

For further details on our history, group structure and business, see Sections 6 and 7 of this Prospectus.

3.3 COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

(i) Strong presence in Bolivia and Peru for direct selling of health-oriented and wellness products and a diversified exposure to high-growth markets

We operate a direct selling platform within the growing health-oriented and wellness sector with a wide product portfolio range of FFB, HDS and PCC products which use active natural ingredients such as Ganoderma, Spirulina and Cordyceps. Our exposure in global markets is diversified across various geographical regions such as Latin America, North America, Europe, Southeast Asia, Central Asia, South Asia, Middle East, Africa and Oceania.

(ii) Business platform with a broad product portfolio and integrated production facilities

Building on our initial expertise in Ganoderma, we have expanded our product offerings to a diversified portfolio of health-oriented and wellness consumer products across a range of natural health ingredients.

(iii) Expansive global distribution network and sustainable direct selling strategies

We have a vast distribution footprint spanning across various global regions of Europe, Latin America, North America, Central Asia, South Asia, Southeast Asia, Middle East, Africa and Oceania. With a distribution footprint (including our branches and distributors) across 50 countries as at the LPD, our geographical presence around the world provides revenue sustenance as we are not overly-concentrated in any particular country, hence mitigating risks that can have a significant impact to our Group's performance due to circumstances beyond our control.

3. PROSPECTUS SUMMARY *(Cont'd)*

(iv) **Strong track record of profitable growth and cash generation**

We have proven our ability to establish our business in new markets by leveraging on our experience and scalable business model.

(v) **Robust technology ecosystem to support global operations**

Our systems, developed internally and together with Suryasoft (which we acquired in April 2022), are tailored to specific needs of the business and continually updated to reflect new market and technical trends. With no licence fees and minimal cost for a global roll-out, we own the source codes and blueprints for all our existing software application.

(vi) **Experienced founder-led management team**

We are anchored by a corporate culture established under the leadership of our founder and Non-Independent Executive Chairman, DLSJ, who has been with our Group for over 25 years.

For further details on our competitive strengths, see Section 7.2 of this Prospectus.

3.4 **IMPACT OF COVID-19 ON OUR BUSINESS**

The COVID-19 pandemic has impacted various aspects of our business, including logistics, production and supply chain, all of which have affected our profitability, particularly between April and May 2020. 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 COVID-19 by the local governments of our core markets in Latin America, South Asia and Southeast Asia. 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. We have implemented and will continue to implement various precautions, restrictions and measures aimed at safeguarding the health of our employees and the stability of our operations and financial condition at our offices, research, cultivation and manufacturing facilities and other premises in response to COVID-19. For example, we directed certain employees to work from home and pivoted from conducting face-to-face meetings with suppliers, Members (including stockists) and external distribution agencies to increasing our reliance on social media, webinars, video calls and other online tools. We seek to comply with all health and safety procedures that authorities prescribe and as such have implemented various sanitising and disinfecting procedures at our premises in accordance with government recommendations. In addition, we have also taken additional health and safety measures such as providing hand sanitiser and face masks to our staff, conducting daily temperature checks, sanitising our offices and facilities at regular intervals and adopting a mask-on policy for our staff at our premises.

For further details on the impact of the COVID-19 pandemic on our business, see Sections 5 and 7 of this Prospectus.

3.5 **FUTURE PLANS AND STRATEGIES**

Our future plans and strategies are as follows:

(i) **Visible pathway to grow in new and existing markets**

We will open up a new sales branch or appoint an external distribution agency whenever there is a sufficient number of Members to do network marketing, coupled with a sales volume that is sizable.

3. PROSPECTUS SUMMARY *(Cont'd)*

(ii) **Catering to changing consumer needs and enhancing Member engagement**

We have a systematic approach to product ideation, development and launch, which is backed by our strong track record of producing new products with 398 SKUs in our product portfolio (as at the LPD) since our inception.

(iii) **Continued expansion of our vertically-integrated global supply chain**

We intend to expand our global supply footprint to ensure a consistent and reliable demand fulfilment, such that there are no supply impediments to sustain our strong top-line growth.

(iv) **Enhancing our technological ecosystem**

The availability of social media enables us to increase our effective outreach and enrolment of Members, as Members are able to easily share their success stories across their personal networks respectively, allowing a wider audience to understand the value proposition offered by us.

For further details on our future plans and strategies, see Section 7.3 of this Prospectus.

3.6 RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. You should carefully consider all of the information contained in this Prospectus, including all the risk factors, before deciding to invest in our Shares.

Set out below are the key risks faced by us in our business operations:

- (i) There is a high level of competition in the direct selling industry and we may fail to maintain or grow our network of active Members as sales are made to the ultimate consumer principally through direct selling by our Members.
- (ii) We have limited control over our Members as we have the significant number of Members in our global network and it is not feasible for us to monitor all of our Members' day-to-day conduct and business activities.
- (iii) We rely on external distribution agencies in 23 jurisdictions that purchases products from us and on-sells such products to our Members and have limited control over the customers or jurisdictions which they may on-sell our products to.
- (iv) We may not be successful in expanding to new markets or in expanding and strengthening our footprint in existing markets as our ability to successfully carry out the expansion plans and to succeed in new markets or expand our footprint in existing markets will depend on, among others, our ability to secure necessary governmental approvals or third party consents, the strength of our products portfolio, our ability to register products, and our ability to locate and partner with the appropriate third parties.
- (v) We face certain risks related to the safety, perceived safety and reputation of our products and our Group. If any of our products cause, or are perceived to cause, adverse side effects, we may face a number of consequences, including, but not limited to injury to, or death of, consumers; a severe decrease in the sales of the relevant products; recalls or withdrawals of the relevant products; revocation of regulatory approvals for the relevant products; stricter and more frequent regulatory inspections of our facilities and products; and the risk of lawsuits and regulatory investigations in respect of the relevant products, which could result in liabilities, fines or penalties.

3. PROSPECTUS SUMMARY (Cont'd)

- (vi) We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products, which may materially and adversely affect our reputation, business and prospects if the products we sell are deemed or proven to be unsafe, defective or contaminated, or if they are insufficiently or improperly labelled.

For further details on our risk factors, see Section 5 of this Prospectus.

3.7 DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, our Directors and Key Senior Management are as follows:

Name	Designation
Directors	
DLSJ	Non-Independent Executive Chairman
Teoh Hang Ching	Non-Independent Executive Director and Chief Executive Officer
DLBY	Non-Independent Non-Executive Director
Vibhav Panandiker	Non-Independent Non-Executive Director
Datuk Noripah Binti Kamso	Senior Independent Non-Executive Director
Tunku Afwida Binti Tunku A. Malek	Independent Non-Executive Director
Stefan Heitmann	Independent Non-Executive Director
Abraham Verghese A/L T V Abraham	Independent Non-Executive Director
Ong Huey Min	Independent Non-Executive Director
Key Senior Management	
DLSJ	Non-Independent Executive Chairman
Teoh Hang Ching	Non-Independent Executive Director and Chief Executive Officer
Lim Yew Lin	Chief Financial Officer and Company Secretary
Teoh Thean Yong	Chief Technology Officer and Group Financial Controller
Tan Hiyin Tiong	Chief Operating Officer
Prajith Pavithran	Chief Marketing Officer
Kuah Lee Peng	Chief Manufacturing Officer

For further details on our Directors and Key Senior Management, see Sections 9.2 and 9.3 of this Prospectus, respectively.

3. PROSPECTUS SUMMARY (Cont'd)

3.8 DIVIDEND POLICY

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

	FYE 28/29 February			FPE 31
	2019	2020	2021	December
	RM'000	RM'000	RM'000	2021
Total dividends declared.....	94,000	55,000	280,000	60,000
Total dividends paid.....	94,000	55,000	80,000 ⁽¹⁾	112,700 ⁽²⁾

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.

For further details on our dividend policy, see Section 12.4 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)

3.9 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

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

Name/ Nationality/ Country of incorporation	Before our IPO ⁽¹⁾				After our IPO											
	Shareholding after the Subdivision				Assuming the Over-allotment Option is not exercised ⁽²⁾				Assuming the Over-allotment Option is fully exercised ⁽³⁾				Upon our Listing and assuming full exercise of the ESOS Options ⁽⁴⁾			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
('000)		('000)		('000)		('000)		('000)		('000)		('000)		('000)		
Promoter and substantial shareholder																
DXN Global / Malaysia	3,584,640	⁽⁵⁾ 74.3	-	-	3,086,140	61.9	-	-	2,918,359	58.5	-	-	2,918,359	58.2	-	-
Substantial shareholders																
DLSJ / Malaysian	-	-	3,584,640	⁽⁶⁾ 74.3	-	-	3,086,140	⁽⁶⁾ 61.9	-	-	2,918,359	⁽⁶⁾ 58.5	3,000	0.1	2,918,359	⁽⁶⁾ 58.2
DLBL / Malaysian	-	-	3,584,640	⁽⁶⁾ 74.3	-	-	3,086,140	⁽⁶⁾ 61.9	-	-	2,918,359	⁽⁶⁾ 58.5	-	-	2,918,359	⁽⁶⁾ 58.2
Gano Global / Singapore	1,240,360	25.7	-	-	492,610	9.9	-	-	449,454	9.0	-	-	449,454	9.0	-	-
KACMF / Singapore	-	-	1,240,360	⁽⁷⁾ 25.7	-	-	492,610	⁽⁷⁾ 9.9	-	-	449,454	⁽⁷⁾ 9.0	-	-	449,454	⁽⁷⁾ 9.0
KACF LP / Cayman Islands	-	-	1,240,360	⁽⁸⁾ 25.7	-	-	492,610	⁽⁸⁾ 9.9	-	-	449,454	⁽⁸⁾ 9.0	-	-	449,454	⁽⁸⁾ 9.0

Notes:

- (1) Based on our enlarged issued Shares of 4,825,000,000 after the Subdivision.
- (2) Based on our enlarged issued Shares of 4,985,000,000 after our IPO and assuming full subscription of our Issue Shares allocated to the Eligible Persons in respect of the Retail Offering.
- (3) Assuming an Over-allotment Option of 210,937,500 Shares, representing 15.0% of the total number of our IPO Shares offered.
- (4) Based on our enlarged issued Shares of 5,015,000,000 assuming full exercise of 30,000,000 ESOS Options intended to be offered as described in Section 4.2.6 of this Prospectus.
- (5) DXN Global has legal interest of 74.3% equity interest in our Company of which it holds the legal and beneficial interest of 48.0% equity interest in our Company. The balance 26.3% equity interest in our Company is held by DXN Global on trust for DLSJ (0.3%) and DLBL (26.0%).
- (6) Deemed interested by virtue of his/her shareholding in DXN Global, applying Section 8(4) of the Act.
- (7) Deemed interested by virtue of its shareholding in Gano Global, applying Section 8(4) of the Act.
- (8) Deemed interested by virtue of its shareholding in KACMF, applying Section 8(4) of the Act.

For further information on our Promoter and substantial shareholders, see Section 9.1 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)

3.10 USE OF PROCEEDS

We expect to use the gross proceeds from our Public Issue amounting to RM[●] million⁽¹⁾ in the following manner:

Details of use of proceeds	Estimated timeframe for use from the date of our Listing	RM'000	%
Repayment of bank borrowings	Within 24 months	[●]	[●]
Working capital	Within 6 months	[●]	[●]
Defray fees and expenses relating to our IPO and Listing	Within 3 months	[●]	[●]
Total		[●]	100.0

Note:

(1) We have assumed that the Institutional Price and the Final Retail Price will be equal to the Retail Price.

For detailed information relating to the use of proceeds arising from our Public Issue, see Section 4.6 of this Prospectus.

3.11 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table sets out our selected historical consolidated financial data 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
Revenue	907,222	1,104,608	1,050,205	879,915	1,015,711
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
PBT	319,975	347,839	287,267	244,311	270,634
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
Gross profit margin (%) ⁽³⁾	83.9	82.7	82.9	82.9	81.9
PBT margin (%) ⁽⁴⁾	35.3	31.5	27.4	27.8	26.6
PATAMI margin (%) ⁽⁵⁾	23.1	21.9	18.2	18.0	17.2
	FYE 28/29 February			FPE 31 December	
	Audited			Audited	
	2019	2020	2021	2021	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Total equity	507,846	710,691	629,690	629,690	752,132
Total borrowings (excluding lease liabilities)	73,932	156,319	257,863	257,863	249,464
Net debt ⁽⁶⁾	(116,541)	(96,170)	(68,115)	(68,115)	(145,420)
Gearing ratio (times) ⁽⁷⁾	0.1	0.2	0.4	0.4	0.3
Net gearing ratio (times) ⁽⁸⁾	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)

3. PROSPECTUS SUMMARY (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.*
- (3) *Computed based on gross profit divided by revenue.*
- (4) *Computed based on PBT divided by revenue.*
- (5) *Computed based on profit for the year/period attributable to owners of our Company divided by revenue.*
- (6) *Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents as at the end of the financial year/period.*
- (7) *Computed based on total borrowings (excluding lease liabilities) over total equity as at the end of the financial year/period.*
- (8) *Computed based on total borrowings (excluding lease liabilities), net of cash and cash equivalents, over total equity as at the end of the financial year/period.*

For further details on financial information relating to our Group, see Section 12 of this Prospectus.

3.12 NON-COMPLIANCES WITH THE RELEVANT LAWS, REGULATIONS, RULES AND REQUIREMENTS GOVERNING THE CONDUCT OF THE OPERATIONS OF MATERIAL SUBSIDIARIES OF OUR GROUP

The total estimated costs (including the potential maximum penalties) of approximately RM7.5 million to rectify the non-compliances referred to in Sections 7.27.1 to 7.27.4 of this Prospectus represent approximately 2.5% of our Group's PBT for the FYE 28 February 2021. The impact of the non-compliances to our Group, individually and collectively, is not material to the business operations and financial condition of our Group on the basis that the total estimated costs represent less than 5% of our Group's PBT for the FYE 28 February 2021.

The non-compliances in respect of our Group's material properties in Malaysia and China do not have a material impact on our business operations and raw material supply as we have sufficient reserve stock and we are able to source for supplies from third-party suppliers, if required. The non-compliances in respect of our foreign investments in India do not have a material impact to our business operations and financial condition as our shareholding in our Indian Subsidiaries are not rendered void by virtue of the non-compliances and the actions or non-actions of our Indian Subsidiaries which gave rise to the non-compliances are procedural in nature and not substantive.

Notwithstanding that the outstanding non-compliances may remain unresolved at the time of our Listing, our Directors undertake to continue to make the necessary applications and/or engage with the relevant authorities to resolve and address the outstanding non-compliance incidents in accordance with the directions of the relevant authorities after our Listing. Our management is following up closely and liaising with the relevant authorities to resolve the said non-compliances in the best interest of our Company. See Section 7.27.5 of this Prospectus for further details.