

7. BUSINESS OVERVIEW

7.1 Overview

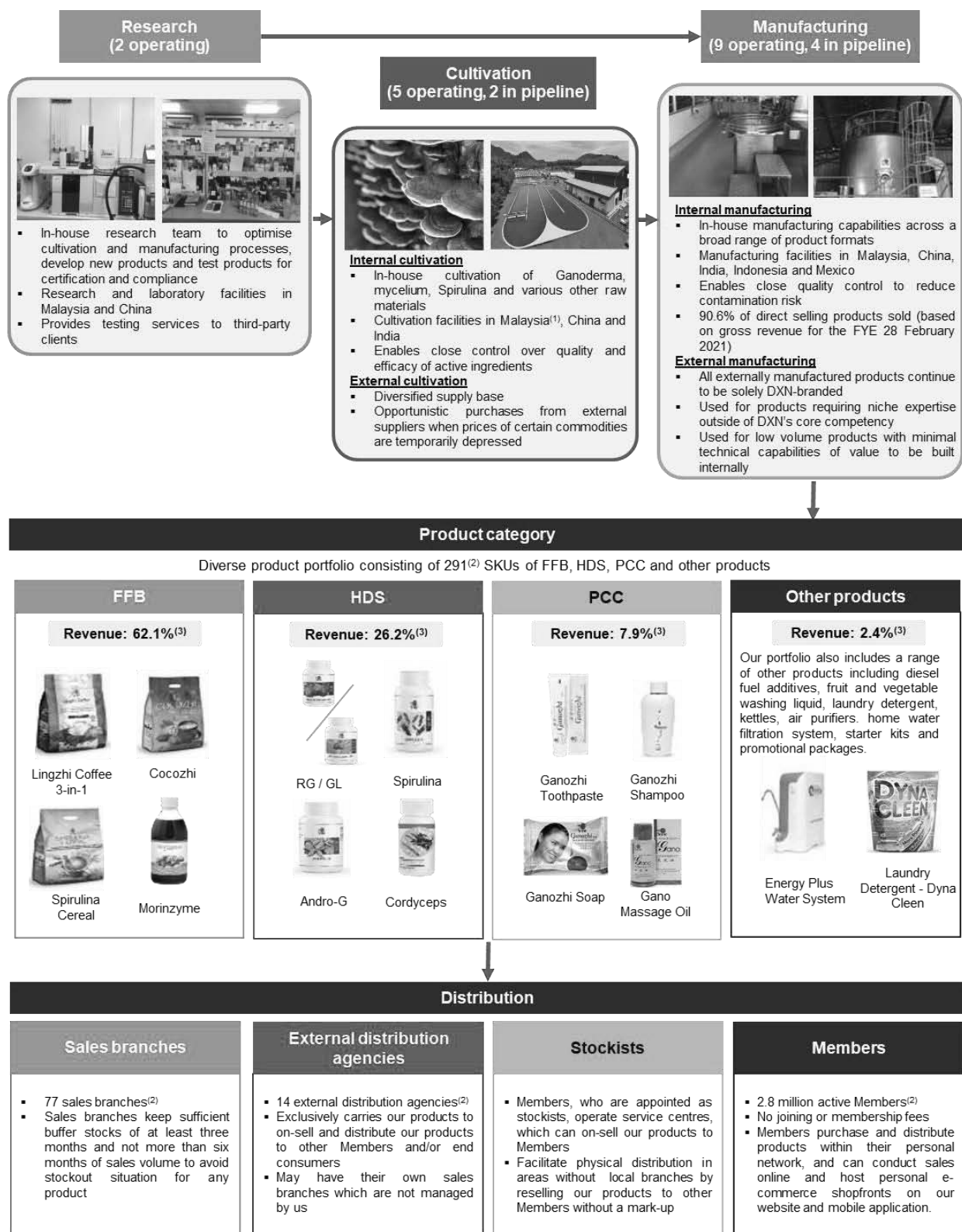
We are a global health-oriented and wellness direct selling company. We have a portfolio of 291 stock keeping units ("**SKUs**") of health-oriented and wellness consumer products that we manufacture in-house and a distribution footprint (including our sales branches and distributors) in 50 countries as at the LPD. As at the same date, 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 (as defined below) 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.

DLSJ established DXN Marketing in Kedah, Malaysia, which commenced operations in 1995. DLSJ's mission was to promote the benefits of Ganoderma on human health. Ganoderma, also known as Lingzhi or Reishi, is a type of mushroom that we believe has a long history of being used in traditional medicines and herbal traditions in China, Japan and other Asian countries. Today, we have expanded the range of natural ingredients that we use to produce products such as Ganoderma, Spirulina, Cordyceps, Roselle, Beggarticks, Lion's Mane mushroom, Tiger Milk mushroom, pineapples, aloe vera and Noni.

Our portfolio of health-oriented and wellness consumer products consists of fortified food and beverages, health and dietary supplements, personal care and cosmetics and other goods. We also have other business offerings in third party laboratory-testing, lifestyle products, and food and beverage ("**F&B**"), which accounted for 1.4% of our gross revenue in 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.

We operate a vertically integrated supply chain with in-house research, cultivation and manufacturing functions. We carry out our research through an in-house team of about 50 research staff across two research facilities in Malaysia and China. We also operate five cultivation facilities and nine manufacturing facilities across Malaysia, China, India, Indonesia and Mexico. We also have another two cultivation facilities and four manufacturing facilities in the pipeline which we expect to complete by the first quarter of 2023. We use our research facilities to develop new products and to study and improve our cultivation and manufacturing techniques; our cultivation facilities to produce Ganoderma, Spirulina and various other herbs and ingredients; and our manufacturing facilities to manufacture our finished capsules, tablets, powdered beverages and liquid beverages. In the FYE 28 February 2021, 90.6% of our direct selling products sold (based on gross revenue contribution) were manufactured in-house, with tight control over the production process.

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Notes:

(1) Save for the mycelium cultivation facility, we have vacated and ceased operations at the Kedah cultivation facilities pending the issuance of CCC or equivalent to the facilities.

(2) As at the LPD.

(3) Based on the gross revenue for the FYE 28 February 2021.

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By conducting a significant part of our entire process in-house, from research and cultivation to processing raw materials, manufacturing, marketing and distribution, we are able to control our product quality and have the flexibility to develop and test new products. This structure also promotes integration and collaboration between our various teams and drives synergies in production reliability and efficiency. Our production facilities are also strategically located in various geographical locations which allows us to support our core markets by lowering risks of supply chain disruptions and regulatory compliance issues (such as meeting licensing requirements or meeting locally manufactured product requirements to be able to import certain products) and operating as a natural currency hedge.

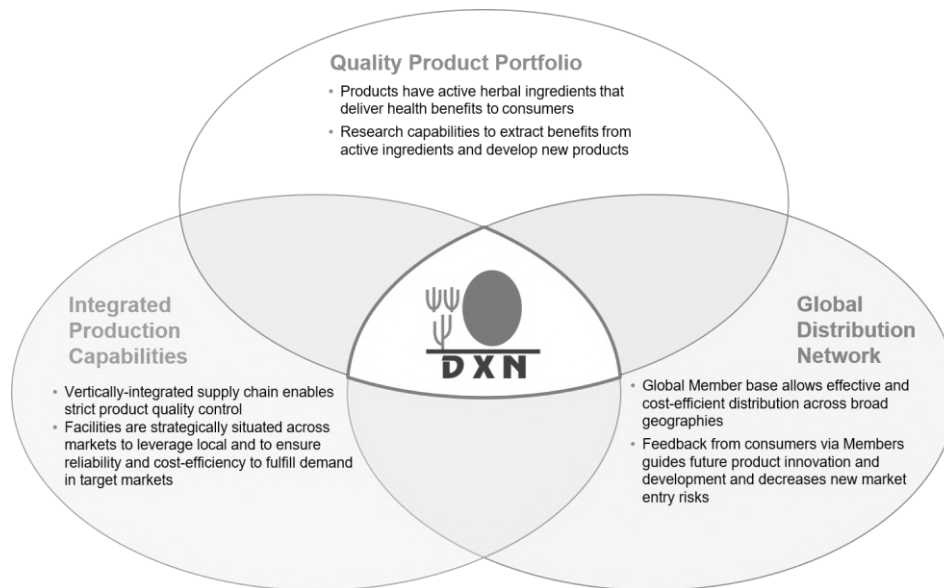
Our products are distributed through either our direct selling network or sale branches. Our direct selling network comprises of 2.8 million active Members (defined as Members who have purchased a product and any newly registered Members in the preceding and current calendar year, based on the cut-off date of 31 December for any particular year) and 14 external distribution agencies who exclusively carry our products to on-sell and distribute to other Members and end-consumers as at the LPD. Members purchase and distribute our products within their personal network and serve as both consumers and distributors of our products. Sales can occur online, through personal e-commerce shopfronts for Members hosted on our website or via the DXN app. Some Members who are stockists also operate service centres, which distribute products to other Members.

We also have 77 sales branches as at the LPD which act partially as distribution centres of our products to our Members. The direct selling distribution model has helped to contribute to our growth since 1993 from a local Malaysian company to a multinational company with a distribution footprint (including our branches and distributors) in 50 countries, and registered Members in more than 180 countries as at the LPD.

Our bonus payments to Members are based on their worldwide sales as opposed to on a country-by-country basis. By providing a single, global **"One World One Market"** platform for our Members and applying the same business model and product branding worldwide, we are able to help our Members to conduct their direct selling efforts and grow their international sales. Other distinguishing features of our direct selling business include educating our Members about Ganotherapy and Sunya. We also provide training to our Members on our products, our culture, our marketing plan and on how to conduct business opportunity meetings. New distributors also undergo training on these key elements of the business. Our IT platforms, consisting of Member support tools such as the eWorld website, DXN app, DChat app and internal management tools relating to online billing, enterprise resource planning, laboratory management, human resource management, accounting and centralised processing, support our ecosystem and are also key to our business operations.

We have built a health-focused business platform anchored by almost three decades of institutional learning and a corporate culture constructed around the vision of DLSJ. We believe that our business expansion has been a result of our quality product portfolio, integrated production capabilities and global distribution network as illustrated below:

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We have a track record of developing our business model and products in more mature markets, and subsequently applying and duplicating our business model in upcoming markets. Our core markets are Peru, Mexico, India, Bolivia, the Philippines, Malaysia, certain countries in the Middle East, the United States, Thailand and Colombia and our top 10 markets (by revenue) contributed to 87.9% of our gross revenue for the FYE 28 February 2021. Our revenue for the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and FPE 31 December 2021 was RM907.2 million, RM1,104.6 million, RM1,050.2 million and RM1,015.7 million respectively. For the same periods, our profit for the year or period (as the case may be) was RM218.9 million, RM255.2 million, RM200.9 million and RM176.4 million, respectively.

7.2 Competitive Strengths

Our competitive strengths are:

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

The health-oriented and wellness sector within the direct selling industry is growing fast in the global markets on the back of increasing propensity to self-medicate and adopt preventive solutions among consumers. According to Frost & Sullivan, the direct selling markets of FFB, HDS and PCC products are forecasted to grow at a CAGR of 10.5%, 4.1% and 5.3% respectively between 2021 and 2026 despite the impact of the COVID-19 pandemic. The global rollout and uptake of COVID-19 vaccines in 2021 and April 2022 has contributed to the re-opening of businesses and normalisation of production and distribution of consumer products in certain countries.

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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. According to Frost & Sullivan, the use of natural herbal ingredients with medicinal value by the traditional and complementary medicine industry has received encouraging responses around the world. 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. Our presence in core markets including Peru, Mexico, India, Bolivia, Malaysia, the Philippines, Middle East, United States, Thailand and Colombia has contributed to 87.9% of our gross revenue in the FYE 28 February 2021. Despite the impact of the pandemic, revenue in some of our core markets such as Peru, Mexico, Bolivia, Philippines, Middle East and United States has grown resiliently from the FYE 28 February 2019 to the FYE 28 February 2021 with a CAGR of 12.7%, 17.0%, 12.5%, 15.3%, 11.4% and 10.2% respectively.

Country	Market Size Growth CAGR 2021E-2026F (%)(1),(2)			DXN's Market Share in 2019 (%)(1)		DXN's Market Share in 2021E (%)(1)	
	FFB	HDS	PCC	FFB	HDS	FFB	HDS
Peru	5.2	8.3	8.2	29	2	29	4
Mexico	4.1	5.3	0.8	8	1	9	1
India	15.1	7.0	4.0	13	6	9	3
Bolivia	8.2	8.7	7.1	38	3	37	2
Philippines	8.6	6.4	7.4	13	7	13	6
Malaysia	13.6	14.9	10.9	7	7	3	3
United States	9.8	3.1	3.9	<1	<1	<1	<1
Thailand	7.3	7.6	4.9	1	1	<1	1
Colombia	2.9	4.3	4.5	5	4	5	2

Notes:

- (1) Based on the IMR Report in Section 8 of this Prospectus. The estimated market share for the Middle East is not available due to the lack of the market data on the total retail sales value.
- (2) Based on retail sales via direct selling for respective product categories.
- (3) Between calendar year 2019 to 2021.

We are well-positioned across diverse high-growth geographies with a strong customer value proposition centred on the health benefits of our products. Although the barriers to entry as an operator in our industry only require regulatory approval, the sustenance of a strong competitive position in the industry is dependent on other key factors including integrated production facilities, global network, quality products, IT solutions and scalability of the platform. We have achieved a high level of standard in these areas, which are further elaborated in Sections 7.2.2, 7.2.3 and 7.2.5 of this Prospectus. According to Frost & Sullivan, we were ranked among the top three in high growth markets such as Peru and Bolivia in 2021, based on total retail sales of FFB via direct selling, with a market share of 29% and 37% respectively. Our innovative, in-house manufactured and unique products, with capital expenditure similar to that of comparable publicly listed direct selling companies with manufacturing capabilities has enabled us to remain competitive in the current high growth markets as we continue to expand further into other such geographies.

7. BUSINESS OVERVIEW (Cont'd)

According to Frost & Sullivan, our revenue CAGR of 7.6% between the FYE 28 February 2019 and the FYE 28 February 2021 is higher than the average revenue CAGR of selected major direct selling players with in-house manufacturing capabilities, which was at 2.6% between FYE December 2019 and FYE December 2021. We have a dedicated mobile application for our Members to communicate and a unified compensation model and bonus structure. Besides that, we have also achieved a high number of certifications and awards collectively as well as having a number of cultivation and manufacturing facilities among our selected peers. For further details on our competitive landscape, see Section 8 of this Prospectus.

We have been the recipient of numerous awards across the regions that we operate in such as "Brand of the Year Award" under the "Herbal Food Supplement" category from the Federation of Pakistan Chambers of Commerce & Industry in 2017 and "Industry Excellence Award" from the National Pharmaceutical Control Bureau of the MOH in 2012. In addition, we have also received key accreditations in the scope of quality management system, environmental management system, as well as cultivation and production of Ganoderma, Spirulina and Cordyceps from well-recognised organisations such as International Organization for Standardization (ISO), Good Manufacturing Practices (GMP), Hazard Analysis Critical Control Points (HACCP), Therapeutic Goods Administration (TGA) and Ministry of Agriculture and Agro-Based Industry Malaysia (now Ministry of Agriculture and Food Industries). For further details of our awards and key accreditations, see to Sections 7.31 and 7.32 of this Prospectus.

7.2.2 Business platform with a broad product portfolio and integrated production facilities

The growth in demand in the health-oriented and wellness sector within direct selling is attributed to a changing consumer preference towards quality products with health benefits, while the supply side is driven by factors such as product innovation and integrated manufacturing. 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. Out of the 291 SKUs we manufacture in-house as at the LPD, FFB products such as Lingzhi Black Coffee, Lingzhi Coffee 3-in-1, Cocozhi, Spirulina Cereal, Vita Café and Cordyceps Coffee 3-in-1 are our largest revenue contributors and have contributed approximately 62.1% of our gross revenue for the FYE 28 February 2021. These fast-moving consumable foods with attributable health benefits for daily consumption are sold at affordable price levels to generate repeated sales. Our strategy to balance between product differentiation and price sensitivity has enabled us to position our Group to generate a high volume of sales coupled with a good profit margin.

We exclusively sell our own-branded products. Based on gross revenue contribution, 90.6% of direct-selling products sold in the FYE 28 February 2021 were manufactured in-house to maintain control over the quality of products offered to consumers. While we continuously aim to consistently improve upon our product formulations through R&D based upon nutrition science, several of our best-selling products that have been in existence for many years have strongly contributed to our top-line growth. For example, we have revamped and relaunched our beverage products with non-dairy creamer that does not contain partially hydrogenated oil ("**PHO**") between 2019 and 2021. PHO contains trans-fat which can raise cholesterol and subsequently result in health complications. Within our core product portfolio, HDS products such as Spirulina powder capsules, RG powder capsules and GL powder capsules have contributed approximately 26.2% of our revenue for the FYE 28 February 2021, while PCC products such as Ganozhi Toothpaste, Gano Massage Oil and Ganozhi Soap have contributed to 7.9% of our revenue during the same period.

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We use active natural ingredients such as Ganoderma and Spirulina in a significant portion of our product offerings containing no artificial preservatives or colouring. Ganoderma contains natural constituents that we believe improve body functions and has antioxidant properties with benefits including anticancer efforts and blood glucose regulation, among others. Meanwhile, we believe that the health benefits of Spirulina include the ability to modulate immune functions and exhibit anti-inflammatory properties by inhibiting the release of histamine by mast cells. In an example of our utilisation of these natural ingredients to produce quality products, we use Spirulina to produce FFB products such as Spirulina cereal, as well as HDS products such as Spirulina tablets or capsules in various packaging sizes. Our broad portfolio of products is able to cater for the diverse consumption patterns in various markets and are selectively rolled out in response to consumer demand, competitive landscape and regulatory constraints. While our business began by offering HDS products, our response to consumer demand for more accessibility and affordability has resulted in the development of our product offerings across the price spectrum, catering to consumers across a broad range of income levels. For further details of our products, see Section 7.7 of this Prospectus.

The integration of multiple activities across the supply chain allows for better control of our operations and ensures that our production output is able to keep up with the growing demand, both in terms of quantity and quality. We have established a vertically-integrated business with a majority-owned production chain from research to cultivation to manufacturing, allowing strict quality control at every step of the process to maintain high standards of safety and excellence. Our execution and production processes have been recognised by various local and global certifications and industry awards over the years and has enabled us to maintain consistently high gross profit margins of above 80.0% from the FYE 28 February 2019 to FYE 28 February 2021. Our facilities are strategically situated in locations based on unique advantages with regards to land, labour and climate factors, and its proximity to key markets to leverage on local resources and to drive synergies in ensuring production reliability and cost-efficiency of fulfilling demand in all markets.

With an increased R&D expenditure of 58.5% between the FYE 28 February 2019 and FYE 28 February 2021, the core biotechnological strength of our R&D efforts include tissue culture, eco-farming, nano fermentation, centrifuge filtration and cold dehydration. These biotechnologies are important to preserve the natural active ingredients in its original form to ensure product efficacy and enable us to create the uniqueness of our best-selling products. Furthermore, through our R&D development, we introduced 32 new products in 2019, and 26 new products in 2020, 10 new products in 2021 and 3 new products in 2022 up to the LPD. Our research functions are fully carried out in-house with about 50 research staff as at the LPD across two research facilities in Malaysia and China, which are registered with the GMP+ Registered Laboratory program (GMP+ B11) of the GMP+ Feed Certification Scheme. Our main research facility, located in Malaysia, is responsible for developing new products, optimising yield at the adjacent cultivation facility and handling product testing for the adjacent manufacturing facilities, while the research facility in China primarily develops products and raw materials such as honey candy, probiotic drinks and Lion's Mane mushroom powder.

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In addition, we operate five cultivation facilities spread across Malaysia, India and China for the cultivation of Ganoderma, Spirulina, Cordyceps, Lion's Mane mushroom, Noni and Roselle. Commercial cultivation of Spirulina needs to be done in places with tropical or subtropical climates, as the growth demands sunshine through the year and depends on other factors such as wind, rain and variation in temperature. For mushroom cultivation, a controlled environment with a temperature range of 24-30 degrees Celsius is an important criterion. Our cultivation facilities in China include Spirulina cultivation in Ningxia and a tea plantation in Anxi, which benefit from export incentives from the Chinese Government to supply Spirulina powder to Malaysia for further processing. Our China operations enjoy cost advantages such as inland freight subsidies for export companies which are provided based on quarterly exportation, preferential policies on property tax for newly established small enterprises and export tax rebates based on products and quantities exported.

Furthermore, we operate nine manufacturing facilities in Malaysia, China, India, Indonesia and Mexico. With 90.6% of our direct-selling products sold being manufactured in-house, based on gross revenue contribution for the FYE 28 February 2021, we are able to ensure demand surges can be met, as supply bottlenecks that result in our Members having insufficient stock for sale can severely disrupt our growth momentum and undermine Member confidence in our network. Production lines are able to switch between different products within one to four hours, demonstrating the flexibility of our manufacturing capabilities.

Our integrated cultivation functions have enabled us to produce a production output of 73 tonnes of GL, 57 tonnes of RG and 120 tonnes of Spirulina for the FYE 28 February 2021. We believe that we are one of the pioneers in Malaysia since 1993 in stacking individual cultivation bags in a vertical layout during production, which is now an industry-wide practice for Ganoderma cultivation. The quality of our cultivation practices have been recognised through accreditation and certifications such as the European Union ("EU") Organic Certificate since 2017, USDA National Organic Program Organic Certificate in 2017, ISO 14001 certifications since 2000 as well as My Organic Malaysia Certificate since 2007.

The barriers to entry on the supply side are high due to economies of scale, integrated manufacturing processes and technological advancement in cultivation and production. As a vertically-integrated business, we are able to develop and cultivate our key ingredients internally and limit reliance on suppliers of natural ingredients. Through increased penetration in new and existing markets, we are able to achieve economies of scale and enjoy cost advantages, which are further supplemented by our distribution model. Our established operations in this industry are further supported by our core biotechnological strength in R&D, which has allowed us to continue producing a diverse and evolving portfolio of quality products. In addition, it is easier for integrated players with vast localised operations to comply with regulatory requirements. For example, the state government of Telangana, India extends various incentives to encourage the establishment of new industrial enterprises. Telangana is also a large producer of raw materials that we require for our cultivation and manufacturing processes, including Ganoderma and Spirulina. This makes it easier for us to achieve regulatory compliance as we source from local resources, rather than import these materials from outside of India. Furthermore, to meet the standard of quality for products, any compliance with the ISO standard, HACCP and GMP are taken into consideration for regulatory approvals. In Pondicherry, India, regulatory approvals we obtain are from two separate parties, namely Food Safety and Standards Authority of India (FSSAI) and Ministry of AYUSH (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy). Achieving regulatory compliance is made easier as our vast localised operations are performed independently in separate production areas. Our expansion of localised production has allowed us to navigate and reduce regulatory barriers which has also benefited regional

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markets as well given higher levels of regulatory harmonisation within regions. For further details of our production facilities, see Section 7.13 of this Prospectus.

7.2.3 Expansive global distribution network and sustainable direct selling strategies

According to Frost & Sullivan, the global market of direct selling is forecasted to reach USD186.4 billion by 2026. This growth will be driven by various factors including the expanding base of independent sales representatives, which reached 125.4 million people in 2020. 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 sales 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 outside of our control. As at the LPD, our products are exclusively distributed through our global direct selling network of over 12.7 million Members, of which 2.8 million are active Members, and over 77 sales branches and 14 external distribution agencies, providing an efficient and cost-effective way to reach consumers worldwide. The strength of our network is reflected in the continued growth in Members from 9.3 million in 2019 to approximately 12.0 million in 2021, representing a CAGR of 13.6%, driven by the effectiveness of our direct selling model.

As the focus of our direct selling model is to drive consumer sales, we have structured our "One World One Market" compensation plan to primarily reward sales, as opposed to peer companies who may prioritise recruitment, as we do not charge our Members any upfront or annual fees. Our compensation plan comprises four components; retail profits, personal group bonuses, leadership and development bonuses, and incentives, which include a one-time mobile phone incentive, cash travel incentive and annual travel seminar incentive. We ensure there is no delay in bonus payments as these components provide flexibility for our Members to achieve their desirable income levels based on the efforts they have invested. Furthermore, membership, which can be registered in any country except those under sanctions as of April 2022, is applicable and valid worldwide, allowing Members to enjoy the bonuses from their downlines who purchase products in any part of the world. During the COVID-19 pandemic, there were no changes made to the structure of our Members' benefits and bonus incentives. Instead, we granted additional promotional campaigns during the height of the pandemic to support our Members in the form of product discounts. A global promotional campaign was launched in May 2020, giving a 10% discount on all products for qualified Members to redeem over a period of one year starting from 1 June 2020.

The direct selling model we employ is a mutually beneficial distribution channel for all of our stakeholders. We have a cost-effective product distribution approach with minimal recurring operating expenses required as there are no physical storefronts except for service centres, which are being operated by our Members at their own cost. This has enabled us to grow in a sustainable manner given the low capital expenditure required and strong demand visibility, while boosting consumer confidence through brand ambassadors trusted within their personal networks. With no joining or membership fees imposed, it provides an opportunity for our Members to earn income. The average sales for each of our active Members across Latin America, Asia Pacific and United States have seen a steady growth with a CAGR of as much as 27.8% in Peru, 8.9% in Thailand and 33.7% in the United States respectively between 2019 and 2021. In the corresponding period, the average compensation per active Member have also increased proportionately with a CAGR of as much as 28.7% in Peru, 10.9% in Thailand and 15.4% in the United States.

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The flexibility of our distribution model allows our Members, who are customers who may also serve as distributors of our products, to tailor the level of sales engagement to their personal consumption and financial needs. For our end-customers, the model provides convenient access to our products and after-sales customer service through our Members, which is made easier through personal e-commerce shopfronts for Members hosted on our website. Customers also have the option to become a Member to access products at distributor prices set by us. We maximise our resources towards providing the distributors leadership support in retailing, recruitment and retaining distributors. All levels of our organisation are engaged in conducting marketing activities and training programs targeted to generate retail sales with product knowledge, expand our Members' network with recruitment skills, and retain our leaders through promotions, which comes along with incremental income. A small portion of the distribution income is allocated for these marketing activities. To further support our distributors from a production standpoint, sales branches are required by our company's policy to keep sufficient buffer stocks of at least three months and not more than six months of sales volume, which helps to offset any sudden demand surges and avoid any stockout situation for any product. From a sales standpoint, we have 77 sales branches as at the LPD, equipped with adequate sales and marketing staff to support the global Members' demand for our products including customer service enquiries.

Having developed a sustainable strategy based on a compensation plan that does not require an upfront membership fee and incentivise sales to customers rather than inventory loading, we are able to attract new Members and expand our distribution network sustainably. Further, we have transparent marketing plans with clear incentives and career-path structures to motivate our Members to be actively promoting and selling our products. These practices allow us to attract, engage and retain Members and differentiate us from other direct selling companies. For further details of our distribution network, see Section 7.6 of this Prospectus.

7.2.4 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. Since the commencement of our operations 27 years ago, we have expanded our distribution footprint (including our sales branches and distributors) across 50 countries and sales in more than 180 countries as at the LPD including recent market entries in the past five years, namely Poland, Mauritania, Morocco, Uzbekistan and Nigeria. While sales within our local markets may fluctuate due to competitive pressure, economic conditions, political or pandemic or for other reasons, our geographical diversification helps to mitigate our financial exposure to any particular market. Our revenue is based on product sales to Members and earnings for most of our Members are primarily driven by sales of products. Furthermore, bonuses are only received by stockists upon sale to Members and end consumers, and not for purchasing stock.

We have a highly scalable business model as our distribution channel, operating procedures, management functions, and automated information systems which can be easily replicated for any expansion into existing and new markets.

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.

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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.

Our Group has demonstrated an ability to consistently convert profitability into operating cash flow generation. Through our end-to-end control of the supply chain and rigorous pricing discipline, we are able to achieve attractive operating margins:

	FYE 28 February 2019	FYE 29 February 2020	FYE 28 February 2021
EBITDA margin (%) ⁽¹⁾	36.9	33.5	29.9
Operating cash flow to EBITDA (%) ⁽²⁾	51.9	83.1	79.8

Notes:

(1) Calculated as EBITDA divided by revenue. 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.

(2) Calculated as net cash from operating activities divided by EBITDA.

Our cost-effective direct selling model enables us to scale our business with minimal capital expenditure for distribution network and setup costs attributed to sales branches and service centres. The minimal physical infrastructure requirements enable quick scaling up of presence in new regional or international markets. We do not require a company-employed sales force to market or sell our products as Members are both consumers and distributors within their networks and bear the majority of our consumer marketing expenses.

Our low fixed cost base for distribution network allows for testing of more markets with less sunk cost and provides an easier market exit if our entry is unsuccessful. Our direct selling model has also enabled us to grow in a sustainable manner given a strong demand visibility via our Members' feedback. Members are both consumers and distributors within their networks. As consumers, Member growth directly reflects the underlying demand for the product, meanwhile as distributors, Members are closest to the end-consumers and are best placed to assess product demand. Natural migration of Members across borders further enables us to grow our business internationally through cost-free testing of new markets, providing critical market information to guide decisions on opening local offices. For further details of our financial performance, see Section 12 of this Prospectus.

7.2.5 Robust technology ecosystem to support global operations

As we are a global health-oriented and wellness platform, our management has focused on our IT solutions as we continue to expand our presence worldwide. Our global ecosystem of IT infrastructures is broadly integrated via Application Programming Interfaces to allow a seamless transfer and syncing of key data across systems. 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 license fees and minimal cost for a global roll-out, we own the source codes and blueprints for all our existing software application including key platforms such as the eWorld website, DXN app, DChat app, personal websites, Online Billing System ("**OBS**"), Enterprise Resource Planning System ("**ERP**"), Accounting Information System ("**ACIS**") and Centralised Processing System ("**CPS**").

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eWorld is an easy-to-use online portal, curated for: (a) Members to manage their activities such as purchases, earnings and marketing content; (b) non-Members to engage with the brand through registration and marketing content; and (c) local sales branches to publish and disseminate marketing materials. Launched in September 2015, our eWorld website has experienced continued increase in unique visits and usage, with a CAGR of 18.0% based on the monthly unique visitors between October 2020 to the LPD. Between 1 January 2021 to 31 December 2021, our eWorld website had over 690,000 unique visitors per month, with an average page per visit engagement rate of approximately 34 pages. Since 2018, the number of new Members on our eWorld platform has increased at a CAGR of 21.9% to 1 million new Members joining in 2021.

DXN-branded personal websites were launched in Europe in December 2017, Turkey in March 2019 and the United States in April 2019 to enable our Members' initiatives towards recruitment, sales and marketing. As part of our marketing strategy to cater for our Members' preference for online marketing and creating awareness, our Members from 80 countries (including 35 countries which we do not have a presence) as at the LPD are able to set up personal websites on our eight regional websites. The personal websites set up by our Members in the 45 countries where we have a distribution footprint (including our sales branches and distributors) can be used by Members to engage, recruit and sell products to their end-customers, whereas the personal websites set up by our Members in the 35 countries where we do not currently have a presence are meant for creating awareness of our brand in these countries. Our regional websites and Members' personal websites are managed by persons-in-charge of our sales branches and distributors ("**PICs**"). Our PICs maintain the content presented on our regional websites, such as information on local training events, business opportunities and marketing plans specific to the countries which they manage, which the personal websites of our Members may then import. They are also responsible for procuring local language translations for content on the regional websites, which Members import to their personal websites. As at the LPD, about 111,290 Members have set up these personal websites. To set up their personal websites on e-World, Members must first apply via e-World and must agree to a website user agreement which sets out the requirements and terms and conditions that Members must comply with. We engage in Member recruitment globally through personal websites, which are hosted on our regional websites.

Our OBS and ERP systems underpin the day-to-day functioning of our global production network. The OBS supports local management teams in operational management and has already been rolled out across all markets, whereas the ERP supports production management teams in supply chain management. Besides that, our CPS and ACIS systems enable our management to oversee a global operations base and to track sales and earnings for our Members. The CPS ensures accurate and timely calculation of Member tiers and earnings, meanwhile the ACIS digitises finance processes to improve on the reliability and productivity of our financial management.

The launch of ePoints in 2015 has helped our business to save on bank transfer fees and improve our working capital position. Member incentives and bonuses are paid out in ePoints in most countries, with the total FYE 28 February 2021 Member payout in ePoints amounting to RM265.6 million for the top 10 geographical markets (excluding the United States and the Middle East). The United States uses an eBonus system that is in line with the U.S. tax regulation, while bonuses for Members in the Middle East are included upfront in our distribution price to the external distribution agency who operates in that region, who will then distribute Member payouts in cash rather than ePoints. We intend to migrate the eBonus system to the ePoints system in the United States once we are able to comply with the local tax regulatory requirements.

7. BUSINESS OVERVIEW (Cont'd)

Member payouts can come in the form of cash or product purchases (based on distributor prices). The accessibility of our ePoints platform enables our Members to treat their ePoints credit as cash for product purchases or cash withdrawals, the latter of which is only allowed upon our prior approval. ePoints can only be utilised by a Member in the country where the ePoints are earned. However, upon request by a Member, we can assist the Member to convert his/her ePoints earned in one country to ePoints in another country for utilisation of the Member's ePoints in that other country, subject to compliance with local rules and regulations. For further details of our IT, see Section 7.15 of this Prospectus.

7.2.6 Experienced founder-led management

Our founder-led Key Senior Management has successfully grown our business from a local Malaysian company to a multinational company. We are anchored by a corporate culture established under the leadership of our founder and Executive Chairman, DLSJ, who has been with our Group for over 25 years.

Our business is well-supported by a strong team of seven Key Senior Management with an average of 21 years of industry experience. Most of our Key Senior Management have each been with either our Company or Group for at least 15 years and possess qualifications in their respective field of expertise. Leveraging on their experience and understanding of the health-oriented and wellness sector as well as local demographics in locations where we operate, our senior management has successfully developed strategies to drive growth through market entries into new high-growth geographies and market share gains.

DLSJ's vision, philosophy and concepts have been institutionalised and integrated into our Company and whose experience in the industry is pivotal to the continued expansion and performance of our Group. We have also put in place succession planning strategies for our Key Senior Management, which are continually re-evaluated to ensure that our business continues to run smoothly if any important personnel are unavailable. Overseen by our Nomination Committee, our succession plan has been developed to facilitate the smooth transition of responsibility over time. Part of our Nomination Committee's responsibility is to lead the succession planning and appointment of directors, and oversee the development of a diverse pipeline for board and management succession, including our future Chairman, Chief Executive Officer and Executive Directors. As part of our strategy to develop potential successors, on the job training is conducted by the incumbent and annual performance appraisal is carried out based on relevant key performance indicators.

We are committed to increasing our employees' capabilities by providing them professional development trainings such as U.S FDA Food Safety Modernization Act (FSMA)'s Preventive Controls Qualified Individual (PCQI) for Human Food and Certified Environmental Professionals. Moreover, our staff are trained on Occupational Safety and Health Administration to meet the requirements of manufacturing certificates and relevant personnel are also trained in method validation and quantification of measurement uncertainty in microbiology testing.

From an Environmental, Social and Governance ("**ESG**") perspective, we have partnered with the Inter-Governmental Institution for the use of micro algae Spirulina against malnutrition ("**IIMSAM**"), which is an Autonomous Entity within Article Five of the Convention for co-operation in scientific research and humanitarian use of micro-alga spirulina as food, to launch the 'One Dollar One Child' campaign to improve malnutrition in children and provide vital aid for life sustainability in underprivileged communities worldwide during the COVID-19 pandemic. Our partnership with IIMSAM is in support of United Nation Decade of Action 2020 – 2030 and United Nation Sustainable Development Goals 2 (zero hunger) and 17 (partnerships for the goals). While we had ended our partnership with IIMSAM in August 2022, we intend to continue with the distribution of Spirulina to malnourished children under the 'One Dollar One Child' programme.

7. BUSINESS OVERVIEW (Cont'd)

In response to the COVID-19 crisis in India, we have also donated oxygen concentrators, masks and personal protective equipment kits to provide aid for the people of India. In developing economies, we provide our Members a platform to earn additional income to supplement their current wages. Through our transparent and fair earning structure, there is no minimum purchase or annual fee imposed on our Members. From an environmental aspect, we have initiatives to minimise wastage across our supply chain such as using Ganoderma stalk and mycelium, which are commonly discarded by manufacturers, for some of our products.

7.3 Future Plans and Strategies

We intend to pursue the following strategies to grow our business:

7.3.1 Visible pathway to grow in new and existing markets

Our well-tested blueprint for market entry has been honed over decades of experience in establishing our distribution footprint in 50 countries as at the LPD. Historically, we have taken between 24 to 36 months to enter a new market. Selected markets have been identified on the basis of being in proximity to high-growth existing markets, which will be expected to spread into neighbouring territories given the organic growth of Members and movement of Members across borders within neighbouring regions.

We will decide to 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. As a rule of thumb, if there are monthly sales of USD50,000 and 500 active Members, with a positive trend for growth in that particular market, we will consider to initiate company incorporation or appoint an external distribution agency, prior to product registration.

We consider several factors when deciding between a subsidiary incorporation model and the appointment of an external distribution agency in a new market, including the following:

- regulatory restrictions on foreign direct investments and foreign ownership of companies;
- foreign exchange controls and restrictions on the repatriation of profits or dividends for foreign investors; and
- general economic and political conditions.

We generally appoint external distribution agencies in jurisdictions which have strict or unfavourable restrictions on foreign direct investments and foreign ownership, foreign exchange controls and restrictions on the repatriation of profits or dividends for foreign investors.

Our normal practice is to kick start our operations in a high potential market of a particular geographical region and gradually expand into the neighbouring countries thereafter. For instance, we began our operations in Latin America and Africa by setting up our first sales branches in Mexico and Morocco respectively.

Our expansion into new markets and further penetration into existing markets are funded by internally generated funds, utilising our Group's cash flows to reinvest into the business. In the FYE 28 February 2023 to FYE 29 February 2024, we plan to expand into five further markets globally, including countries in the Latin American and African regions.

7. BUSINESS OVERVIEW (Cont'd)

Country	Expected launch	Expansion model	Members as at the LPD		Current status
			Total	Active	
Argentina	2022/2023	Subsidiary	25,182	34.4%	<ul style="list-style-type: none"> company has been registered product registration in progress for some products
Brazil	2022/2023	Subsidiary	4,610	17.1%	<ul style="list-style-type: none"> company has been registered in the process of appointing new consultant for product registration
Niger	2023/2024	Subsidiary	354	70.9%	<ul style="list-style-type: none"> company has been registered product registration in progress
Algeria	2023/2024	Agency	11,057	70.2%	<ul style="list-style-type: none"> company of the Agency has been registered product registration in progress
Ghana	2023/2024	Subsidiary	1,438	44.6%	<ul style="list-style-type: none"> in progress of liaising with the authorities on the requirements for formation of a company

Our planned market entries are sustained by the low capital expenditure requirement of our direct selling model, which is ideal for a high-growth global health-oriented and wellness consumer goods platform like ours, and by following market momentum demonstrated by our Members selling into markets that we have not established local sales branches yet. The total set up cost to expand into a new market ranges from RM2.0 million to RM3.0 million which mainly comprises the company's incorporation, product registration, office setup and initial start-up sales inventory. The roll-out of our product suite will be based on Member demand, competitive landscape, product availability and regulatory approvals. Through our "One World One Market" approach, we aim to create a single global network for all Members, with transferable membership across geographies, offering individuals the opportunity to embark on an international career and business enterprise, and to be part of a large multinational organisation.

We will also continue to commit our resources to drive further penetration in the existing markets in Latin America, the Middle East, South Asia and Europe. Our penetration strategies in existing markets include launching new products and setting up new production facilities, sales branches or service centres in strategic locations, which includes the appointment of temporary stockists, mobile stockists or sales branch agents at remote areas to expand our coverage within these existing markets. Additionally, we intend to conduct promotional exercises for the recruitment of new Members and support our leaders in hosting activities at open areas to generate awareness on our offerings. Furthermore, we are committed to allocating an annual budget equivalent to 2% to 4% of our revenue for marketing activities, including continuous training programs to build brand awareness of our Company as well as the basics of networking marketing.

7. BUSINESS OVERVIEW (Cont'd)

7.3.2 Catering to changing consumer needs and enhancing Member engagement

Development of new health-oriented and wellness products

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. In line with our strength of producing FFB products, we have launched tea products fortified with Lion's Mane in China in 2022 such as Lion's Mane Oolong tea, Lion's Mane Black Tea and Oolong Tea powder, and also exporting the Lion's Mane tea series and the tea products fortified with Ganoderma such as Lingzhi Oolong Tea and Lingzhi Black Tea to Malaysia. As like our other cultivation farms, these initiatives are aimed at serving the business internally, in terms of vertical integration, to support the demand of the direct selling industry or the conventional tea market in China. Meanwhile, in our research and laboratory facility in Ningxia, China, cultivation research is being conducted with a focus on plantation of corn, Chinese cherry and paddy. The cultivation of corn and paddy are mainly to serve as raw material for our mycelium products, which is estimated to start trials by July 2022. The planting and cultivation of Chinese cherry in Ningxia, China is on a small scale for R&D purposes only.

Lifestyle offerings

Drawing from our expertise in health and wellness, our lifestyle products are strategic offerings for us to engage our Members, who can opt to pay a subscription fee via ePoints to enjoy a wide range of leisure and lifestyle options including motivational speaking, product introduction, conferences and recognition, including an annual travel seminar incentive which cost RM6.6 million, RM14.2 million and RM10.9 million in FYE 28 February 2019, FYE 29 February 2020 and FYE 28 February 2021 respectively. With the investment towards the construction of our wellness and retreat centre, namely DXN Cyberville, we are able to offer our Members a recreational space to receive Ganotherapy and other natural health treatments using our products, an experiential Ganoderma harvesting experience and introduction to our food projects. It will consist of a three-storey wellness and retreat centre that includes a 10-storey apartment and a two-storey recreational space, as well as a global cyber hub with sales branch office, stockist sales counter and convention hall. The construction which commenced in 2019 is expected to be completed by the third quarter of 2022. In addition, we have acquired shares in Amazing Discovery, which owns Boulder Valley, a lifestyle resort in Penang, Malaysia, that consists of tented accommodations and space for small parties and events. Utilising synergies between our nutritional products and lifestyle facilities, we are able to reduce the cost of our Members' annual incentive trips.

As our Member network continues to mature and consume more than just the health-oriented and wellness products, we intend to foster sustainable projects which positively impact the surrounding community from a social aspect such as the cultivation and introduction of local herbs for consumption or application. Supplemented by our experience in health and wellness, we intend to integrate farms containing various indigenous or local plants and herbs in our future wellness and retreat centres.

7.3.3 Continued expansion of our vertically-integrated global supply chain

Our global growth has been underpinned by our vertically-integrated global production network. 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.

7. BUSINESS OVERVIEW (Cont'd)

In line with demand growth, we intend to scale up our production capacity to maintain our in-house cultivation and manufacturing proportions. We aim to insource more cultivation in order to have an increasing control over ingredient quality. In addition, to ensure supply chain reliability to keep up with demand growth, we intend to expand our localised production facilities and optimise our global supply chain to improve cost efficiency attributed to reduced transportation costs, lower import duties and beneficial tax incentives. Localised production is able to benefit neighbouring markets given higher levels of regulatory harmonisation within regions. With increased access to local facilities for Member networks in key markets, the expansion of our production can improve Member and customer confidence in our brand and products. For instance, we expect the establishment of a new manufacturing facility in Tlaxcala, Mexico in the third quarter of 2022 to help to meet fast-growing demand in Latin America.

Our planned projects in the pipeline include four new manufacturing facilities and two new cultivation facilities, with capacity expansion for existing outputs. The four new manufacturing facilities will be located in Telangana and Pondicherry, India, Ningxia, China and Tlaxcala, Mexico. The two new cultivation facilities will be located in Telangana, India and Ningxia, China. The project costs are expected to be financed by our internally generated funds.

For the manufacturing facility in Telangana, India, we have acquired 46.9 acres of land in Siddipet, India in 2018 to build a 17.7 acres manufacturing facility for the production of coffee, juice, supplements, cosmetics and toiletries. This facility is intended to produce a full range of products for India and nearby countries, reducing ordering and delivery time from Malaysia and helping us to save costs. Construction for the GMP-certified factory for the production of supplements in this manufacturing facility has been completed, with the factories for the production of coffee, juice, cosmetics and toiletries expected to be completed in the first quarter of 2023. We have a manufacturing facility in the pipeline in Pondicherry, India. This facility will primarily be used to manufacture Spirulina cereal and Cordyceps cereal products and is expected to be completed in the fourth quarter of 2022. We also have a manufacturing facility in the pipeline in Tlaxcala, Mexico, which is our second factory in Mexico. This facility is being constructed on existing land several kilometres from our current manufacturing facility in Tlaxcala, Mexico and will have production lines for FFB, including premixed coffee, premixed cocoa and juices, as well as production lines for food supplement products, including capsules and tablets. This facility is intended to serve the Mexico and Latin America markets, so as to reduce ordering and delivery time from Malaysia and helping us to save costs. We expect to complete construction of this manufacturing facility in the third quarter of 2022, which should both enable the production of new products as well as double the production capacity of our manufacturing facilities in Mexico. Furthermore, we have a manufacturing facility in the pipeline in Ningxia, China. This facility has been built in the same location as the other manufacturing facilities in Ningxia, China under DXN Corporation Ningxia and, pending machinery testing, will be used to produce carbonated beverage products while simultaneously serving as a distribution centre for our subsidiaries. Upon commencement of operations of the manufacturing facility, DXN Corporation Ningxia's production capacity will increase by 35.5%. Our facilities are strategically situated to reduce cost by leveraging local advantages such as land, labour and climate, as well as to through the localisation of our production. These facilities are expected to support global markets and will collectively cater for the growth of demand for at least the next few years based on a conservative estimate.

7. BUSINESS OVERVIEW (Cont'd)

China is an attractive supply base with considerable upsides given the availability of land, qualified labour, cheap raw materials and trade connections. Our planned manufacturing facility in China enable continual rebalancing towards lower-cost geographies as costs rise at existing facilities primarily in Malaysia. We expect to begin production at such planned manufacturing facility in China at the end of 2022. Facilities in Ningxia, China that are spearheading the development of new products for global export additionally benefit from export tax incentives from the Chinese Government. As at the LPD, we have received GMP certification for our factory and are in the midst of applying for approval documents for food supplements from the Ministry of Food and Drug Administration. Due to export incentives from the Chinese Government, we expect to enjoy cost advantages in utilising these new facilities to support global markets we operate in such as inland freight subsidies for export companies, property tax preferential policies for newly established small enterprise and export tax rebate based on products and quantity exported, among other incentives as well. From January 2018 to July 2021, we received RM1.3 million worth of tax reliefs and incentives from the Chinese Government which included inland transportation, pioneer enterprise, agricultural-related and other incentives.

The expansion of our global supply chain will help us to address several supply impediments such as reduced shipping time, currency fluctuation, regulatory formalities for imported products, delay or restriction in product registration, stock shortage, and inventory holding costs. The facilities are mainly to support the expansion of the existing and new markets across the regions we operate in. It also provides us an avenue to market the locally cultivated and manufactured products such as beverages, mycelium and Lion's Mane mushroom. For further information on our expansion plans, see Section 7.13.5 of this Prospectus.

7.3.4 Enhancing our technological ecosystem

Potential for social media to drive direct selling penetration

We are in a position to harness social media tailwind. Since the launch of eWorld website and DXN app, we have seen a combined total of about 1.1 million unique monthly visitors on these platforms in 2021. The availability of social media will enable 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. Besides that, Member productivity can be improved through Member engagement and community building, where Members are able to use online communities to engage their downlines and provide guidance seamlessly through social media channels. These channels provide frequent touchpoints for Members to share their personal stories of using existing products as well as promote new products to keep our end-consumers constantly engaged with our brand. We are able to leverage on our social media platforms to facilitate sales and Member recruitment.

On our social media accounts, we share the latest information on our Group such as ESG and marketing campaigns as well as new release of products to increase the awareness level with our customers through the reach of social media platforms. As social media platforms naturally have a high level of engagement amongst users, we intend to conduct further recruitment drives by posting marketing videos to our customers and targeting various demographics across different social media platforms such as Facebook and Instagram, which have more than two billion users collectively.

7. BUSINESS OVERVIEW (Cont'd)

Seamless supply chain management platform

The ERP and ACIS are integrated based on company, suppliers, customer and account code information. It also links the purchase order invoice with our account payable module. As part of our continuous effort to improve our IT ecosystem to allow for seamless data flow across our technological infrastructures, the ACIS is currently being upgraded in-house for deeper integration with the ERP. The upgrade is expected to be rolled out in stages for use by our local factories and finance teams in Mexico and India by the first half of 2023. This future enhancement will include the addition of invoicing integration where factory-issued invoices will be linked to our account receivable module. Furthermore, the upgrade will enhance our bill of materials and machine information such as capacity and performance. This will enable our integrated system to generate more comprehensive information for each respective department. Besides that, processes will be automated to reduce the data encoding and the integrated system can trigger cross-functional activities which helps to increase accuracy and productivity. This integrated system will act as a real-time and single source of information where various departments can access information and execute business processes without cross-department interference. These enhancements will enable us to consolidate information to streamline operations, automate business processes and simplify business solutions.

Enhancement of our Member portal

The web browser and mobile app interfaces of our portal, eWorld, with selected functionalities such as online purchasing and online recruitment has been rolled out across our markets globally. The future enhancement of our Member portal will integrate the DChat app feature into the current network module to enable our distribution leaders to communicate seamlessly with their downlines respectively. Members will be able to share updated information on company news, events, products and marketing strategies. In the direct selling business where connection is an important factor, this feature will be one of the key pillars to improve the business chain on our platform as Members will be able to stay connected in spite of physical distance.

As at the LPD, we have not identified any specific acquisition targets.

7.4 Key Milestones

The table below sets out certain of our key milestones:

Calendar Year	Milestone
1993	DNX Marketing was incorporated
1995	DXN Marketing commenced operations
1996	Expanded into international markets by commencing operations in Singapore and Mauritius
1997	Received the GMP certificate from the MOH for our Ganoderma manufacturing facility

7. BUSINESS OVERVIEW (Cont'd)

Calendar Year	Milestone
1999	<p>Received TGA certification from the Ministry of Health, Australia demonstrating GMP compliance</p> <p>DXN Pharma's manufacturing facility received ISO 9001 certification</p> <p>Expanded into Spirulina products</p>
2000	<p>DXN Pharma's cultivation facility received ISO 14001 certification</p> <p>Reached one million registered Members</p>
2001	<p>Awarded a five-year pioneer status incentive from 2001 to 2006 for Ganoderma cultivation and processing from the Ministry of Agriculture and Agro-Based Industry (now Ministry of Agriculture and Food Industries), Malaysia</p> <p>Built a new DXN Pharma facility for food supplement products in Kedah, Malaysia</p> <p>Reached two million registered Members in 25 countries</p>
2002	Constructed our manufacturing facility in Pondicherry, India
2003	Listed on the Main Board of Kuala Lumpur Stock Exchange (<i>now known as the Main Market of Bursa Securities</i>)
2005	Awarded a 10-year pioneer status incentive from March 2011 to February 2021 for Spirulina cultivation and processing from the Ministry of Agriculture and Agro-Based Industry (now Ministry of Agriculture and Food Industries), Malaysia
2006	Received MS ISO/IEC 17025 certification for our Laboratory quality management system
2007	<p>Awarded a five-year pioneer status incentive from 2007 to 2012 for Ganoderma cultivation and processing from the Ministry of Agriculture and Agro-Based Industry (now Ministry of Agriculture and Food Industries), Malaysia</p> <p>Commenced sales of PCC products</p>
2011	Delisted from the Main Market of Bursa Securities
2016	<p>Constructed our manufacturing facility in Tlaxcala, Mexico</p> <p>Constructed our research facility in Ningxia, China</p>

7. BUSINESS OVERVIEW (Cont'd)

Calendar Year	Milestone
2017	<p>Launched our first DXN Cafe outlet at the DXN Stargate Branch in Kedah, Malaysia</p> <p>Signed an agreement with the Dawukou District Government, Ningxia Hui Autonomous Region of the People's Republic of China, for a R&D project for Ganoderma, Spirulina and Cordyceps</p> <p>Received an investment by KV Asia Capital Pte Ltd through its investment vehicle, Gano Global, which acquired a 25.7% equity stake in our Company</p> <p>Received the USDA's National Organic Program Control Union Certification for DXN Pharma's facility</p> <p>Awarded five-year pioneer status incentive from 2017 to 2022 for Bio Synergy from the Malaysian Investment Development Authority, which partially reduced our income tax</p>
2018	<p>Reached more than eight million registered Members worldwide, across more than 180 countries</p> <p>Received HACCP certification for Food for DXN Industries – Food production (Coffee & Juice)</p>
2019	<p>Acquired Boulder Valley, a lifestyle resort in Penang, Malaysia</p> <p>Commenced construction of DXN Cyberville, a wellness and retreat centre and main administrative centre with apartments in Cyberjaya, Malaysia</p>
2020	<p>Reached 10 million registered Members worldwide</p> <p>Received the ISO 22716:2007 (Cosmetic) certification for DXN Industries</p> <p>Received the EU Organic certification for DXN Pharma's facility</p> <p>Launched the "One Dollar One Child" campaign against child malnutrition</p>

We have a distribution footprint across 50 countries in Europe, Latin America, North America, Central Asia, South Asia, Southeast Asia, Middle East, Africa and Oceania. We define our distribution footprint as the jurisdictions in which we have a subsidiary or sales branch and/or an external distribution agency. The table below sets out the countries we distribute to as at the LPD and the years in which we commenced operations in those countries:

Year of entry	Country
1995	Malaysia@
1996	Singapore@
	Mauritius*
1997	Hong Kong@
	Indonesia@

7. BUSINESS OVERVIEW (Cont'd)

Year of entry	Country
1998	Thailand@
1999	Philippines@
2000	Australia@
	India@
2001	UAE*
	South Africa*
	Bangladesh*
	Sri Lanka*
2002	United States@
2003	Saudi Arabia**
	Oman**
	Canada*
	Bahrain**
2004	Jordan**
	Puerto Rico*
	Nepal*
2005	Qatar**
	Yemen**
	Mexico@
2006	Kuwait**
2007	Kenya*
	Pakistan@
2008	Mongolia@
2009	Hungary@*
	Romania**
	Czech Republic@
	Slovakia@
	Colombia@
2010	Peru@
	Ethiopia*
	Iraq**

7. BUSINESS OVERVIEW (Cont'd)

Year of entry	Country
2011	Greece [@]
2012	Bolivia [@]
	Bulgaria [*]
	Nicaragua ^{(1)*}
2013	Germany [*]
	Italy [@]
2014	Spain [@]
2015	Panama [@]
2016	Ecuador [@]
	Turkey [@]
2019	Morocco [@]
	Uzbekistan ^{@*}
	Nigeria [@]
2020	Mauritania [@]
2021	Poland [@]

Notes:

[@] Operated via our own subsidiary or sales branch.

^{*} Operated via a distribution agency.

^{**} Operated via a distribution agency through another country, for example the UAE or Hungary.

(1) We ceased operations in Nicaragua in 2017.

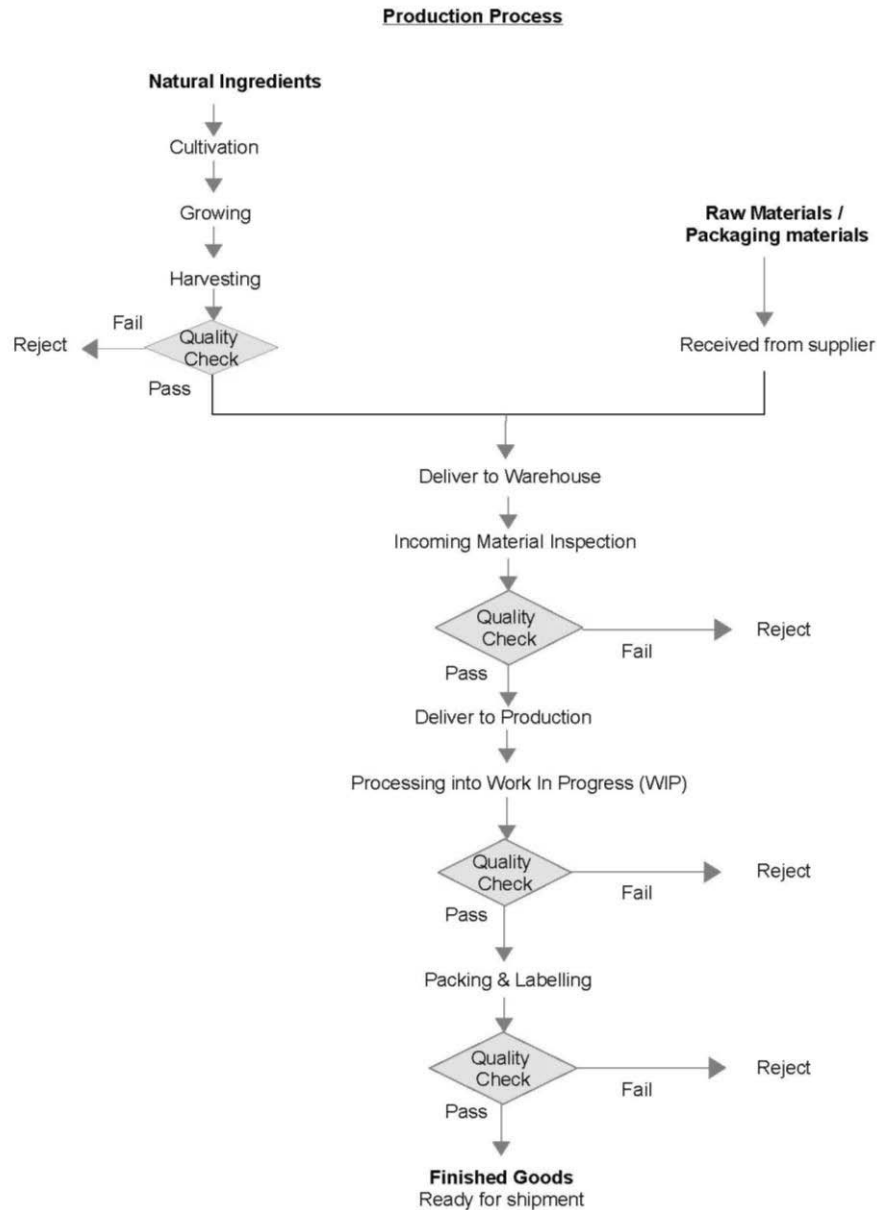
7.5 Our Business**7.5.1 Principal business activities**

Our primary business is selling health-oriented and wellness consumer products, consisting of (i) FFB, (ii) HDS, (iii) PCC and (iv) others. We have a diverse product portfolio, with 398 SKUs of health-oriented and wellness consumer products as at the LPD.

We operate a vertically integrated supply chain with in-house research, cultivation and manufacturing functions. By conducting a significant part of our entire process in-house, from cultivating to processing raw materials, manufacturing, to marketing and distribution, we are able to control our product quality and manage our costs.

The flow chart below sets out our production process from cultivation to shipment of finished goods:

7. BUSINESS OVERVIEW (Cont'd)



We sell and distribute our products through a direct selling model. Our direct selling network consists of Members (including stockists) and external distribution agencies. Members are individuals who are able to distribute our products as a result of their membership. Members purchase and distribute our products within their personal network and serve as both consumers and distributors of our products. Sales can occur online, through personal e-commerce shopfronts for Members hosted on our website or via the DXN app. Members can engage in a level of entrepreneurship suited to their personal needs and objectives. Our direct selling network also consists of external distribution agencies that on-sell and distribute our products to other Members and end-consumers. We also have 77 sales branches worldwide as at the LPD, which act partially as distribution centres of our products to Members. External distribution agencies may in turn have their own sales branches, which are not managed by us.

The direct selling model has allowed us to establish a global distribution network without expending significant capital. Further, we provide our Members and other consumers with premium-quality products at affordable prices and position our products at the mid-price and mid-complexity category.

7. BUSINESS OVERVIEW (Cont'd)

We have adopted strategies to avoid the common risk associated with direct selling where Members are incentivised to recruit and purchase unsustainably. For example, our Members are only rewarded for sales and there is no incentive for recruitment that is unlinked to sales. Members earn a bonus for each purchase plus additional retail profit for sales to end consumers who are non-Members. In general, our Members purchase our products in amounts for their own consumption or for sales to non-Members. Members may buy our products in bulk to resell to other Members and non-Members. Stockists earn a commission in addition to the bonus for purchasing and they help facilitate physical distribution in areas without local sales branches by reselling our products to other Members without a mark-up. We also require stockists to pay upfront in an effort to discourage overstocking our products, except for during the start of the COVID-19 pandemic, where we permitted certain stockists to purchase products on a loan of an amount up to the stockists' three-month average bonus plus commission.

7.5.2 Other business activities

We have expanded into other business activities that primarily serve to support our core businesses in terms of production, marketing or delivering services to Members. These businesses consist of laboratory testing services for third parties, lifestyle products and operating a café. Our other business activities accounted for 1.4% of our revenue for the FYE 28 February 2021.

7.5.2.1 Third-party laboratory testing

We carry out various laboratory tests for third parties, such as food safety and Halal tests, in our labs.

7.5.2.2 Lifestyle offering

Our lifestyle offering business is part of our commitment to promote sustainability, not just in our business but also to our surrounding community. We consider this to be an important branch of our Group as it is a complementary business to our direct selling business. The lifestyle offering business provides us with the opportunity to engage with our Member network and for Members to engage with each other and is a means to capture additional revenue to service tourism demand from both Members and non-Members. We would also be able to use these locations for annual incentive trips.

DXN Cyberville

In 2019, we commenced construction of DXN Cyberville in Cyberjaya, Malaysia. It is a three-storey wellness and retreat centre with a 10-storey apartment and two-storey recreational space that includes a sales counter, sales 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 by the third quarter of 2022.

As at the LPD, we have spent RM83.5 million on DXN Cyberville. We expect the total project to cost RM108.9 million.

7. BUSINESS OVERVIEW (Cont'd)

Boulder Valley

Boulder Valley is a lifestyle resort in Penang, Malaysia, that consists of tented accommodations and space for small parties and events. In 2019, we acquired shares in Amazing Discovery, which owns Boulder Valley, for RM2.4 million.

7.5.2.3 DXN Cafe

We operate a café in Kedah, Malaysia, which provides a platform for interaction between our Members and also serves as an area for Members to engage with their customers.

7. BUSINESS OVERVIEW (Cont'd)

7.5.3 Revenue contribution by business activities

The table below sets out our revenue and the gross revenue contribution of our business activities for the years/periods indicated. Our gross revenue is our revenue derived 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, before deduction of the consideration due / paid to our customers. Revenue is gross revenue after deducting service centre commissions and personal effort bonuses and, for the FYE 28 February 2021, our 10.0% Discount Promotion (as defined below):

Particulars	FYE 28 February 2019			FYE 29 February 2020			FYE 28 February 2021			FPE 31 December 2021		
	Revenue (in RM million)	% of gross revenue	Gross margin (%)	Revenue (in RM million)	% of gross revenue	Gross margin (%)	Revenue (in RM million)	% of gross revenue	Gross margin (%)	Revenue (in RM million)	% of gross revenue	Gross margin (%)
FFB ⁽¹⁾	603.6	61.9	79.1	759.4	64.0	79.2	726.9	62.1	78.5	699.0	65.3	78.2
HDS ⁽¹⁾	261.7	26.9	90.6	287.0	24.2	91.0	306.8	26.2	91.9	259.6	24.3	89.9
PCC ⁽¹⁾	72.6	7.4	83.8	90.9	7.7	83.6	92.2	7.9	82.7	68.7	6.4	83.0
Other products ⁽¹⁾⁽²⁾	24.1	2.5	78.1	33.0	2.8	77.2	28.5	2.4	77.6	25.1	2.4	76.4
Other business activities ⁽³⁾	12.7	1.3	56.5	15.4	1.3	87.9	16.7	1.4	89.5	17.4	1.6	91.9
Gross revenue	974.7	100.0	83.9	1,185.7	100.0	82.7	1,171.1	100.0	82.9	1,069.8	100.0	81.9
Less: consideration due/paid to customers ⁽⁴⁾	(67.5)			(81.1)			(120.9) ⁽⁵⁾			(54.1)		
Revenue	907.2			1,104.6			1,050.2			1,015.7		

Notes:

- (1) Our FFB, HDS, PCC and other products are sold to Members (including stockists) at the distributor price, non-Members at the retail price, and external distribution agencies at an intermediate price pursuant to a cost-plus structure. Additionally, stockists are entitled to earn a service centre commission for the distribution of our products, which may either be paid out directly or deducted from the distributor price, depending on the terms of agreement with our stockists.
- (2) Consists of products including starter kits, raw materials, promotional packages, household products, home appliances, and water filtration system.
- (3) Refers to our Group's other business activities that primarily serve to support our Group's core businesses consisting of laboratory testing services for third parties, lifestyle products and operating a café.
- (4) 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.
- (5) Includes a 10.0% discount that we applied to promote sales during the COVID-19 pandemic to Members' purchases made from June 2020 to May 2021 ("**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.

7. BUSINESS OVERVIEW (Cont'd)

7.6 Our Distribution Network

7.6.1 Structure of our distribution network

Our products are distributed through our global network of sales branches, exclusive external distribution agencies and Members. Sales branches are our local offices and distribute goods to Members. External distribution agencies are responsible for local operations and marketing functions, while we retain control over supplying products, the Member remuneration plan, our IT system and our intellectual property. Our Members include stockists, who manage our service centres and receive a commission. Members purchase and distribute products within their personal network. Members can conduct sales online and host personal e-commerce shopfronts on our website and mobile application. As at the LPD, we have a distribution footprint (including our sales branches and distributors and defined as the jurisdictions in which we have a subsidiary or sales branch and/or an external distribution agency) in 50 countries, registered Members in more than 180 countries, and 77 sales branches and 14 external distribution agencies.

Members (including Members who are appointed as stockists) and external distribution agencies must apply to be distributors of our products by registering through our website. To be eligible, applicants must be aged 18 years and above, and agree to the terms of our distributorship rules and regulations ("**DXN DRR**"), code of conduct and ethics, marketing plan and other internal policies. Corporations (including companies and partnerships) may not be eligible for distributorship without approval from our Group. Where distributorship has been approved for a corporation, the corporation is required to obtain our approval for any changes to its equity structure. The membership of our Members does not expire but a Member will be classified as inactive if they do not purchase one of our products within a stipulated timeframe (see below in Section 7.6.1 of this Prospectus for our definition of an active Member). In order for an inactive Member to be reclassified as an active Member, he/she is required to make at least one personal purchase of our products. There are no joining or membership fees. However, to be eligible for compensation bonuses, profit sharing and other incentives, new Members are required to make a one-off purchase of a starter kit containing a member's handbook and sample products retailing at between RM19.40 to RM222.70, the price of which varies from one jurisdiction to another. For the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and the FPE 31 December 2021, RM12.6 million, RM12.7 million, RM7.26 million and RM5.7 million of our revenue was attributable to the purchase of starter kits.

Members qualify for multiple tiers of status within our distribution network structure, depending on conditions such as their achievement of a specified purchase volume and success in recruiting and sponsoring other Members. Individuals that are sponsored by existing Members are referred to as a "downline" of their sponsors. When Members purchase a certain requisite value of our products, they will be eligible for ePoints, which may be utilised for future purchases or converted to cash. Members' ePoints do not expire. ePoints can only be utilised by a Member in the country where the ePoints are earned. Upon request by a Member, we can assist the Member to convert his/her ePoints earned in one country to ePoints in another country for use of the Member's ePoints in that other country, subject to compliance with local rules and regulations. Member status, once achieved, need not be maintained and will remain through the duration of membership.

7. BUSINESS OVERVIEW (Cont'd)

The following diagram sets out the different tiers of membership status in our distribution network structure:

Status	Condition
Distributor	Age 18 years
Star Agent (SA)	 Achieves accumulated Group Sales of 4,500PV
Star Ruby (SR)	 Sponsors 3 First Generation Star Agents (SA)
Star Diamond (SD)	 With 6 First Generation Star Agents (SA) & qualifies for 37% Star Group Bonus
Executive Star Diamond (ESD)	 Star Diamond who sponsors 1 Star Diamond*
Senior Star Diamond (SSD)	 Star Diamond who sponsors 2 Star Diamonds*
Executive Senior Star Diamond (ESSD)	 Star Diamond who sponsors 3 Star Diamonds*
Double Diamond (DD)	 Star Diamond who sponsors 4 Star Diamonds*
Executive Double Diamond (EDD)	 Star Diamond who sponsors 5 Star Diamonds*
Triple Diamond (TD)	 Star Diamond who sponsors 6 Star Diamonds*
Executive Triple Diamond (ETD)	 Star Diamond who sponsors 7 Star Diamonds*
Gold Diamond (GD)	 Star Diamond who sponsors 8 Star Diamonds*
Executive Gold Diamond (EGD)	 Star Diamond who sponsors 9 Star Diamonds*
Crown Diamond (CD)	 Star Diamond who sponsors 10 Star Diamonds*
Executive Crown Diamond (ECD)	 Star Diamond who sponsors 11 Star Diamonds*
Senior Crown Diamond (SCD)	 Star Diamond who sponsors 12 Star Diamonds*
Executive Senior Crown Diamond (ESCD)	 Star Diamond who sponsors 13 Star Diamonds*
Double Crown Diamond (DCD)	 Star Diamond who sponsors 14 Star Diamonds*
Executive Double Crown Diamond (EDCD)	 Star Diamond who sponsors 15 Star Diamonds*
Triple Crown Diamond (TCD)	 Star Diamond who sponsors 16 Star Diamonds*
Executive Triple Crown Diamond (ETCD)	 Star Diamond who sponsors 17 Star Diamonds*
Gold Crown Diamond (GCD)	 Star Diamond who sponsors 18 Star Diamonds*
Executive Gold Crown Diamond (EGCD)	 Star Diamond who sponsors 19 Star Diamonds*
Crown Ambassador (CA)	 Star Diamond who sponsors 20 Star Diamonds*

Note:

(*) As per dynamic compression, which means that it can be any generation of a particular Star Diamond line, and it does not have to be the first generation.

When selecting Members as our stockists, we generally consider their level of status in our distribution network. For example, in certain jurisdictions, only Members who have attained "Star Ruby" or "Star Diamond" status will be considered. We consider their proximity to locations in which we wish to facilitate distribution of our products and avoid appointing stockists within the same physical vicinity. We also require our stockists to agree to exclusive distribution of our products, purchase a certain minimum volume of our products, and have a physical venue for sale of our products, and for Members' meetings and training. As at the LPD, we have 1,989 stockists.

7. BUSINESS OVERVIEW (Cont'd)

For our external distribution agencies, we similarly require them to distribute our products exclusively. We also select them based on criteria such as the level of influence in their local communities and their ability to navigate the regulatory requirements of their local jurisdiction and engage with the local authorities.

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 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 2022 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.

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out our active Members by geographical markets as at the end of the last three calendar years and the LPD:

	As at 31 December						As at the LPD	
	2019		2020		2021		2022	
	Active Members	% of total active Members	Active Members	% of total active Members	Active Members	% of total active Members	Active Members	% of total active Members
Malaysia	187,249	6.5	176,085	5.5	146,151	4.3	118,798	4.3
Overseas								
Peru	604,652	21.1	577,760	18.1	467,510	13.8	345,197	12.4
Mexico	86,187	3.0	96,164	3.0	98,922	2.9	83,957	3.0
Bolivia	245,156	8.6	251,569	7.9	279,929	8.3	237,327	8.5
India	540,430	18.9	555,546	17.4	559,904	16.5	461,530	16.6
Philippines	164,251	5.7	164,866	5.2	155,035	4.6	110,631	4.0
Middle East	624,482	21.8	826,154	25.8	850,838	25.1	669,099	24.0
United States	12,586	0.4	11,990	0.4	10,481	0.3	7,979	0.3
Thailand	27,088	0.9	21,717	0.7	16,910	0.5	12,610	0.5
Colombia	22,314	0.8	23,086	0.7	19,903	0.6	14,631	0.5
Other markets ⁽¹⁾	346,323	12.1	492,137	15.4	782,784	23.1	725,926	26.0
Total active Members	2,860,718	100.0	3,197,074	100.0	3,388,367	100.0	2,787,685	100.0

Note:

(1) Other markets include more than 160 countries including, among others, Indonesia, Morocco, Nepal, Bangladesh, Pakistan, Mauritania, Sudan, Turkey, Mongolia and Ecuador.

7.6.2 Salient terms of agreement with distributors

We sell our products to Members (including Members who are appointed as stockists), non-Members and external distribution agencies. We sell our products to Members (including stockists) at a distributor price and we (including our Members) sell our products to non-Members at the retail price. We also sell our products to external distribution agencies at an intermediate price pursuant to a cost-plus structure. Stockists and external distribution agencies can on-sell our products to Members at the distributor price or to non-Members at the retail price. All of the distributor prices, retail prices and intermediate prices are determined by us. We generally enter into purchase agreements with stockists entitling them to earn a commission above their entitlements under their membership compensation plan so as to facilitate the distribution of our products to Members through these stockists in areas without local sales branches.

Our relationship with Members and external distribution agencies are governed by the terms of the DXN DRR which prohibits distributors from, among others, changing the selling prices of products without approval, being involved with other direct selling companies and making false claims in relation to products. Distributors are also required under the DXN DRR to comply with our code of conduct and ethics, marketing plan and other internal policies, as well as all applicable laws. In the event of an alleged violation of the DXN DRR, we may issue either a reprimand, warning notice or show cause notice to the distributor requiring a written explanation relating to the allegations. We will investigate the violation and form a decision on the appropriate action, on the basis of the distributor's reply to the show cause notice as well as other information gathered over the course of the investigation. Such remedies include suspension or termination of distributorship, including any bonuses, incentives, commissions, benefits and other entitlements arising from distributorship.

7. BUSINESS OVERVIEW (Cont'd)

For product returns, our buy-back policy is as follows: (a) for products that we are no longer selling in the market, we accept requests to return products as long as such products are in their original condition and with the packaging and price label intact; and (b) for products that we are still selling in the market, we accept requests to return products within 180 days from the date of purchase of the products and/or from distributors who wish to terminate their distributorship. We reserve the right to reject any returned products that do not meet the required conditions.

We may also approve product returns which have already been processed for bonuses and commissions. In such a case, we will refund to the distributor an amount which is the balance of the distributor price after deducting the bonus and commission paid to Members, which typically includes the handling fee. The total deducted amount is typically 85% of the sales value of the returned product. Product returns will be made subject to and in accordance with any applicable regulations of the relevant jurisdiction.

For complaints and replacements of defective products, we have procedures in place for our branch staff to check the condition of the product, the receipt of purchase and the date of expiry, to ensure that the products are defective and have not expired. In the event that the product complaint is attributable to a defect caused by us, we will proceed to issue a replacement for the defective product as soon as possible and the person-in-charge at the relevant branch will only need to report back to our management at headquarters for further investigation and inter-branch settlement. While our branch staff will conduct the initial verification and checks upon receiving complaints, headquarters may also review such case before a replacement is issued.

7.6.3 Compensation plan

As the focus of our direct selling model is to drive consumer sales, we have structured our "One World One Market" compensation plan to primarily reward sales by our Members, as opposed to peer companies who may prioritise recruitment, as we do not charge our Members any upfront or annual fees. Our Members' incentives and bonuses are based on Members' own sales, downlines sales, Members' network rank and qualifications.

Our compensation plan comprises several components:

- Retail profits

Members earn a profit by purchasing our products at the distributor price, which are generally lower by more than 15% from the retail price, and selling these products to non-Members at the retail price.

- Personal group bonuses

Each of our products carries specified sales value points which is used to calculate bonuses and incentives. We pay a personal group bonus of between 6% to 21%, calculated based on the sales value of a Member's own personal sales and the differential bonus on the Member's downlines sales. Members who achieve a minimum number of personal sales in a month and with higher tiers of membership status, such as Qualified Star Agent ("**QSA**") or Qualified Star Diamond ("**QSD**"), are entitled to a higher rate of group bonus of between 25% to 37%. A Member with more vertical lines of downstream Members with higher tiers of status, such as QSA, generally receives a higher percentage of bonuses and the scale of bonus further increases.

7. BUSINESS OVERVIEW (Cont'd)

- Development bonus, international profit sharing and leadership bonus

QSDs are entitled to a profit sharing arrangement of 2% of our Group's sales value points, to be shared with other QSDs. QSDs are also entitled to an additional leadership bonus, assuming certain minimum requirements in group sales value are met.

To support our new Members, we pay a development bonus of between 1% to 5% of sales value to QSAs, based on levels of seniority, assuming they achieve a minimum number of sales from their own and downline transactions in a month.

- Incentives

We also provide other incentives to our Members such as a one-time mobile phone incentive, cash travel incentive and annual travel seminar incentive.

7.6.4 Global marketing strategy

Our Members are able to register for membership worldwide (except in U.S. sanctioned countries) and are not restricted to their country of residence. All Members may purchase our products in person at any sales branch worldwide and sell the products in the same country. However, Members are not permitted to sell products purchased in one country in another country due to price differentiation and possible infringement of local rules for products without registration. Where Members sell our products in any country, they are responsible in ensuring that the sale is in compliance with the local laws and regulations. Members earn a bonus from the sales of their downstream network, who may operate in any country. As such, our bonus payments to Members are based on their worldwide sales as opposed to country-by-country basis. By providing a single, global "One World One Market" platform for our Members and applying the same business model and product branding worldwide, we help our Members to conduct their direct selling efforts more easily.

As Members can register via E-world, Members do not necessarily have to register in jurisdictions where we have a sales branch, stockist or distributor. We have not had any issues with the registration of Members in countries where we do not have a presence in the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and FPE 31 December 2021.

We launched our ePoints system in 2015 so that we would be able to credit the bonus earned by Members for them to purchase products or to withdraw cash. In most countries where we operate, Member incentives and bonuses are paid out in ePoints. Members are able to access our ePoints platform to convert ePoints to cash and can utilise ePoints to pay for future purchases. ePoints can only be utilised by a Member in the country where the ePoints are earned. However, upon request by a Member, we can assist the Member to convert his/her ePoints earned in one country to ePoints in another country for use of the Member's ePoints in that other country, subject to compliance with local rules and regulations.

Other benefits of our direct selling model include:

- Corporate benefits:
 - (i) This is a cost-effective way to reach consumers globally without requiring significant capital expenditure;
 - (ii) This model de-risks entry into new markets by providing visibility from Member sales and by requiring low capital expenditure; and

7. BUSINESS OVERVIEW (Cont'd)

- (iii) Frequent and close engagement with end-consumers provides valuable customer feedback for product development.
- Member benefits:
 - (i) Members have an opportunity for entrepreneurship that is tailored to their level of personal engagement.
- Customer benefits:
 - (i) Access to quality products;
 - (ii) Opportunity to develop personal relationships with our Members through customer service and feedback; and
 - (iii) The ability to become a Member and to purchase products at reduced prices.

Other distinguishing features of our direct selling business include educating our Members about Ganotherapy and Sunya.

7.6.5 Principal markets

Our top 10 markets in terms of revenue are Peru, Mexico, India, Bolivia, Malaysia, the Philippines, United States, Thailand, Colombia and Middle East. For the FYE 28 February 2021, these 10 markets accounted for 87.9% of our gross revenue. Of these top 10 markets, only Middle East uses an external distribution agency structure.

The percentage of revenue for our principal markets in the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and the FPE 31 December 2021 are set out below:

	FYE 28 February 2019		FYE 29 February 2020		FYE 28 February 2021		FPE 31 December 2021	
	RM million	% of gross revenue	RM million	% of gross revenue	RM million	% of gross revenue	RM million	% of gross revenue
Malaysia	102.5	10.5	105.3	8.9	91.3	7.8	72.0	6.7
Overseas								
Peru	198.8	20.4	268.1	22.6	252.6	21.6	243.2	22.7
Mexico	121.6	12.5	158.1	13.3	166.6	14.2	148.5	13.9
Bolivia	111.1	11.4	143.2	12.1	140.7	12.0	153.5	14.4
India	132.2	13.6	152.0	12.8	134.4	11.5	117.6	11.0
Philippines	75.5	7.7	91.8	7.7	100.3	8.6	81.6	7.6
Middle East ⁽¹⁾	55.0	5.6	68.3	5.8	68.3	5.8	26.6	2.5
United States	28.8	3.0	31.4	2.6	35.0	3.0	28.4	2.7
Thailand	29.8	3.1	27.0	2.3	21.9	1.9	15.8	1.5
Colombia	14.6	1.5	18.7	1.6	17.5	1.5	14.1	1.3
Other markets ⁽²⁾	92.1	9.4	106.4	9.0	125.8	10.7	151.0	14.1
Gross revenue⁽³⁾	962.0	98.7	1,170.3	98.7	1,154.4	98.6	1,052.3	98.4

Notes:

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

7. BUSINESS OVERVIEW (Cont'd)

- (2) *Other markets include Australia, Bangladesh, Bulgaria, Canada, China, Czech Republic, Ecuador, Ethiopia, Germany, Greece, Hong Kong, Hungary, Indonesia, Italy, Kenya, Korea (except not in FYE 28 February 2021), 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) *Total amounts do not represent 100% of gross revenue as this table only shows gross revenue from our primary business, namely the sale of health-oriented and wellness consumer products, and not revenue from our other business activities such as laboratory testing services for third parties, lifestyle products and operating a café.*

7.7 Our Products

7.7.1 Natural ingredients

We cultivate a range of natural ingredients including Ganoderma, Spirulina, Cordyceps, Lion's Mane mushroom, Tiger Milk mushroom, pineapples, aloe vera and Noni.

- Ganoderma, also known as Lingzhi or Reishi, is a type of mushroom that contains polysaccharides, adenosine, triterpenoids, protein, fibre, minerals and vitamins. We believe it has a long history of being used in the traditional medicines and herbal traditions of China, Japan and other Asian countries, and is generally used to balance disrupted body functions and assist in the maintenance of general well-being. Our extensive range of products containing Ganoderma include, among others, Lingzhi coffee, Cocozhi (cocoa with Ganoderma), RG and GL capsules, Ganozhi Toothpaste and Ganozhi Shampoo.
- Spirulina is a type of blue-green algae known as cyanobacterium. It contains a variety of nutrients including protein, antioxidants (such as beta-carotene), chlorophyll, phycocyanin, vitamins, minerals and essential fatty acids. In general, it is used as a dietary supplement that we believe keeps people healthy and energetic. Our products containing Spirulina include Spirulina cereal and Spirulina tablets, capsules and powder.
- Cordyceps is an edible fungus which contains nutrients and active ingredients such as cordycepin acids, amino acid, glutamic acid and polysaccharides. We believe it is generally used to promote better stamina and maintain a healthy respiratory system. Such products include Cordyceps coffee, Cordyceps cereal and Cordyceps tablets, capsules and powder.

We also selectively develop products for specific markets in response to consumer demand, competitive landscape and regulatory constraints.

In addition, we manufacture certain finished products from ingredients that we do not cultivate in-house. For example, our Andro-G capsules are made from Green Chiretta, a herb which contains andrographolide, diterpenoid and adenosine and is used in traditional Chinese medicine for its "cooling" properties.

7. BUSINESS OVERVIEW (Cont'd)

7.7.2 Our main products

Our range of products can be categorised into four main categories: (1) FFB, (2) HDS, (3) PCC and (4) other products. We offer 291 SKUs of health-oriented and wellness consumer products that we manufacture in-house across these product categories as at the LPD. Our FFB and HDS products manufactured in Malaysia are Halal certified.

Our 10 most popular products and their gross revenue contribution for the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and the FPE 31 December 2021 are set out below:

	FYE 28 February 2019	FYE 29 February 2020	FYE 28 February 2021	FPE 31 December 2021
% of gross revenue	57.6	57.3	55.7	57.9
Number of products	FFB: 5	FFB: 6	FFB: 6	FFB: 7
per product category	HDS: 5	HDS: 4	HDS: 4	HDS: 3

Our FFB products, Lingzhi Black Coffee and Lingzhi Coffee 3-in-1, are our main revenue contributors, each accounting for more than 5% of our gross revenue for the financial years/period indicated.

The table below sets out the total number of our SKUs manufactured in house as at the end of the last three calendar years and the LPD:

	As at 31 December			As at the LPD
	2019	2020	2021	2022
SKUs	256	273	289	291

FFB

Our portfolio includes approximately 160 FFB products as at the LPD. Some of our key products include Lingzhi Coffee 3 in 1, Lingzhi Black Coffee, Cocozhi, Cordyceps Coffee 3 in 1, Spirulina Cereal, Cordypine, Morinzhi and Morinzyme.

DXN Lingzhi Coffee 3 in 1

DXN Lingzhi Coffee 3 in 1 is a blend of quality coffee beans with 100% pure Lingzhi with no artificial colourings, flavourings or preservatives.



DXN Lingzhi Black Coffee

DXN Lingzhi Black Coffee is a black coffee powder with added Ganoderma extract. It has no sugar additives.



7. BUSINESS OVERVIEW (Cont'd)

DXN Cocozhi®

Cocozhi® is a chocolate-flavoured powdered drink formulated from cocoa and Ganoderma extract.



DXN Cordyceps Coffee 3 in 1

DXN Cordyceps Coffee 3 in 1 is made from instant coffee powder and Cordyceps.



DXN Spirulina Cereal

DXN Spirulina Cereal is made from high-fibre cereals and Spirulina powder.



DXN Cordypine®

DXN Cordypine® is a blend of Cordyceps and naturally fermented pineapple juice.



DXN Morinzhi

DXN Morinzhi is a beverage made from Noni and enriched with Roselle.



DXN Morinzyme®

DXN Morinzyme® is a fermented juice which is produced by fermenting Noni concentrate.



7.7.3 HDS

As at the LPD, we produce and sell approximately 118 types of tablets and supplements made with various natural ingredients such as Ganoderma, Spirulina, Cordyceps and Green Chiretta. See Section 7.7.1 for further details on our natural ingredients.

7. BUSINESS OVERVIEW (Cont'd)

Some of our key products include: DXN Reishi Gano (RG), DXN Ganocelium (GL), DXN Reishilium Powder, DXN Spirulina, DXN Cordyceps, DXN Lion's Mane mushroom and DXN Andro-G.

DXN Reishi Gano (RG)

DXN Reishi Gano (RG) is 100% made from the fruiting body of Ganoderma. It is harvested from 90-day old Ganoderma cultivated in accredited organic farms and is available in capsule and powder form.



DXN Ganocelium (GL)

DXN Ganocelium (GL) is made from the mycelium of Ganoderma and is available in capsule and powder form.



DXN Reishilium Powder

DXN Reishilium Powder is made from a mixture of the mycelium and fruiting body of Ganoderma.



DXN Spirulina

DXN Spirulina is made from cultivated Spirulina and is available in tablet, capsule and powder forms.



DXN Cordyceps

DXN Cordyceps is available in tablet, capsule and powder forms and is made from Cordyceps that have been cultivated and harvested at the DXN Group's facilities.



DXN Lion's Mane Mushroom

Lion's Mane mushroom, which is also known as "Bear's Head" and "Monkey's Head" mushroom, is used in traditional Chinese medicine to strengthen the body's digestive functions. DXN Lion's Mane mushroom is available in tablet and powder forms.



7. BUSINESS OVERVIEW (Cont'd)

DXN Andro-G

DXN Andro-G is made from Green Chiretta and is available in capsule form.



7.7.4 PCC products

As at the LPD, our portfolio includes approximately 80 PCC products. Key products include: Ganozhi Toothpaste, Ganozhi Shampoo, Ganozhi Body Foam, Ganozhi Soap and Gano Massage Oil.

Ganozhi Toothpaste

Ganozhi Toothpaste contains Ganoderma extract, food gel, menthol and food flavouring. It is made without saccharin or colouring.



Ganozhi Shampoo

Ganozhi Shampoo is a pH balanced shampoo that contains Ganoderma extract and vitamin B5.



Ganozhi Body Foam

Ganozhi Body Foam is a mild cleansing body foam enriched with Ganoderma extract.



Ganozhi Soap

Ganozhi Soap is a soap enriched with Ganoderma extract and palm oil.



Gano Massage Oil

Gano Massage Oil contains high-quality palm oil and all-natural Ganoderma extract.



7. BUSINESS OVERVIEW (Cont'd)

7.8 Other products

Our portfolio also includes a range of other products including diesel fuel additives, fruit and vegetable washing liquid, laundry detergent, kettles, air purifiers and a home water filtration system.

DXN Energy Plus Water System

DXN Energy Plus Water System is a water filtration system that employs a six-filter cartridge system. Each filter cartridge has a different function, for example, removing sediment or removing bacteria.



7.9 R&D

We operate two R&D facilities in Malaysia and China. These R&D facilities conduct research in manufacturing techniques and product quality. For example, our R&D teams have developed processes utilising techniques such as nano fermentation (the process of enzyme production whereby to improve bioavailability by enhancing solubility of natural ingredients), cold-dehydration (the process of drying Ganoderma at low temperature, to avoid destroying the natural active ingredient), centrifuge filtration (the process of harvesting Spirulina to improve the yield) and micro powderisation (the process of herbs powderisation at micro size for better solubility and absorption). We believe these techniques have improved our output and retained the quality of the natural ingredients that we produce.

We believe these processes reflect the biotechnological strength of our R&D efforts. Our research capabilities have been key in our ability to extract benefits from natural ingredients and develop innovative products.

Our R&D teams, which consist of more than 50 personnel across two research facilities in Malaysia and China as at the LPD, also work on product design, development and testing (for e.g. for regulatory approvals and other certifications), and ingredient labelling. They also provide laboratory testing services to third parties.

These facilities have obtained various industry certifications including GMP and ISO/IEC 17025 accreditation. See Section 7.32 of this Prospectus for further details on our key accreditations.

Our R&D expenses consists of general R&D expenses, research projects on mushroom and natural farming cultivation and expenses for specific projects. Total R&D expenses (excluding staff costs) for the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and FPE 31 December 2021 were RM0.4 million, RM0.5 million, RM0.7 million and RM0.4 million, respectively. While we charge our R&D expenses to specific projects where possible, our general R&D expenses that were not charged to specific projects for the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and FPE 31 December 2021 were RM0.3 million, RM0.2 million, RM0.2 million and RM0.3 million, respectively. For the FYE 28 February 2019, FYE 29 February 2020 and FYE 28 February 2021, we incurred a total of RM0.3 million on our research projects on mushroom and natural farming cultivation.

For further details on our R&D facilities, see Section 7.13.2 of this Prospectus.

7. BUSINESS OVERVIEW (Cont'd)

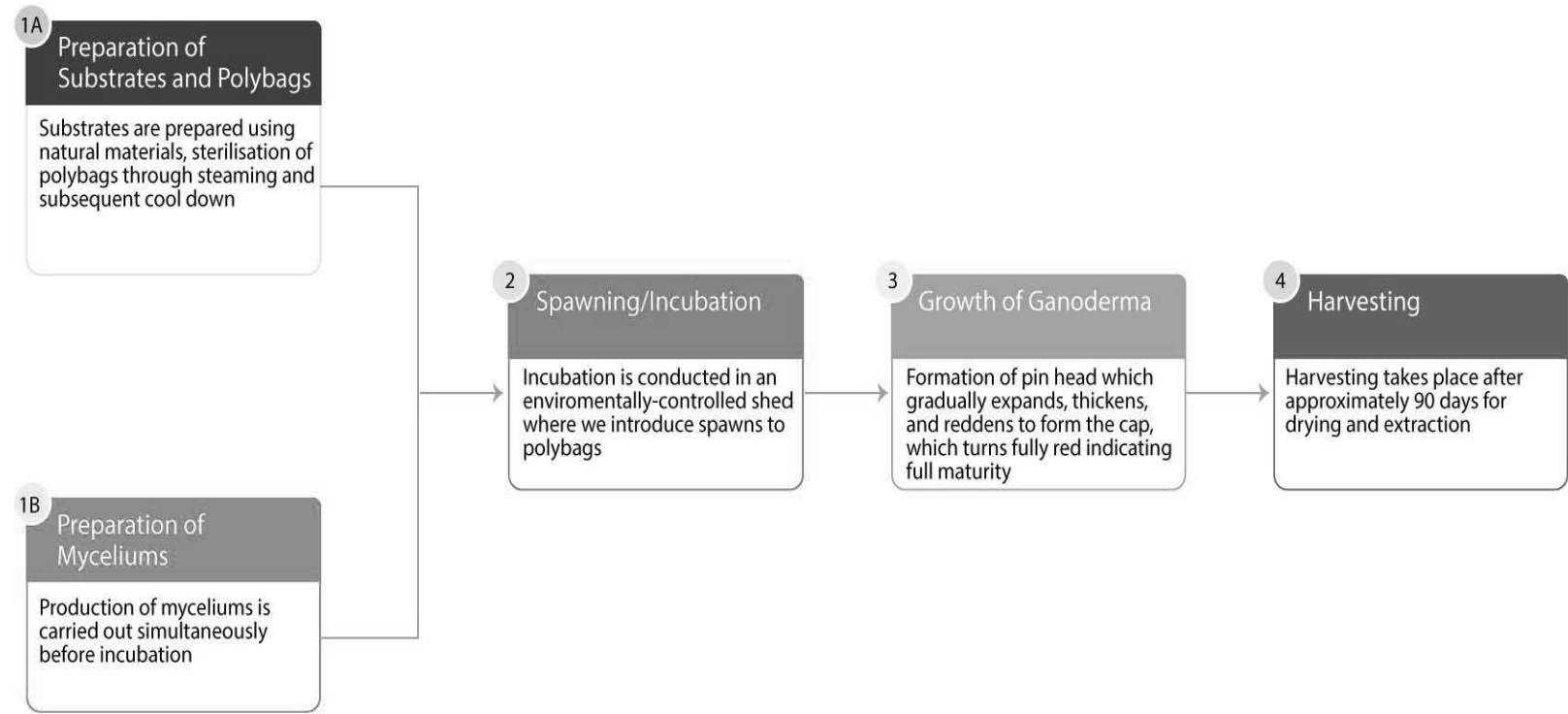
7.10 Cultivation Activities

Certain of our key cultivation processes are highlighted below:

- **Ganoderma cultivation.** Ganoderma is cultivated by first preparing an organic substrate using rubber wood, rice chaff and water. The organic substrate is then filled into polyethylene bags and sterilised by steaming, then cooled. At the same time, Ganoderma mycelia are prepared. Selected Ganoderma spawn are then inoculated into the substrate. The polyethylene bags containing the inoculated spawn are then placed in our temperature-controlled sheds. After approximately three months, mature Ganoderma mushrooms are harvested, sliced and crushed to the desired shape and size. The crushed Ganoderma are then dehydrated and grounded into powder form before storage. Apart from RG, we also cultivate GL.

7. BUSINESS OVERVIEW (Cont'd)

The Ganoderma cultivation process is illustrated below:



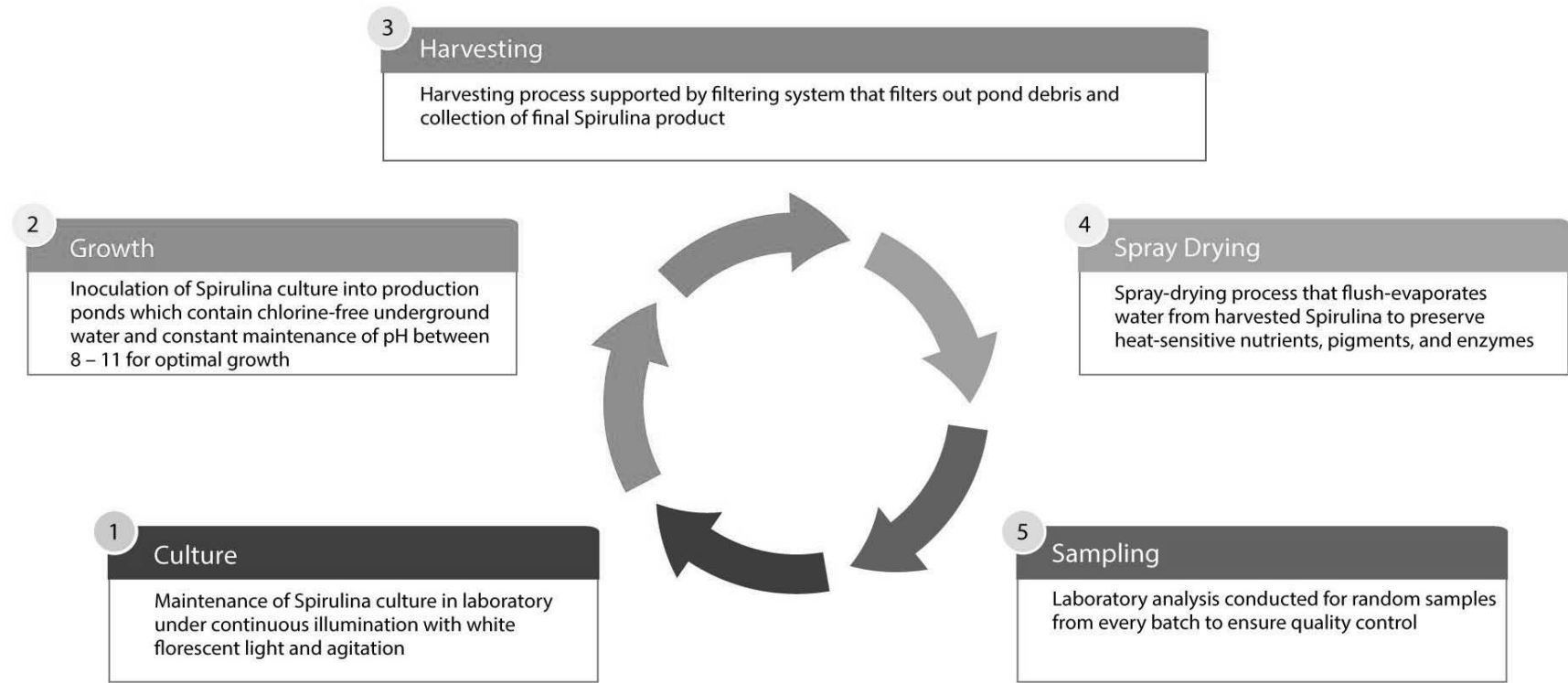
Our cultivation output of RG for the FYE 28 February 2021 was 57 tonnes. Our cultivation output of GL for the FYE 28 February 2021 was 73 tonnes.

7. BUSINESS OVERVIEW *(Cont'd)*

- ***Spirulina cultivation.*** Spirulina cultivation begins in our laboratories, where Spirulina culture is maintained under the continuous illumination of white florescent light and agitated. The Spirulina culture is then inoculated into production ponds which contain chlorine-free underground water and are maintained at a specific pH for optimal growth of Spirulina. Spirulina is then harvested through a filtering system that removes pond debris and spray-dried to flush-evaporate water from the harvested Spirulina. Our laboratories then conduct random sampling of every batch for quality control purposes.

7. BUSINESS OVERVIEW (Cont'd)

The Spirulina cultivation process is as illustrated below:



7. BUSINESS OVERVIEW (Cont'd)

Our cultivation output of Spirulina in the FYE 28 February 2021 was 120 tonnes.

We also cultivate other natural ingredients, including Cordyceps, Roselle, Lion's Mane mushroom, Tiger Milk mushroom, pineapples, aloe vera and Noni at our facilities. See Section 7.7.1 of this Prospectus for further details on our natural ingredients.

These facilities have obtained various industry certifications, including ISO 14001 certificate for DXN Pharma and myOrganic certificate for Ganoderma, Spirulina and Cordyceps from the Malaysian Ministry of Agriculture and Agro-Based Industry (now Ministry of Agriculture and Food Industries). See Section 7.32 for further details on our key accreditations.

7.11 Manufacturing Processes

Products at our manufacturing facilities generally go through the following process: receiving materials, processing, packaging, labelling and packing for shipment where further details of such processes are set out below:

(i) Receiving materials

Our manufacturing facilities receive raw materials such as coffee powder and natural ingredients, as well as packaging materials such as empty capsules, bottles and aluminium foil. Natural ingredients such as Ganoderma powder or Spirulina powder are sourced from our cultivation facilities as well as third party suppliers. See Section 7.10 of this Prospectus for further details on our cultivation activities.

(ii) Processing

Processing will vary depending on the category of finished goods being produced. For our HDS products, this often involves formatting powdered natural ingredients as capsules, tablets or powdered products. For FFB or PCC products, this often involves blending natural ingredients with the related base raw materials. For example, we may blend Ganoderma powder with premixed coffee or cosmetic bases. For fermented beverages, there will be a fermentation process involved.

(iii) Packaging

Capsules, tablets, liquids and some powdered products are bottled while powdered products such as premixed coffee or tea are packed into sachets, stick packs or filter bags.

(iv) Labelling

Product packaging is wrapped with the respective labels, in alignment with local regulatory requirements as well as the label requirement in the importing countries.

(v) Packing for shipment

Products are grouped according to product type and shipment destination, then appropriately consolidated into shipments to reduce costs.

7. BUSINESS OVERVIEW (Cont'd)

7.12 Raw Materials and Procurement

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. Our primary packaging materials include aluminium foil, empty capsules, labels and plastic containers.

The table below sets out the breakdown of the primary raw materials and packaging materials that we purchased from third parties in the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and the FPE 31 December 2021:

Description	Source by Country	Purchases							
		FYE 28 February 2019		FYE 29 February 2020		FYE 28 February 2021		FPE 31 December 2021	
		(in RM million)	% of total purchases*	(in RM million)	% of total purchases*	(in RM million)	% of total purchases*	(in RM million)	% of total purchases*
Coffee powder	Malaysia, Singapore and India	27.1	20.0%	17.3	14.2%	21.7	15.0%	21.4	15.5%
Sugar	Malaysia, India and Mexico	6.4	4.7%	7.2	5.9%	8.9	6.1%	6.9	5.0%
Non-dairy creamer	Malaysia, India and Mexico	11.1	8.2%	10.2	8.3%	11.4	7.9%	14.8	10.7%
Spirulina powder	Malaysia	4.8	3.6%	2.5	2.0%	2.0	1.4%	1.0	0.7%
Wheat cereal powder	Malaysia	1.7	1.2%	2.6	2.1%	1.8	1.2%	2.6	1.9%
Alkalised cocoa powder	Malaysia	1.1	0.8%	1.2	1.0%	1.8	1.2%	1.6	1.2%
Virgin coconut oil	India	0.1	0.0%	-	0.0%	1.2	0.8%	0.8	0.6%
Empty capsule gel	India and Singapore	4.3	3.2%	3.1	2.5%	5.7	4.0%	4.5	3.2%
Aluminium foil and boxes	Malaysia, Mexico and India	17.2	12.7%	15.6	12.8%	16.9	11.7%	23.6	17.1%
Bottle and label	Malaysia, India	2.7	2.0%	2.9	2.3%	3.5	2.4%	2.6	1.9%
	Total	76.5	56.4%	62.6	51.1%	74.9	51.7%	79.8	57.8%

Note:

* Total purchases consist of raw materials and finished goods.

7. BUSINESS OVERVIEW (Cont'd)

In addition to the raw materials that we purchase, we cultivate and process most of our raw materials utilising our own cultivation facilities, such as Ganoderma, Cordyceps, Lion's Mane mushroom, shiitake mushroom, agaricus blazei murill mushroom, poria cocos mushroom, Tiger Milk mushroom, splitgill mushroom, Spirulina, Noni, pineapple, green chiretta, aloe vera, mulberry, hong tian wu, turmeric, wild betel, talinum, cucumber, okra, mango ginger and java ginger.

We have not experienced supply issues, material price fluctuations or volatility in the raw materials used for our production in any of the past three years up to the LPD.

Our planning department determines the raw materials and packaging materials required for the production of a product. Our purchasing department selects the appropriate supplier from an existing list of local and overseas suppliers. If none of the suppliers on the list are appropriate, we will conduct a search for additional suppliers. We select our suppliers based on criteria such as the reliability of their supplies, price competitiveness and product quality.

We are constantly sourcing for more suppliers who are able to provide us with competitive pricing, timely delivery and high quality products. For the past three years, we have not faced any difficulty in the sourcing of our supplies. We believe that we have good relationships with our suppliers. We have a diversified supply base with no single supplier accounting for more than 7.0% of our total purchases in the FYE 28 February 2021. We are not dependent on any of our major suppliers. See Section 7.16.2 for further details on our suppliers.

Our quality control team performs the necessary tests or checks on the procured raw materials and packaging materials upon arrival to ensure that they are within our specifications and are suitable to be used for production. Examples of tests performed include microbiological tests (such as total bacteria, yeast and mould counts), chemical tests (such as heavy metal, mycotoxin and pesticide residue tests) and physical tests (such as colour and sensory evaluation tests). In the event that the raw materials and packaging materials procured are not within the specifications, a written quality complaint is filed with the suppliers and the affected materials are disposed or returned. We then store the raw materials and packaging materials that have passed the quality inspection in our warehouses and ship them to our manufacturing facilities when required. See Section 7.14 for further details on our quality control.

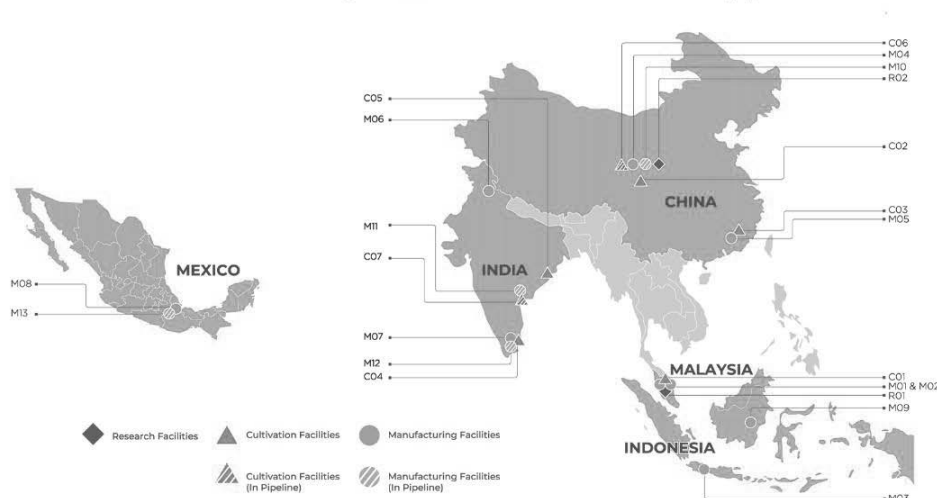
7.13 Production Facilities

7.13.1 Overview

We operate two R&D facilities, five cultivation facilities and nine manufacturing facilities across Malaysia, China, India, Indonesia and Mexico, and we have another two cultivation facilities and four manufacturing facilities in the pipeline, which we expect to complete by the first quarter of 2023. To ensure that we can respond to Members' demands, we maintain spare manufacturing capacity at these facilities to ensure that we can meet demand surges and avoid supply bottlenecks. Our production lines are also able to switch between different products within hours, allowing us to respond flexibly to demand.

7. BUSINESS OVERVIEW (Cont'd)

2 research, **5** cultivation, **9** manufacturing facilities currently
4 manufacturing and **2** cultivation facilities in the pipeline



	Operational	Pipeline	Function
R&D	Two in total: <ul style="list-style-type: none"> R01 - Kedah, Malaysia R02 - Ningxia, China 	N/A	Research into cultivation and manufacturing techniques and product quality
Cultivation	Five in total: <ul style="list-style-type: none"> C01 - Kedah, Malaysia C02 - Ningxia, China C03 - Anxi, China⁽¹⁾ C04 - Pondicherry, India C05 - Odisha, India 	Two in the pipeline: <ul style="list-style-type: none"> C06 - Ningxia, China (estimated completion: fourth quarter of 2022) C07 - Telangana, India (estimated completion: fourth quarter of 2022) 	Cultivation of Ganoderma and Spirulina with cultivation of various other herbs and ingredients (for example, Cordyceps, aloe vera, pineapple, Noni and Roselle)
Manufacturing	Nine in total: <ul style="list-style-type: none"> M01 & M02 - Kedah, Malaysia (two facilities) M03 - West Java, Indonesia M04 - Ningxia, China 	Four in the pipeline: <ul style="list-style-type: none"> M10 - Ningxia, China (estimated completion: fourth quarter of 2022) 	Manufacturing lines for capsules, tablets, powdered beverages, liquid beverages, and cosmetics products

7. BUSINESS OVERVIEW (Cont'd)

Operational	Pipeline	Function
<ul style="list-style-type: none"> • M05 - Anxi, China⁽¹⁾ • M06 - Himachal Pradesh, India • M07 - Pondicherry, India • M08 - Tlaxcala, Mexico • M09 - Kalimantan Selatan, Indonesia 	<ul style="list-style-type: none"> • M11 - Telangana, India (estimated completion: first quarter of 2023) • M12 - Pondicherry, India (estimated completion: fourth quarter of 2022) • M13 - Tlaxcala, Mexico (estimated completion: third quarter of 2022) 	

Note:

- (1) DXN Corporation Ningxia has on 17 May 2022 entered into a share sale agreement ("**Florin Fujian SSA**") to dispose its entire 80.0% interest in the total registered share capital in Florin Fujian and such disposal is expected to be completed within six months from the date of the Florin Fujian SSA. The disposal has not been completed as at the LPD. Upon completion of the disposal of Florin Fujian, Anxi Gande Foluohua will no longer be our subsidiary, and accordingly, we will no longer hold the facilities in Anxi, China.

7.13.2 Research facilities

We operate two R&D facilities, one in Malaysia and one in China. We have research capabilities that anchor our production chain, from product development to cultivation to manufacturing.

We have an in-house research team of about 50 research staff across two facilities as at the LPD.

The table below sets out certain key information as at the LPD with respect to our research facilities:

Location	Company	Area (sq. metres)	Owned / rented	Research activities
Kedah, Malaysia	Bio Synergy	530	Rented	Main laboratory and research centre. Laboratory testing for third parties.
Ningxia, China	DXN Corporation Ningxia	250	Owned	Research related to FFB, edible fungi, Spirulina and fermentation.

7. BUSINESS OVERVIEW (Cont'd)

See Section 7.24 of this Prospectus for further details on our material properties and equipment.

7.13.3 Cultivation facilities

We operate five cultivation facilities in Malaysia, China and India, and are in the process of building two additional cultivation facilities, one in China and one in India. The additional cultivation facility in Ningxia, China is estimated to be completed by fourth quarter of 2022 for the cultivation of mycelium of Cordyceps and Lion's Mane mushroom, whereas Spirulina cultivation has already commenced. The new cultivation facility in Telangana, India is estimated to be completed by the fourth quarter of 2022, with Ganoderma production estimated to be completed in the third quarter of 2022. We have strategically selected these locations to leverage local advantages such as land, labour and climate. China specifically is an attractive supply base given the availability of land, qualified labour, cheap raw materials and trade connections.

We have a team of 228 workers consisting of 30 technical, 185 operations and 13 administrative staff as at the LPD.

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out certain key information as at the LPD with respect to our cultivation facilities:

Location	Company	Owned / rented	Cultivated ingredients	Maximum annual capacity ⁽¹⁾ (FYE 28 February 2021)	Actual output per year / harvest ⁽¹⁾ (FYE 28 February 2021)	Utilisation rate ⁽²⁾
				('000 kg)	('000 kg)	(%)
Kedah, Malaysia GM978, Lot 1319 & GM1292, Lot 60041 Mukim Malau, Daerah Kubang Pasu, Kedah, Malaysia	DXN Pharma	Owned	Spirulina	65	32.0	49.2
GM1109 Lot 2116, GM1089 Lot 2115, GM1085 Lot 2112, GM16 Lot 832 & GM1292 60041, Mukim Malau,		Owned	Ganoderma (RG)	52	21.5	41.3
& GM2158 Lot 2729, Mukim Binjal Daerah Kubang Pasu, Kedah, Malaysia			Ganoderma (GL)	80	78.1	97.6

7. BUSINESS OVERVIEW (Cont'd)

Location	Company	Owned / rented	Cultivated ingredients	Maximum annual capacity⁽¹⁾ (FYE 28 February 2021)	Actual output per year / harvest⁽¹⁾ (FYE 28 February 2021)	Utilisation rate⁽²⁾
				('000 kg)	('000 kg)	(%)
Ningxia, China North of Longma Road, east of Binhu Avenue and south of Shantan Hill Street, Zaoxiang Village, Xinghai Town, Dawukou District, Shizuishan City, Ningxia 753000, China	DXN Agrotech Ningxia	Rented (Land), Owned (Building)	Spirulina	150.0	96.9	64.6
Anxi, China⁽³⁾ No. 99, Fuxiyang Huaidong Village, Gande Town, Anxi County, Quanzhou City, Fujian Province 362413, China	Anxi Gande Foluohua	Rented	Tea trees	14.4	12.4	85.8
Pondicherry, India R.S no: 141/4, 142/5, Whirlpool Road, Thiruvandar Koil, Mannadipet Commune, Pondicherry 605102, India	DXN Manufactu ring India	Owned	Spirulina, Noni	5.0	3.1	62.4
			Noni	72.0	54.5	75.6

7. BUSINESS OVERVIEW (Cont'd)

<u>Location</u>	<u>Company</u>	<u>Owned / rented</u>	<u>Cultivated ingredients</u>	<u>Maximum annual capacity⁽¹⁾ (FYE 28 February 2021)</u>	<u>Actual output per year / harvest⁽¹⁾ (FYE 28 February 2021)</u>	<u>Utilisation rate⁽²⁾</u>
				<u>('000 kg)</u>	<u>('000 kg)</u>	<u>(%)</u>
Odisha, India	Daxen Agritech	Rented (Land), Owned (Building)	Ganoderma (RG)	16.5	13.3	80.5
Khata No. 115/290, Sukai Kateni, Plot No 648, 615, 617, 630 & 619 Sukai Kateni, Dhenkanal Sadar, Dhenkanal Odisha			Ganoderma (GL)	42.0	29.6	70.4

Notes:

- (1) Actual output represents the production levels at current normal usage, though this fluctuates with demand. Maximum capacity represents the maximum installed capacity.
- (2) Utilisation rate is calculated by dividing actual output by the maximum capacity.
- (3) DXN Corporation Ningxia has on 17 May 2022 entered into the Florin Fujian SSA to dispose of its entire 80.0% interest in the total registered share capital in Florin Fujian, and such disposal is expected to be completed within six months from the date of the Florin Fujian SSA. Upon completion of the disposal of Florin Fujian, Anxi Gande Foluohua will no longer be our subsidiary, and accordingly, we will no longer hold the facilities in Anxi, China.

See Section 7.24 of this Prospectus for further details on our material properties and equipment.

7. BUSINESS OVERVIEW *(Cont'd)*

7.13.4 Manufacturing facilities

We operate nine manufacturing facilities across Malaysia, China, India, Indonesia and Mexico, and we have another four manufacturing facilities in the pipeline. In the FYE 28 February 2021, we manufactured 90.6% of our direct selling products in-house (based on gross revenue contribution). See Section 7.11 of this Prospectus for further details on our manufacturing processes.

We have a team of 1,416 workers, including 120 technical, 1,149 operations and 147 administrative staff as at the LPD.

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out certain key information as at the LPD with respect to our manufacturing facilities:

Location	Name of company	Owned/ rented	Main products	Maximum capacity per month ⁽¹⁾ (FYE 28 February 2021)	Actual output per month ⁽¹⁾ (FYE 28 February 2021)	Utilisation rate ⁽²⁾
Tlaxcala, Mexico Lot 3 Block 18, in Ciudad Industrial Xicohténcatl, Comunidad de José María Morelos y Pavón, Municipality of Tetla, State of Tlaxcala	DXN Mexico	Owned	Fortified beverages	Lingzhi Black Coffee: 1,485,000 sachets	Lingzhi Black Coffee: 1,222,087 sachets	82.3
				Lingzhi Coffee 3 in 1: 2,610,000 sachets		
				Vita Café: 1,350,000 sachets		
				Cocozhi: 630,000 sachets		
				Lingzhi Coffee 3 in 1: 2,610,000 sachets	Lingzhi Coffee 3 in 1: 1,732,309 sachets	66.4
Pondicherry, India R.S no: 141/4, 142/5, Whirlpool Road, Thiruvandar Koil, Mannadipet Commune, Pondicherry 605102, India	DXN Manufacturing India	Owned	Spirulina capsules, Spirulina tablets, Noni juice, Roselle juice, virgin coconut oil	Vita Café: 1,350,000 sachets	Vita Café: 1,041,871 sachets	77.2
				Cocozhi: 630,000 sachets	Cocozhi: 541,687 sachets	86.0
				Spirulina Tablets: 21,120 bottles	Spirulina Tablets: 13,100 bottles	62.0
				Spirulina Capsules: 73,640 bottles		
				Spirulina Powder: 5,120 bottles		
				Noni Juice: 24,000 bottles		
				Roselle Juice: 6,000 bottles		
				VCO: 16,900 bottles		
				Spirulina Capsules: 73,640 bottles	Spirulina Capsules: 53,000 bottles	72.0
				Spirulina Powder: 5,120 bottles	Spirulina Powder: 3,840 bottles	75.0

7. BUSINESS OVERVIEW (Cont'd)

Location	Name of company	Owned/ rented	Main products	Maximum capacity per month ⁽¹⁾ (FYE 28 February 2021)	Actual output per month ⁽¹⁾ (FYE 28 February 2021)	Utilisation rate ⁽²⁾
Himachal Pradesh, India Plot No 120, Industrial Area, Baddi District, Solan, Himachal Pradesh	Daxen Agritech	Rented (Land), Owned (Building)	RG capsules, GL capsules, fortified beverages	Noni Juice: 24,000 bottles	Noni Juice: 13,300 bottles	55.4
				Roselle Juice: 6,000 bottles	Roselle Juice: 3,300 bottles	55.0
				VCO: 16,900 bottles	VCO: 13,000 bottles	76.9
				20 MT	16 MT	80.0
Kedah, Malaysia GeranMukim 1065 Lot 1728, Mukim Malau Daerah Kubang Pasu, Negeri Kedah	DXN Pharma	Owned	HDS	Capsule: 8,000,000 pieces	Capsule: 7,579,675 pieces	94.7
				Tablet: 15,000,000 pieces	Tablet: 14,710,074 pieces	98.1
				Powder (bottle): 70,000 bottles	Powder (bottle): 65,811 bottles	94.0
				Powder (sachet): 250,000 sachets	Powder (sachet): 218,322 sachets	87.3
				Liquid (external & internal uses): 60,000 bottles	Liquid (external & internal uses): 55,011 bottles	91.7
				Cream / Balm: 60,000 tubes	Cream / Balm: 55,596 tubes	92.7

7. BUSINESS OVERVIEW (Cont'd)

Location	Name of company	Owned/ rented	Main products	Maximum capacity per month ⁽¹⁾ (FYE 28 February 2021)	Actual output per month ⁽¹⁾ (FYE 28 February 2021)	Utilisation rate ⁽²⁾
Kedah, Malaysia Geran Mukim 1065 Lot 1728, Mukim Malau, Daerah Kubang Pasu, Negeri Kedah	DXN Industries	Owned	FFB, PCC products and household products	Premix Beverages: 18,000,000 sachets	Premix Beverages: 16,714,680 sachets	92.9
				Coffee Bulk: 58,000 kg	Coffee Bulk: 9,533 kg	16.4
				Juices/ Enzyme/Jam: 120,000 bottles	Juices/ Enzyme/Jam: 94,706 bottles	78.9
				Cosmetic (tube): 300,000 tubes	Cosmetic (tube): 223,951 tubes	74.7
				Cosmetic (bottle): 150,000 bottles	Cosmetic (bottle): 94,025 bottles	62.7
				Soap: 250,000 bars	Soap: 147,423 bars	59.0
				Dyna Cleen: 20,000 bars	Dyna Cleen: 1,080 bags	5.4
				Other household: 25,000 bottles	Other household: 3,432 bottles	13.7
West Java, Indonesia JI Pancasila Iv Kp Parung Tanjung Rt 002 Rw 013, Desa Cicadas, Kec. Gunung Putri, Kab Bogor, Gunung Putri, Kab Bogor	Daxen Indonesia	Owned	HDS, beverages	Capsules: 400 kg	Capsules: 224 kg	56.0
				Tablets: 1,300 kg		
				Powder: 15,000 kg		
				Tablets: 1,300 kg	Tablets: 27 kg	2.1
				Powder: 15,000 kg	Powder: 7 kg	0.1

7. BUSINESS OVERVIEW (Cont'd)

Location	Name of company	Owned/ rented	Main products	Maximum capacity per month ⁽¹⁾ (FYE 28 February 2021)	Actual output per month ⁽¹⁾ (FYE 28 February 2021)	Utilisation rate ⁽²⁾
Ningxia, China No.11 Zi Qiang Road, Shizuishan High Tech Industry Development Zone, Dawukou District, Shizuishan City, Ningxia 753000, China	DXN Corporation Ningxia	Owned	FFB, Spirulina tablets	150,000 kg	2,400 kg	1.6
Anxi, China⁽³⁾ No. 99, Fuxiyang Huaidong Village, Gande Town, Anxi County, Quanzhou City, Fujian Province 362413, China	Anxi Gande Foluohua	Owned	Tea products	Oolong tea: 20,000 kg Flavoured tea: 49,000 boxes Dry Bidens Pilosa: 18,000 kg	Oolong tea: 9,300 kg Flavoured tea: 6,000 boxes Dry Bidens Pilosa: 3,000 kg	46.5 12.2 16.7
South Kalimantan, Indonesia Jl. Kong Ex (UPT Gudang Transito) Rt. 009 Rw. 004, Landasan Ulin Selatan Liang Anggang, Kota Banjarbaru Kalimantan Selatan 70722, Indonesia	Daxen KJP	Rented (Land and Factory)	Virgin coconut oil	12,000 kg	1,617 kg	13.5

Notes:

- (1) Actual output represents the production levels at current normal usage, though this fluctuates with demand. Maximum capacity represents the maximum installed capacity.
- (2) Utilisation rate is calculated by dividing actual output by the maximum capacity.
- (3) DXN Corporation Ningxia has on 17 May 2022 entered into the Florin Fujian SSA to dispose of its entire 80.0% interest in the total registered share capital in Florin Fujian, and such disposal is expected to be completed within six months from the date of the Florin Fujian SSA. Upon completion of the disposal of Florin Fujian, Anxi Gande Foluohua will no longer be our subsidiary, and accordingly, we will no longer hold the facilities in Anxi, China.

See Section 7.24 of this Prospectus for more information on our material properties and equipment.

7. BUSINESS OVERVIEW (Cont'd)

7.13.5 Expansion Plans

We plan to increase our production capacity to meet growing demand for our products. We are building a cultivation facility in Telangana, India, expanding a cultivation facility in Ningxia, China, and building four manufacturing facilities in Ningxia, China; Telangana, India; Pondicherry, India and Tlaxcala, Mexico. We believe that the expansion of our global supply chain will help us address several supply impediments such as currency fluctuation, complex regulatory requirements for imported products, delays and restrictions in product registration, stock shortages and logistics and inventory holding costs.

Location	Facilities	Expected Products and Output	Expected maximum capacity per month (FYE 28 February 2021)	Status	Estimated Cost
Telangana, India Survey No: 392 and 206, Siddipet Industrial Park, Rajagopalpet and Mandapally Village, Nangunoor Mandal, Siddipet Dist. Telangana - 502 267, India	Cultivation of Ganoderma and Spirulina Owned	RG: 2,600 kg GL: 5,000 kg Spirulina: 50 kg Noni: 3,120 kg	RG: 2,600 kg GL: 5,000 kg Spirulina: 105 kg Noni: 3,120 kg	85% completed Estimated completion: Fourth quarter of 2022	RM 6.8 million
Ningxia, China North of Longma Road, east of Binhu Avenue and south of Yushantan Street, Zaoliang Village, Xinghai Town, Dawukou District, Ningxia 753000	Cultivation of Spirulina and mycelium of Cordyceps and Lion's Mane mushroom Spirulina project: Leased mycelium project: Owned	Spirulina powder: 6,000 kg mycelium powder: 15,000 kg	Spirulina powder: 12,500 kg mycelium powder: 25,000 kg	85% completed: Estimated completion: Fourth quarter of 2022	RM38.7 million
Ningxia, China No.11 Zi Qiang Road, Shizuishan High Tech Industry Development Zone, Dawukou District, Shizuishan City, Ningxia 753000, China	Manufacturing Owned	Coffee, oocha, lemon matcha: 35,000 kg Spirulina tablets: 9,375 kg Apple enzyme: 15,000 kg Noodles: 8,500 kg Carbonated drinks: 20,000 kg	Coffee, oocha, lemon matcha: 70,000 kg Spirulina tablets: 18,750 kg Apple enzyme: 30,000 kg Noodles: 17,000 kg Carbonated drinks: 63,000 kg	85% completed: Estimated completion: Fourth quarter of 2022	RM61.2 million

7. BUSINESS OVERVIEW (Cont'd)

Location	Facilities	Expected Products and Output	Expected maximum capacity per month (FYE 28 February 2021)	Status	Estimated Cost
Telangana, India Survey No: 392 and 206, Siddipet Industrial Park, Rajagopalpet and Mandapally Village, Nangunoor Mandal, Siddipet Dist. Telangana - 502 267, India	Manufacturing Owned	Coffee products: 103,875 pouches Wet food products: 75,000 bottles Capsules: 150,000 bottles Soap products: 81,250 bars Paste products: 213,750 tubes	Coffee products: 311,625 pouches Wet food products: 225,000 bottles Capsules: 829,440 bottles Soap products: 243,750 bars Paste products: 641,250 tubes	85% completed Estimated completion: First quarter of 2023	RM202.3 million
Pondicherry, India R.S.No.6/2,Plot No.B-20,5th Cross, PIPDIC Industrial Estate, Thirubhuvanai, Pondicherry – 605 107, India	Manufacturing Rented (Land), Owned (Building)	Spirulina cereal: 7,500 kg Cordyceps cereal: 7,500 kg	Spirulina cereal: 90,000 kg Cordyceps cereal: 90,000 kg	70% completed (fully constructed building awaiting machinery) Estimated completion: Fourth quarter of 2022	RM0.7 million
Tlaxcala, Mexico Factory No. 2 La Soledad 200, Ciudad Industrial Xicohtencatl 1, Tetla de la Solidaridad, Tlaxcala, CP 90434, Mexico	Manufacturing Offices, Coffee Production, Supplements Production, Juices Production, Warehouse, Manoeuvring yard, Guard House Owned	Coffee: 7,500,000 sachets Food supplement s: 35,000 bottles Juices: 7,500 bottles	Coffee: 15,000,000 sachets Food supplements: 70,000 bottles Juices: 15,000 bottles	90% completed Estimated completion: Third quarter of 2022	RM21.0 million

7. BUSINESS OVERVIEW (Cont'd)

Cultivation and manufacturing facilities in Telangana, India

We have acquired 46.9 acres of land in Siddipet, Telangana with the intention to build a cultivation facility and a 6.7-acre manufacturing facility. We plan to cultivate Spirulina and Ganoderma and to produce F&B and cosmetics at this location. This facility is intended to produce a full range of products for India and nearby countries, reducing ordering and delivery time from Malaysia and helping us to save costs. We expect to finish construction of our Ganoderma and Spirulina factory and our coffee, juice and toiletries factories in the first quarter of 2023. Upon completion of the construction of the cultivation and manufacturing facilities, we expect our production capacity of Ganoderma in India to increase by approximately 75% from our current capacity to up to 244 tonnes, our production capacity of soap to increase by up to 73 tonnes, toothpaste to increase by up to 385 tonnes, juice to increase by up to 185 tonnes and coffee to increase by up to 552 tonnes.

We expect the total cost for this facility to be RM209.1 million, of which we have already incurred RM157.9 million as at the LPD. This project is financed using our internally generated funds.

Manufacturing facility in Pondicherry, India

We have a manufacturing facility in the pipeline in Pondicherry, India. This facility will primarily be used to manufacture Spirulina cereal and Cordyceps cereal products. We expect to commence manufacturing in the fourth quarter of 2022 with a maximum production capacity of 17 tonnes per month.

We expect total cost to set up the production line for this facility to be RM0.7 million, of which we have already incurred RM0.2 million as of the LPD. This project is financed using our internally generated funds and bank borrowings.

Cultivation facility in Ningxia, China

We have a cultivation facility in Ningxia, China that comprises 250 shed ponds for Spirulina cultivation and production, an R&D shed for agricultural activities and a plantation area. The facility is primarily being used to cultivate Spirulina, Lion's Mane mycelium, Cordyceps mycelium and other mycelia of edible fungi. The cultivation capacity of Spirulina at this facility is approximately 150 tonnes per year.

We expect the total cost for the expansion of this facility to be RM38.7 million, of which we have already incurred RM34.5 million as of the LPD. This project is financed using our internally generated funds.

Manufacturing facility in Ningxia, China

We are in advanced stages of constructing an additional manufacturing facility in Ningxia, China. This facility is being built on existing land adjacent to our current research and manufacturing facilities in Ningxia and will be used to produce carbonated beverage products while simultaneously serving as a distribution centre for our products to our subsidiaries in our Group. We expect to obtain cost advantages from utilising our new facilities in China as a result of inland freight subsidies for export companies, preferential property tax policies for newly established small enterprises and export tax rebate based on products and quantity exported, among other incentives. We expect that the new manufacturing facility will commence production by the fourth quarter of 2022 and will be able to produce up to 36% of the current existing full production capacity of the Ningxia manufacturing facility.

7. BUSINESS OVERVIEW (Cont'd)

We expect total cost for this facility to be RM61.2 million, for which we have already incurred RM49.4 million as of the LPD. This project is financed using our internally generated funds.

Manufacturing facility in Tlaxcala, Mexico

We have a manufacturing facility in the pipeline in Tlaxcala, Mexico, which will be our second factory in Mexico. We plan to build this facility on existing land several kilometres from our current manufacturing facility in Tlaxcala and it will have production lines for FFB, including premixed coffee, premixed cocoa and juices, as well as production lines for food supplement products, including capsules and tablets. This facility is intended to serve the Mexico and Latin America markets, so as to reduce ordering and delivery time from Malaysia and help to save costs. We expect to complete construction of this manufacturing facility in the third quarter of 2022, which should both enable the production of new products as well as double the production capacity of our manufacturing facilities in Mexico.

We expect total cost for this facility to be RM21.0 million, for which we have already incurred RM20.4 million as at the LPD. This project is financed using our internally generated funds.

7.14 Quality Control

The quality of our products is a key part of our value proposition to consumers. Product quality and safety are key factors to building trust in our brand and ensuring customer satisfaction. In order to ensure that we provide consistent product quality, we have put several tiers of quality control measures in place.

For example, our manufacturing facilities are designed around GMP principles, which set the foundation for all other quality management systems and certifications used in the manufacturing of our FFB, HDS and PCC products. By using GMP systems in our facilities' design and maintenance, equipment calibration and preventive maintenance, personnel qualification and training, hygiene and sanitation, process validation, record keeping and other processes, we are able to produce safe and quality products in controlled operational and environmental conditions. Further, a significant number of our products are Halal certified to appeal to Muslim consumers.

We have implemented strict quality control procedures at each of our in-house research, cultivation and manufacturing facilities in accordance with local regulatory requirements and as applicable, the regulatory requirements of respective export markets. We also hold ourselves to industry standards of business ethics, for example, compliance with the DSAM Code. See Section 7.26 of this Prospectus for further details on governing laws and regulations relating to our industry.

We have also established a quality control programme that meets and complies with the requirements of a range of international food safety, quality and environmental management systems. For example:

- In 1997, we received GMP certification for our Ganoderma factory. GMP is a system for ensuring that products are consistently produced and controlled according to international quality standards.
- In 1999, DXN Pharma's facility received the ISO 9001 certification, which is the international standard that specifies requirements for a quality management system and ensures that customers get consistent, good-quality products and services.

7. BUSINESS OVERVIEW (Cont'd)

- In 1999, DXN Pharma's facility obtained the Certificate of GMP Compliance of a Manufacturer from the Australian Government's Department of Health Therapeutic Goods Administration. This certification enables the facility to manufacture, export and sell HDS in Australia.
- In 2000, DXN Pharma's facility received the ISO 14001 certification, which is the international standard that specifies requirements for an effective environmental management system. The intended outcomes of an environmental management system include the enhancement of environmental performance, the fulfilment of compliance obligations and the achievement of environmental objectives.
- In 2006, DXN's Laboratory Department received the MS ISO/IEC 17025 certification, which specifies the general requirements for the competence, impartiality and consistent operation of testing and calibration laboratories.
- In 2007, DXN Pharma's cultivation facility received the myOrganic certificate from the Malaysian Ministry of Agriculture and Agro-Based Industry (now Ministry of Agriculture and Food Industries) for the cultivation of Ganoderma, elm oyster mushroom, Lion's Mane mushroom, poria cocos fungus, splitgill mushroom, Tiger Milk mushroom and Cordyceps, which certifies that our cultivation of these crops have met the Malaysian Standard MS 1529: 2001 for the production, processing, labelling and marketing of plant-based organically produced food.
- In 2011, DXN Industries' F&B products received the GMP and HACCP certification, which is an international standard defining the requirements for effective control of food safety. HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.
- In 2017, the DXN Pharma cultivation facility received the USDA's NOP Control Union Certification, which enforces the USDA organic regulations.
- In 2017, the DXN Pharma cultivation facility received the European Union Organic certification, which certifies that a product has fulfilled strict conditions on how they must be produced, processed, transported and stored and contains at least 95% of organic ingredients (with further strict conditions for the remaining 5%).
- In 2017, the DXN Pharma cultivation facility received the myOrganic certificate from the Malaysian Ministry of Agriculture and Agro-Based Industry (now Ministry of Agriculture and Food Industries) for the cultivation of Spirulina.
- In 2018, the DXN Pharma cultivation facility received the myOrganic certificate from the Malaysian Ministry of Agriculture and Agro-Based Industry (now Ministry of Agriculture and Food Industries) for the cultivation of Noni.
- In 2020, DXN Industries received the ISO 22716:2007 (Cosmetic) certification, which provides GMP guidelines for the production, control, storage and shipment of cosmetic products. These guidelines cover the organisational and practical aspects on the management of the human, technical and administrative factors affecting product quality.
- As of the LPD, 264 of our products were Halal certified by JAKIM and its Recognised Foreign Halal Certification Body (FHCB).

See Section 7.32 of this Prospectus for further details on our key accreditations.

7. BUSINESS OVERVIEW (Cont'd)

We also have a quality assurance and quality control department responsible for maintaining quality standards throughout our production process. Its functions include: setting internal controls and specifications for incoming materials, work-in-progress and finished products; conducting quality inspections; ensuring the correct implementation of quality management systems; establishing procedures; record keeping; maintaining the validity of equipment and instruments; providing training; auditing production facilities and records to ensure the delivery of quality products; and reviewing supplier quality control systems. Our quality control department is in charge of applying for and maintaining our Halal certifications, as well as ensuring that our facilities and products are compliant with regulatory requirements including maintaining manufacturing licences, product registration and notifications and ensuring that our product packaging meets labelling requirements.

We conduct stability tests for each of our products with a testing schedule of at least one batch per year and for every instance when there is a change in the product formulation or ingredient. The stability tests are a series of tests to obtain an assurance of the stability of a product, namely the maintenance of the specifications of the product packed in its specified packaging material and stored at the established storage condition within the determined time period. Stability is an essential factor of the quality, safety and efficacy of a product. Further, before our products are released for sale, all batches of these products are sent for variable testing, which includes physical testing, microbiological testing and chemical testing, as applicable and/or as required by local or exporting country laws and regulations.

In the event that any of our products are required to be recalled or withdrawn, we have recall procedures already in place. See Sections 5.1.5 and 5.1.6 of this Prospectus for more information. We also conduct mock product recalls at least once per year to ensure the effectiveness of our recall procedures.

Further, we have quality assurance and control procedures in place to ensure supplier compliance with our product safety and quality standards. Suppliers must undergo a quality screening process before we commence working with them. Our quality department assesses such products based on technical specifications, quality specifications and inspection standards. Upon receipt of product shipments from suppliers, we perform quality inspections on random samples to detect any quality issues.

7.15 IT

Our IT systems, consisting of Member support tools and internal management tools, are key to our business operations. As at the LPD, we have an internal IT department team of 70 personnel, including IT personnel from Suryasoft (which we acquired in April 2022), to provide solutions to Members and our management.

We developed the majority of our systems in-house and together with Suryasoft and as such, we are not required to pay any licence fees and are able to be efficient in a global roll-out. Further, we believe that developing some systems in-house has enabled our IT systems to be more secure and reliable. The systems that we have developed in-house include our OBS, eWorld website, DXN app, DChat app, regional website, ERP, HRMS, ACIS, and CPS. Where required, we outsource certain services to third parties to develop specific components, applications or programmes, including our DChat app and Laboratory Management System (LMS).

7. BUSINESS OVERVIEW (Cont'd)

An overview of our IT systems is set out below:

Member Support Tools

eWorld / DXN App ★	Regional / Member Personal Websites ★	DChat App
<ul style="list-style-type: none"> • Portal for Members, non-members and local branches, with both web and app interfaces • Members can manage their DXN activities (purchases, earnings and marketing content) and track and redeem their ePoints • Non-members can access marketing content • Local branches can publish and disseminate marketing content 	<ul style="list-style-type: none"> • Over 110,000 personal websites for members set-up hosted on DXN regional websites • Members can engage, recruit and sell to end-customers online • Marketing content is automatically synced to latest from eWorld 	<ul style="list-style-type: none"> • Messaging app to facilitate communication between us, Members and end-customers • End-customers can directly communicate with our customers and Members service regarding products • Members can engage other Members, for example, Member-leaders may use this platform for team bonding and to engage with subordinates • To eventually converge with eWorld app in providing member portal functionalities

Internal Management Tools

Online Billing System (OBS) ★	Enterprise Resource Planning System (ERP) ★	Laboratory Management System (LMS)	Human Resource Management System (HRMS)	Accounting Information System (ACIS) ★	Centralized Processing System (CPS) ★
<ul style="list-style-type: none"> • Operations management system used for local branch management • Local branches can track recruitment, sales, and place purchase orders from manufacturing facilities 	<ul style="list-style-type: none"> • Supply chain management system used by production managers • Production managers can track purchase orders, track production output/statuses, create consolidated packing lists for shipping, and generate invoices 	<ul style="list-style-type: none"> • To provide quotation to customers and receive orders from local and overseas customers to perform laboratory testing • Conduct laboratory testing services on samples provided, under controlled conditions 	<ul style="list-style-type: none"> • Portal for employees and managers, with both web and app interfaces • Employees can manage employee profile, check work calendar (including work shifts), apply for overtime/leave • Managers can approve/reject overtime/leave applications, and submit employee appraisals 	<ul style="list-style-type: none"> • Finance management system used by us and local branch finance managers • Finance managers can track sales data, generate financial reports (including local tax report), monitor key financial metrics, and maintain an accounting ledger 	<ul style="list-style-type: none"> • Central system consolidating sales and member data across the Group • Calculates member qualification status, member tiers, and member bonus earning based on algorithms set out in the respective local marketing plans

★ Key Platform

We have established disaster recovery procedures for our IT systems, including a recovery plan for our server sites and restoration or rebuilding of our entire process systems.

7. BUSINESS OVERVIEW (Cont'd)

7.15.1 Member support tools

We have developed a series of in-house Member support tools, which provide an ecosystem of technological solutions tailored to our specific business needs. As these systems were developed in-house, there are minimal licencing fees. Such tools include:

- **Our online portal.** We have an online portal with both web (eWorld) and mobile application (DXN app) interfaces. This portal is accessible by Members, non-Members, our local sales branches and external distribution agencies. It allows Members to track and manage purchases, earnings, marketing content and to track and redeem their e-Points; non-Members to access marketing content and to register for membership; and local sales branches and external distribution agencies to publish and disseminate marketing content. Between 1 January 2021 to 31 December 2021, the eWorld website had over 690,000 unique visitors per month, with an average page per visit engagement rate of approximately 34 pages.
- **Online ordering system.** Our online ordering system allows our Members and non-Members worldwide to easily order our products online which we believe partially contributes to an increase in our sales locally and overseas.
- **Personal websites.** Starting from December 2017, Members from 80 countries are able to set up personal websites on our eight regional websites. Marketing content on these personal websites is automatically updated and synced with content from our eWorld web portal, which we maintain. As at the LPD, 111,290 Members have set up these personal websites.
- **DChat app.** This mobile application allows for communication between us, our Members and end-customers and allows Members to redeem their ePoints. We have plans to add a recruitment module, similar to the eWorld web portal, to the DChat app.

7.15.2 Internal management tools

We have developed a series of in-house internal management tools used to support our business operations and Member support tools. As these systems were developed in-house, there are minimal licencing fees. In addition, the systems are tailored to our specific needs and we are able to flexibly and continually update these tools based on new market and technical trends.

We use IT tools in our manufacturing process. By establishing a system that keeps track of our inventory level of raw materials, we are able to exercise better control over our inventory. This helps us maintain a sufficient buffer for our "Just in Time" practice to ensure that the quality of our materials is maintained at a maximal level and to prevent wastage of materials and products.

Other tools include:

- **Online Billing System**, the operations management system used by our sales branches to track recruitment, sales and inventory levels, and to place purchase orders from our manufacturing facilities.
- **Enterprise Resource Planning System**, the supply chain management system used by our production managers to track purchase orders and production output/statuses, create consolidated packing lists for shipping and generate invoices.

7. BUSINESS OVERVIEW (Cont'd)

- **Centralised Processing System**, our internal system used to consolidate sales and Member data from across our entire business. It is used to calculate Member qualification statuses, Member tiers and Member bonus earnings based on algorithms set out in the respective local marketing plans.
- **Laboratory Management System**, our system used to provide quotes to customers and to receive orders for laboratory testing, as well as to conduct laboratory testing services on samples provided under controlled scientific conditions. This system is used by Bio Synergy's laboratory to provide both internal and external services.
- **Human Resource Management System**, our internal human resources portal for employees and managers, which allows our employees to manage their employee profile, check their work calendar (including work shifts), and apply for overtime and leave and allows managers to submit employee appraisals.
- **Accounting Information System**, our internal finance management system which tracks sales data, generates financial reports (including local tax reports), monitors key financial metrics, and maintains an accounting ledger.

7.16 Our Customers and Suppliers

7.16.1 Customers

Our customers are Members (including stockists), non-Members and external distribution agencies. As at the LPD, we have over 12.7 million registered Members, of which 2.8 million are active Members, 1,989 are stockists and 14 external distribution agencies.

7. BUSINESS OVERVIEW (Cont'd)

The following table sets out the revenue contribution from sales to our Members, non-Members and external distribution agencies for the financial years/period indicated:

	FYE 28/29 February						FPE 31 December	
	Audited							
	2019		2020		2021		2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gross sales to Members and non-Members	891,233	91.44	1,078,918	91.00	1,067,750	91.17	1,000,777	93.55
Gross sales to:								
– external distributor agencies.....	64,869	6.66	81,250	6.85	78,530	6.71	47,204	4.41
– external parties ⁽¹⁾	4,911	0.50	5,210	0.44	5,242	0.45	3,538	0.33
Other sales ⁽²⁾	1,006	0.10	4,873	0.41	2,948	0.25	872	0.08
Other business activities	12,697	1.30	15,404	1.30	16,679	1.42	17,427	1.63
Gross revenue	974,716	100.0	1,185,655	100.0	1,171,149	100.0	1,069,818	100.0
Less: Consideration due/paid to customers ⁽³⁾	(67,494)		(81,047)		(120,944) ⁽⁴⁾		(54,107)	
Revenue	907,222		1,104,608		1,050,205		1,015,711	

Notes:

- (1) Gross sales to external parties comprise of sales of raw materials.
- (2) Other sales comprise of income from trading sales which are products not sold under the direct selling model and includes sales of FFB products and tea products in China and non-recurring sales of electrical appliances and skin care products, and one-off sales of machines made to Florin Fujian and Anxi Gande Foluohua in the FYE 29 February 2020, which later became our subsidiaries.
- (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) 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.

7. BUSINESS OVERVIEW (Cont'd)

There are no individual customers who contributed more than 5.0% of our Group's revenue in each of the FYE 28 February 2019, FYE 29 February 2020 and FYE 28 February 2021, and the FPE 31 December 2021. We are not dependent on any particular customer.

For Members in our direct selling business, we practise a standardised cash, online payment and credit card transaction management policy. In all jurisdictions, Members are also able to make purchases using ePoints awarded so that we can credit the bonuses earned by Members for them to purchase products or withdraw cash. When a Member makes a purchase via ePoints, we deduct the equivalent amount from the Member's bonus payable account and credit the amount to our books. For external distribution agencies, we allow payment by letters of credit ranging from 30 to 90 days. These credit terms are determined on a case-by-case basis and we take into consideration factors such as our business relationship with the external distribution agency, customer creditworthiness, historical payment trends as well as transaction volume and value.

7.16.2 Major Suppliers

Our suppliers are third parties from whom we purchase our raw materials to cultivate mushrooms (such as rubberwood sawdust and rice chaff), raw materials used in the production of our FFB and HDS products (such as coffee powder, creamer and sugar), and packaging materials (such as capsules and plastic containers). We rely on short-term agreements with some of our major suppliers, with purchases from our suppliers conducted on a purchase order basis. We also purchase finished goods comprising, among others, F&B (such as tea sachets and zhi mint candy), home appliances (such as water filtration systems and kettles) and personal care products (such as soap and hair oil).

We are not dependent on our major suppliers as we have a number of suppliers who can provide us with our raw materials, finished goods and packaging material needs to similar specifications and quality. Our suppliers normally extend a credit period to us ranging from 30 to 60 days.

Our top five major suppliers and their contribution to our purchases in terms of amount and percentage for the years/period indicated are as follows:

FYE 28 February 2019

Supplier	Country	Length of relationship as at the LPD	Products purchased	Purchases (RM million)	% of total purchases
Supplier A ^{*(1)}	Malaysia	5 years	Spirulina powder, non-dairy creamer, dicalcium phosphate, pearly powder, ginkgo leaf, celery powder, psyllium husk, polypropylene plastic, tubes	15.5	11.5%
Supplier B ^{*(2)}	Singapore	3 years	Vegetable capsule, spray dried instant coffee powder	11.9	8.8%
Dan Kaffe (Malaysia) Sdn Bhd	Malaysia	12 years	Instant coffee powder, coffee powder, spray dried coffee powder	10.8	8.0%
Supplier C ^{*(3)}	Malaysia	4 years	Wheat cereal, malt extract powder, instant oat, non-dairy creamer	7.7	5.7%
Olam International Limited	Singapore	7 years	Spray dried soluble coffee	5.8	4.3%
Total				51.7	38.3%

7. BUSINESS OVERVIEW (Cont'd)**FYE 29 February 2020**

Supplier	Country	Length of relationship as at LPD	Products purchased	Purchases (RM'million)	% of total purchases
Supplier B ^{^(2)}	Singapore	3 years	Vegetable capsule, spray dried instant coffee powder	9.0	7.3%
Supplier C ^{^(3)}	Malaysia	4 years	Wheat cereal powder, non-dairy creamer, wheat cereal flakes, instant oats, malt extract powder	8.6	7.0%
Supplier A ^{^(1)}	Malaysia	5 years	Spirulina powder, coffee, aluminium toothpaste tubes, panax ginseng root powder, dicalcium phosphate dihydrate, instant black tea powder, psyllium husk, ginkgo leaf, pearly powder, celery powder, polypropylene plastic, tubes	7.3	6.0%
Dan Kaffe (Malaysia) Sdn Bhd	Malaysia	12 years	Instant coffee powder, coffee powder, spray dried coffee powder	6.2	5.1%
MSM Prai Berhad	Malaysia	13 years	Fine sugar, caster sugar	5.2	4.3%
Total				36.3	29.7%

FYE 28 February 2021

Supplier	Country	Length of relationship as at LPD	Products purchased	Purchases (RM million)	% of total purchases
Supplier C ^{^(3)}	Malaysia	4 years	Wheat cereal powder, non-dairy creamer, wheat cereal flakes, instant oats, malt extract powder	9.5	6.6%
Daehsan Biotech Pvt Ltd	India	4 years	RG and GL30 capsules, RG and GL90 capsules, RG and GL360 capsules, RG and GL powder	8.4	5.8%
MSM Prai Berhad	Malaysia	13 years	Caster sugar, fine sugar	6.7	4.7%
Supplier B ^{^(2)}	Singapore	3 years	Vege-empty capsules, spray dried instant coffee powder, instant coffee powder	6.2	4.3%
Dan Kaffe (Malaysia) Sdn Bhd	Malaysia	12 years	Instant coffee powder, coffee powder, spray dried coffee powder	5.3	3.7%
Total				36.1	25.1%

7. BUSINESS OVERVIEW (Cont'd)**FPE 31 December 2021**

Supplier	Country	Length of relationship as at LPD	Products purchased	Purchases (RM million)	% of total purchases
Olam International Limited	Singapore	7 years	Spray dried soluble coffee	7.2	5.2%
Kerry Ingredients (M) Sdn Bhd	Malaysia	13 years	Non-dairy creamer	6.9	5.0%
Dan Kaffee (Malaysia) Sdn Bhd	Malaysia	12 years	Non-dairy creamer and foaming powder	6.7	4.9%
SLM Packaging Sdn Bhd	Malaysia	11 years	Packaging material	6.6	4.8%
Daehsan Biotech Pvt Ltd	India	4 years	RG and GL30 capsules, RG and GL90 capsules, RG and GL360 capsules, RG and GL powder	5.9	4.3%
Total				33.3	24.2%

Notes:

^ Supplier A and Supplier B have a common shareholder.

* Supplier A and Supplier C have a common shareholder and director.

(1) Supplier A is principally involved in the import and wholesale of other foodstuffs and other food ingredients.

(2) Supplier B is principally involved in the wholesale trade of a variety of goods without a dominant product and retail sales via the internet.

(3) Supplier C is principally involved in the general trading in all types of goods and products.

The names of Supplier A, Supplier B and Supplier C have not been disclosed as we have ended our relationship with Supplier A during the FYE 28 February 2021 and ended our relationships with Supplier B and Supplier C between February 2021 and May 2021. We have not faced any disruption from the transition to other suppliers and we did not experience any material impact to our raw material costs and profit margins for the FPE 31 December 2021 following the termination of these relationships with such suppliers.

7.17 Employees

As at the LPD, we have approximately 2,981 employees in our Malaysian and overseas branches, of which a total of 1,964 employees are in Malaysia. The 2,981 employees as at the LPD includes not more than 252 contractual employees.

7. BUSINESS OVERVIEW (Cont'd)

The following table sets out the number of our employees by function for the periods indicated:

Function	As at 28 February 2021	As at the LPD
Managerial	72	90
Manufacturing and Warehouse	1,522	1,819
Human Resources and General Affairs.....	113	115
Finance and Accounting	149	182
Internal Audit	16	18
Sales and Marketing.....	335	420
Information Technology	58	71
Procurement and Publication	43	50
Laboratories and Product Development	259	122
F&B ⁽¹⁾	20	17
Others ⁽²⁾	191	77
Total	2,778	2,981

Notes:

- (1) *F&B comprises of employees under our F&B subsidiaries, DXN Cafe, Box Park Management and DXN Food Tech, with the principal function of promoting our F&B product to the public.*
- (2) *Others comprise general workers such as security and support staff.*

The following table sets out the number of our employees by jurisdiction in which we operate for the periods indicated:

Jurisdiction	As at 28 February 2021	As at the LPD
Malaysia	1,855	1,964
India	251	300
Mexico	104	103
Indonesia.....	117	122
Bolivia.....	13	15
Thailand	28	28
Philippines.....	100	96
Europe.....	55	55
Peru.....	15	16
USA.....	12	13
China.....	126	144
Others	102	125
Total	2,778	2,981

Some of our employees belong to unions. Our branches have cooperated with the following unions: DXN Labour Union in DXN Manufacturing India in India, National Union "President Adolfo Lopez Mateos" of Workers and Employees of the Commerce in DXN Mexico in Mexico, Joint Trade Union Committee in DXN Corporation Ningxia in China and Labour Union in Anxi Gande Foluohua in China. The rights and obligations under our relationship with the various unions are set out in collective labour agreements entered into by us and the respective unions. We have not experienced any material industrial disputes in the past three years.

In Malaysia, we actively recruit students from universities, colleges and technical schools through our internship programme, which provides students with industrial and practical training experience.

7. BUSINESS OVERVIEW (Cont'd)

We conduct education and training programmes for employees throughout all levels of our organisation regularly throughout the year. We conduct On Job Training ("**OJT**") through continuous information and reminders to ensure that employees are complying with our standard operating procedures at all times. OJT topics include personal hygiene, standard operating procedures, Work In Progress systems, halal training and safety briefings. In Malaysia, we also sometimes host events for employees with guest speakers from government agencies or non-governmental organisations to present on various issues. Guest speakers invited so far include representatives from Employees Provident Fund ("**EPF**") Board, Social Security Organisation ("**SOC****SO**"), Department of Occupational Safety and Health of Malaysia ("**DOSH**"), BOMBA, Royal Malaysia Police, Department of Labour and AADK.

Our employees' health and safety in the workplace is one of our main priorities. In addition to conducting on-going training and industrial accident prevention programmes to ensure that employees at all levels are aware of safety requirements, we have also formed emergency response teams to provide aid and assist with evacuations during emergencies.

Total remuneration for our employees includes monthly salary, SOC SO and EPF contributions (for Malaysia), bonuses, incentives, allowance and retirement benefits which is mandatory for employers in almost all countries where we operate. We also offer other benefits including health insurance. We maintain insurance policies for our employees such as group personal accident and group hospital and surgical insurance and make regulatory contributions to statutory insurance schemes under prevailing worldwide industry practices.

We also focused on building and maintaining our corporate culture. Before the COVID-19 pandemic, our employee engagement initiatives in Malaysia included an annual dinner to recognise employees for their performance and loyalty and an internal monthly newsletter. For employees in other jurisdictions, we variously provide free products, awards for long service and festive gatherings.

We strongly believe and are committed to respecting human rights, including those of our employees and workers. The following are labour practices that we follow:

- We are committed to providing safe, confidential and accessible channels to our workers to speak out and have appointed workers' representatives, provided suggestion boxes and established grievance mechanisms and a whistleblowing policy.
- We do not impose hidden costs on our workers and have a zero-recruitment-fee policy.
- Our workers have freedom of movement outside of their working hours.
- Our working areas and accommodations are not isolated from nearby towns and opportunities for recreation.
- We have strict policies in place against sexual harassment, drugs and alcohol.
- Our workers have full access to all originals of their identity documents that are available to them at all times.
- We do not unlawfully withhold or deduct salaries.
- We provide our migrant workers who live on our premises with sufficient workspaces and accommodations that comply with all relevant laws.
- Our overtime is strictly voluntary and we limit the maximum working hours to within the maximum set by relevant national laws.

7. BUSINESS OVERVIEW (Cont'd)

- Our Code of Conduct also prohibits all types of forced, bonded or indentured labour at our facilities and we require our suppliers to prohibit these activities as well.

7.18 Competition

We consider our primary competition to be other companies offering health-oriented and wellness consumer products and other direct selling companies in the markets where we operate.

We primarily compete based on quality, price, brand reputation and Member relationships. For example, we have been able to generate both a high volume of sales and high profit margin in our major markets by providing our Members with in-house manufactured differentiated products, with capital expenditure similar to that of comparable publicly listed direct selling companies with manufacturing capabilities.

We consider our "One World One Market" strategy to be a competitive advantage. See Section 7.6.4 of this Prospectus for further details on our global marketing strategy.

7.19 Seasonality

In Malaysia and other markets with a significant Muslim population, we observe a non-material fluctuation in sales during Ramadan. In other markets, we may observe decreases in sales around Christmas or summer vacation. We also experience seasonal trends in respect of our cultivation activities. Our Spirulina yield in India is typically lower during the rainy season which occurs from September to December and Ganoderma cultivation typically slows during the winter season which occurs from December to March the following year. These country-specific seasonal trends tend to even out when observed on a global basis and do not have a material impact on our sales.

We also observe a global peak in demand on an annual basis in advance of our annual price increase.

7.20 Price Volatility

Prices of products in our industry are characterised by a gradual increase over time, primarily due to an increase in production costs and demand for products with higher value-add. The prices of some of the raw materials, packaging materials and finished products that we purchase from suppliers may also be impacted by fluctuations in inflation. We may also be impacted by currency rate fluctuations for items that we import.

We have sought to minimise price volatility. For example, we have set up multiple production and manufacturing facilities in the regions of our major markets. These regional facilities have allowed us to reduce certain costs relating to imports, operations and manufacturing, and the transportation and delivery of our products. We have also been able to benefit from currency exchange rates and buffer stock and incentives provided by local authorities.

Broadly speaking and with exceptions for particular SKUs and particular markets, we have been able to increase our prices across our business in recent years. If we can increase our prices without a detrimental effect on our sales volumes, we expect our revenue to increase; conversely, if either or both of our sales volumes and our prices were to decrease, we expect an adverse effect on our revenues. For further details on how prices of our products have affected our revenues, see Section 12.2.2(ii) of this Prospectus.

7. BUSINESS OVERVIEW (Cont'd)

7.21 Insurance

We maintain insurance policies to cover a variety of risks relevant to our business needs and operations. We maintain property insurance with respect to our property, assets (save for certain biological assets) and inventory in our offices, factories, warehouses, sales centres and branches. We also carry public liability insurance as well as directors' and officers' liability insurance, group hospital and surgical, group personal accident, fidelity guarantee, money, burglary, marine cargo, aircraft, vehicle, goods-in-transit and product liability insurance related to our operations.

The following table sets forth certain information about the insurance policies covering key aspects of our business as taken by our Group:

Type of insurance	Coverage amount (RM'million) ⁽¹⁾
Aircraft	13.7
Burglary	15.8
Directors and Officers Liability	30.0
Earthquake	15.9
Fire / Property Insurance	356.4
Fire Consequential Loss	137.6
Goods In Transit	19.4
Group Personal Accident	154.1
Marine Cargo ⁽²⁾	479.4
Cash in safe, Cash within premises, Cash in Transits	21.4
Multirisk / All-risk	34.9
Property / Inventory	142.1

Notes:

- (1) Refers to total coverage amount covering key aspects of our Malaysian and overseas businesses.
- (2) Marine cargo insurance covers shipments from Malaysia to overseas as well as shipments throughout Malaysia. The information provided covers two insurance policies with significant sums insured.

We conduct a periodic review of our insurance coverage and consider the amount of our insurance coverage to be adequate for a company of our size, considering the activities we conduct, and to meet the risks associated with our operations.

7.22 Major Licences and Permits

We have various licences and permits for our operations in Malaysia and other jurisdictions where we operate. Details of our major licences, permits and approvals are set out in Annexure A of this Prospectus. Save as disclosed in Annexure A of this Prospectus, our Group is not dependent on any major licences, permits and approvals for our business operations.

7. BUSINESS OVERVIEW (Cont'd)

7.23 Interruption to our Business

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.

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 have 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, sanitizing our offices and facilities and regular intervals and adopting a mask-on policy for our staff at our premises.

Since the outbreak of the COVID-19 pandemic, 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. For further details on the impact of the COVID-19 pandemic on our business, financial condition and results of operations, see Section 5.1.8 of this Prospectus.

As a result of these restrictions, we have 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 closed certain of our coffee and juice production facilities in Malaysia for a total of 15 days due to employees at such facilities testing positive for COVID-19, as required by the MOH. For further details, see Section 5.1.8 of this Prospectus.

Other Interruptions

In September 2020, an electrical fault at one of our facilities resulted in a fire which engulfed one of our warehouses in our manufacturing facility in Kedah, Malaysia. The fire resulted in the loss of all of our inventory in that warehouse, which is approximately three months' worth of stock. We typically maintain inventory levels of raw materials, work-in-progress and finished products of six to nine months, given the long lead time of about two to three months required to ship our products to some of our core markets, such as Latin America. Such inventory loss led to the temporary disruption of supply of certain products. We have, in part, relied on short-term arrangements on a purchase order basis with third-party and related-party manufacturers to make up for the lost inventory until the reconstruction of the manufacturing facility completed in February 2022. We have also used excess capacity at another one of our warehouses to store these ingredients. We received an insurance pay out amounting to RM10.1 million for the 10-month FPE 31 December 2021 in connection with the fire incident.

7. BUSINESS OVERVIEW (Cont'd)

Except as set out in this Section and Section 5 of this Prospectus, there have been no material interruptions to our business.

7.24 Material Properties and Equipment

Details of our material properties, whether owned or leased/tenanted, and our material equipment are set out in Annexure B of this Prospectus.

7.25 Intellectual Property and Trademarks

As at the LPD, we have registered over 400 trademarks and trade dress which are used for our operations in over 40 countries, some of which we have also licensed to our external distribution agencies for their operations and promotional materials. Save for our external distribution agencies, none of our trademarks and trade dress have been licensed to other companies outside our Group. Our major trademarks include our DXN logos, Lingzhi, Cocozhi, Morinzyme, RG, GL, Ganozhi, Spica Tea, DXN Aloe.V, Gano Massage Oil, Morinzhi, and our "One World One Market" slogan.

Save as disclosed in Annexure C of this Prospectus, as at the LPD, we do not have any other licensees, patents, trademarks, brand names, technical assistance agreements, franchises and other intellectual properties on which we are dependent.

7.26 Governing Laws and Regulations relating to our Industry

The relevant laws and regulations governing our Group in our core markets and which are material to our operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to. Non-compliance with the relevant laws and regulations below may result in monetary and/or custodial penalties and/or any other orders being made.

7.26.1 Governing laws and regulations relating to Malaysia

(i) Direct Sales and Anti-Pyramid Scheme Act 1993

Direct Sales and Anti-Pyramid Scheme Act 1993 is an act to provide for the licencing of persons carrying on direct sales business, for the regulation of direct selling, for prohibiting pyramid scheme or arrangement, chain distribution scheme or arrangement or any similar scheme or arrangement.

Companies carrying on direct sales business will need to register for a direct sales licence granted by the controller appointed by the MDTCA pursuant to this act.

(ii) DSAM's Code of Conduct ("DSAM Code")

The DSAM Code is a code of conduct endorsed by the MDTCA and adopted by DSAM to which member companies of the DSAM adhere in conducting their direct selling business. The DSAM Code covers conduct to be adhered to by member companies and direct sellers in order to provide protection to consumers of direct selling products, direct sellers within member companies and conduct between member companies.

7. BUSINESS OVERVIEW (Cont'd)

Under the DSAM Code, the DSAM shall appoint an independent person or body as the code administrator to monitor compliance by the member companies and to settle any complaints made against the member companies or the direct sellers. The Code Administrator may require appropriate actions from member companies or direct sellers including cancellation of orders, return of products, refund of payments, warnings to both member companies and direct sellers and termination of direct sellers' contracts or relationships with the member companies.

(iii) Sale of Drugs Act 1952 ("SODA 1952") and Control of Drugs and Cosmetics Regulations 1984 ("CDCR")

The SODA 1952 is an act relating to the sale of drugs and which includes any substance, product or article intended to be used or capable, or purported or claimed to be capable, of being used on human or any animal, whether internally or externally, for a medicinal purpose.

The CDCR which was issued pursuant to the SODA 1952 stipulates that save as otherwise provided therein, no person shall manufacture, sell, supply, import or possess or administer any product unless the product is a registered product, and the person is a holder of the appropriate licence required issued under the CDCR.

(iv) Food Act 1983, Food Regulations 1985 and Food Hygiene Regulations 2009

The Food Act 1983 and the Food Regulations 1985 are laws governing the food safety and quality control including standards, hygiene, import and export, advertisement and accreditation of laboratories. The objective is to protect the public from health hazards and fraud in the preparation, sale and use of foods and for other related matters. The legislation applies to all foods, locally produced or imported, which are sold in the country. It covers a broad spectrum from compositional standards to food additives, nutrient supplements, contaminants, packages and containers, food labelling, procedure for taking samples, food irradiation, provision for food not specified in the regulations and penalties.

The Food Hygiene Regulations 2009 governs and controls the hygiene and safety of food sold in Malaysia. The objectives are to ensure food premises are hygienic and satisfactory in terms of design and building, ensure food handlers maintain personal hygiene and avoid practices that can contaminate food, and, amongst others, to provide for requirements of mandatory food safety assurance programmes in food manufacturing factories. The legislation applies to all food premises including any building, tent or structure in Malaysia.

(v) Trade Descriptions Act 2011, Trade Descriptions (Definition of Halal) Order 2011 and Trade Descriptions (Certification and Marking of Halal) Order 2011

The Trades Description (Definition of Halal) Order 2011 and the Trade Descriptions (Certification and Marking of Halal) Order 2011 give specific legal proviso on matters pertaining to halal. It provides protection to traders and consumers from unhealthy trade practices.

7. BUSINESS OVERVIEW (Cont'd)

The Trade Descriptions Act 2011 aims to facilitate good trade practices and protect the interest of consumers by eliminating false trade descriptions and false or misleading statements, conduct and practices in relation to the supply of goods and services. Halal certification and surveillance in Malaysia has been assigned to the government bodies by virtues of the act.

The Trade Descriptions Act 2011 further standardises the issuance of halal certificates. JAKIM is appointed as the sole issuer of halal certificates for any food, goods or related services.

(vi) Industrial Co-ordination Act 1975

The Industrial Co-ordination Act 1975 governs the licencing requirement of manufacturing licences in Malaysia. The objectives are to co-ordinate and ensure orderly development of manufacturing activities in Malaysia. The legislation requires any person engaging in any manufacturing activity in Malaysia with shareholders' funds of RM2.5 million and above or employing 75 or more full-time paid employees to obtain a manufacturing licence. A licence will have to be obtained for the manufacture of specified products at each separate manufacturing site. The licences are typically issued in accordance with national economic and social objectives and to promote the orderly development of manufacturing activities in Malaysia. They are issued by the MITI, subject to conditions of the licence and are non-transferable save with the prior approval of the MITI.

(vii) SDBA

The SDBA is enforced by the local authorities of Peninsular Malaysia and it provides for the requirement of having a CCC for the occupation of any building or any part thereof.

Under the Uniform Building By-Laws 1984 ("UBBL") which was issued pursuant to the SDBA, a CCC will be issued by the local authority upon receipt of certification in relevant forms by a qualified person i.e. an architect, registered building draughtsman or engineer.

A qualified person must be satisfied that, to his/her best knowledge: (i) the relevant building has been constructed in accordance to UBBL; (ii) any conditions imposed by the local authority have been satisfied; (iii) all essential services has been provided; and (iv) responsibilities have been accepted for the portions that are being concerned with.

Any person who occupies or permits to be occupied any building or any part thereof without a CCC commits an offence punishable with a fine not exceeding RM250,000 or with an imprisonment for a term not exceeding 10 years or with both under the SDBA.

(viii) National Land Code 1965 ("NLC")

The NLC is one of the governing laws on land matters within the States of Johor, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Selangor, Terengganu and the Federal Territory of Kuala Lumpur. Pursuant to the NLC, the state authority may alienate land subject to such express conditions and restrictions in interest which shall be determined by the state authority at the time when the land is approved for alienation and every condition or restriction in interest imposed under this section shall be endorsed on or referred to in the document of the title to the land.

7. BUSINESS OVERVIEW (Cont'd)

In the event of breach of conditions, the land administrator has the right to either: (1) impose a fine under Section 127 of the NLC after serving a notice on and requesting the landowner to attend a hearing to show cause to the satisfaction of the land administrator, the reason that a fine should not be imposed in respect of such breach, failing which, the landowner may be liable to pay a fine of not less than RM500 (and in the case of a continuing breach, a further fine of not less than RM100 for each day of the continuing breach); (2) request the landowner to remedy the breach within the time stipulated in the notice served by the land administrator under Section 128 of the NLC, failing which, the land administrator may take action to enforce forfeiture of the land under Section 129 of NLC; or (3) hold an enquiry to forfeit the land under Section 129 of the NLC.

(ix) Environmental Quality Act 1974 and Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015

The Environmental Quality Act 1974 restricts pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without a licence, prohibits the discharge of oil into Malaysian waters without a licence, discharge of wastes into Malaysian waters without a licence and prohibits open burning. The agency responsible for implementing and monitoring Malaysian's environmental regulations and policies is the Department of Environment ("**DOE**") and the local environmental authority.

The Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015 requires any person who intends to carry out any prescribed activities to submit a report on the impact of the activities on the environment to the Director of Environmental Quality for examination. The environmental impact assessment ensures that potential environmental problems are foreseen and addressed at the early stage during project planning and design.

7. BUSINESS OVERVIEW (Cont'd)

7.26.2 Governing laws and regulations relating to India

(i) Consumer Protection (Direct Selling) Rules, 2021 ("Direct Selling Rules")

Direct selling entities in India are required to comply with the provisions of the Consumer Protection Act, 2019 and the Direct Selling Rules, enacted by the Ministry of Consumer Affairs of India ("**MCA India**") The Direct Selling Rules enacted pursuant to the Consumer Protection Act, 2019 ("**Consumer Protection Act**"), were notified by the MCA India, in the official gazette on 28 December 2021 and require compliance by direct selling entities within 90 days of such notification. The Direct Selling Rules include provisions that regulate marketing, distribution and sale of goods or provision of services through a network of direct sellers, other than through a permanent retail location. The Direct Selling Rules set out obligations and duties of direct selling entities and direct sellers in relation to the goods and services offered to consumers and prescribe the manner of maintaining requisite documents and providing relevant information on the website in a clear and accessible manner for buyers to make informed purchase decisions. The Direct Selling Rules mandate the establishment of an adequate grievance redressal mechanism and appointment of grievance redressal officers for redressal of consumers' grievances by the direct selling entity. The Direct Selling Rules further require the appointment of a nodal officer by the direct selling entity to ensure compliance with the provisions of the Consumer Protection Act and the rules made thereunder. The provisions of the Consumer Protection Act apply in respect of any violation of the provisions of the Direct Selling Rules. Direct selling entities in India are currently not required to obtain any separate licence under the Direct Selling Rules.

(ii) Food Safety and Standards Act 2006 ("FSS Act") and Food Safety and Standards Rules 2011 ("FSSR")

The FSS Act consolidates the laws relating to food and to establish the Food Safety and Standards Authority of India ("**FSSAI**"), for laying down science-based standards for articles of food and to regulate their manufacture, storage, distribution, wholesale, retail, sale and import, to ensure availability of safe and wholesome food for human consumption and for matters connected therewith or incidental thereto. The FSS Act, among others, also sets out requirements for licencing and registration of food businesses, general principles of food safety, and responsibilities of the food business operator and liability of manufacturers and sellers, and adjudication by the Food Safety Appellate Tribunal.

For enforcement, under the FSS Act, the Commissioner of Food Safety, Food Safety Officer and Food Analyst have been granted with detailed powers of seizure, sampling, taking extracts and analysis. Penalties are levied for various defaults such as for selling food not of the nature or substance or quality demanded, sub-standard food, misbranded food, misleading advertisement, food containing extraneous matter, for failure to comply with the directions of Food Safety Officer, for unhygienic or unsanitary processing or manufacturing of food, for possessing adulterant. Apart from the penalties, there are punishments prescribed for selling, storing, distributing or importing unsafe food, for interfering with seized items, for providing false information, for obstructing or impersonating a Food Safety Officer, for carrying out a business without a licence and for other subsequent offences.

7. BUSINESS OVERVIEW (Cont'd)

Further, the FSSR provides, among others, the qualifications mandatory for the posts of Commissioner of Food Safety, Food Safety Officer and Food Analyst, and the procedure for taking extracts of documents, sampling and analysis.

In order to address certain specific aspects of the FSS Act, the FSSAI has framed several regulations such as the following:

- (a) Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations 2011;
- (b) Food Safety and Standards (Packaging and Labelling) Regulations 2011;
- (c) Food Safety and Standards (Food Product Standards and Food Additives) Regulations 2011;
- (d) Food Safety and Standards (Prohibition and Restriction on Sales) Regulations 2011;
- (e) Food Safety and Standards (Contaminates, Toxins and Residues) Regulations 2011;
- (f) Food Safety and Standards (Laboratory and Sampling Analysis) Regulations 2011; and
- (g) Food Safety and Standards (Health Supplements, Nutraceuticals, Food for Special Dietary Usage, Food for Special Medical Purpose, Functional and Novel Food) Regulations 2016.

The FSS Act requires every manufacturer, importer, exporter, retailer, wholesaler and distributor of the relevant food products to be registered under the FSS Act, as may be appropriate, and abide by the provisions of the FSS Act and applicable regulations thereunder.

(iii) **Drugs and Cosmetics Act 1940 ("DC Act") and Drugs and Cosmetics Rules 1945 ("DC Rules")**

The DC Act aims to regulate the importing, manufacturing, distribution and sale of drugs and cosmetics in India. The Drugs Technical Advisory Board, the Central Drugs Laboratory and the Drugs Consultative Committee have been established and composed as provided under the DC Act. The DC Act deals with "standard quality" in relation to drugs to be manufactured and imported into India. Chapter IVA of the DC Act specifically provides provisions relating to Ayurvedic, Siddha and Unani ("**ASU**") drugs which encompass the herbal formulations traditionally used in the Indian system of medicine. Under the DC Act, all ASU formulations or products are covered under the common term of "drug".

Further, the DC Rules give effect to the provisions of the DC Act, to regulate the manufacture, distribution and sale of drugs and cosmetics in India. The DC Rules prescribe the procedure for submission of report to the Central Drugs Laboratory, of samples of drugs for analysis or test, the forms of Central Drugs Laboratory's reports thereon and the fees payable in respect of such reports. The DC Rules further prescribe the manner of labelling and packaging of drugs. The DC Rules lay down the process mechanics and guidelines for clinical trial, including procedure for approval for clinical trials. The DC Rules also prescribe the drugs or classes of drugs or cosmetics or classes of cosmetics for the import of which a licence is required, and prescribe the form and conditions of such

7. BUSINESS OVERVIEW (Cont'd)

licences, the authority empowered to issue the same and the fees payable therefore. The DC Rules provide for the cancellation or suspension of such licence in any case any provisions or rule applicable to the import of drugs and cosmetic is contravened or any of the conditions subject to which the licence is issued is not complied with.

The GMP guidelines are provided under "Schedule T" of the DC Rules. The GMP guidelines are the practices required in order to confirm the guidelines recommended by agencies that control authorisation and licencing for manufacture and sale of food, drug products and active pharmaceutical products. These guidelines provide minimum requirements that a pharmaceutical or a food product manufacturer must meet to assure that the products are of high quality and do not pose any risk to the consumer or public. Good manufacturing practices, along with good laboratory practices and good clinical practices, are overseen by regulatory agencies in various sectors in India.

(iv) **Factories Act 1948 ("Factories Act")**

The Factories Act defines a "factory" to cover any premises which employs 10 or more workers and in which manufacturing process is carried on with the aid of power and any premises where there are at least 20 (twenty) workers, even while there may not be an electrically aided manufacturing process being carried on. State Governments in India have the authority to formulate rules in respect matters such as prior submission of plans and their approval for the establishment of factories and registration and licencing of factories. The Factories Act mandates the "occupier" of a factory to ensure the health, safety and welfare of all workers in the factory premises. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment or with a fine or with both.

(v) **Environment (Protection) Act 1986 ("EPA") and the Environment Protection Rules 1986**

The EPA is designed to provide, a framework for the Central Government of India to co-ordinate the activities of various central and state authorities established under other laws, such as the Water (Prevention and Control of Pollution) Act 1974 ("**Water Act**") and the Air (Prevention and Control of Pollution) Act 1981 ("**Air Act**"). The EPA vests the Central Government of India with various powers including the power to formulate rules prescribing standards for emission of discharge of environment pollutants from various sources, as given under the Environment (Protection) Rules 1986, inspection of any premises, plant, equipment, machinery, and examination of processes and materials likely to cause pollution. The EPA provides for the protection and improvement of the environment and for matters connected therewith, including without limitation, the rule making power to the Central Government of India so as to determine the standards of quality of air, water or soil for various areas and purposes, the maximum allowable units of concentration of various environmental pollutants, procedure for handling of hazardous substances, the prohibition and restrictions on the location of industries and the carrying on of processes and operations in different areas. Among others, these rules regulate the environmental impact of construction and development activities, emission of air pollutants and discharge of chemicals into surrounding water bodies. Primary environmental oversight authority is given to the Ministry of Environment and Forests ("**MoEF**"), the Central Pollution Control Board and the State Pollution Control Board ("**SPCB**"). The EPA prescribes for fines and/or imprisonment in the event of non-

7. BUSINESS OVERVIEW (Cont'd)

compliance of the EPA, basis the nature of the non-compliance. The MoEF receives proposals for expansion, modernisation and setting up of projects and the impact which such projects would have on the environment is assessed by the MoEF before granting clearances for the proposed projects.

7.26.3 Governing laws and regulations relating to China

(i) Regulations related to food operation

Food Safety

In accordance with the Food Safety Law of the PRC, effective on 1 June 2009 and most recently amended on 29 April 2021, a licence shall be obtained by business operators in order to engage in food production, sale or catering services. Furthermore, the State Council implements strict supervision and administration for special categories of foods such as health food, special formula foods for medical purposes and infant formula. Violations of these law and measures may result in civil liabilities and administrative penalties. The Administrative Measures for Food Operation Licensing promulgated by the State Food and Drug Administration of the PRC ("**SFDA**") regulates the food operation licensing activities, strengthens supervision and management of food operation, and ensures food safety. Food operation operators shall obtain the food operation licence or the Food Operation Permit, for each business venue where they engage in food operation activities. The food operation licence is valid for five years. Food operation operators shall properly keep their food operation licences and shall not forge, alter, resell, rent, lend or transfer any food operation licences. The SFDA promulgated the Measures for Investigation and Handling of Illegal Acts Involving Online Food Safety in 2016, pursuant to which a third-party platform provider for online food trading in the PRC shall file a record with the food and drug administration at the provincial level and obtain a filing number.

Food production

According to the Administrative Measures for Food Production Licensing (Amended in 2020) promulgated by State Administration for Market Regulation ("**SAMR**"), a food production licence shall be obtained in accordance with the law prior to engaging in food production activities within the territory of the PRC. Health food products shall refer to the Administration Rules of Health Food Products issued by the China Ministry of Health on 1996 for regulations and standard of food with specific health care functions. Furthermore, manufacturing or importation of dietary supplements using raw materials that are included in the raw materials catalogue for dietary supplements; and firstly imported dietary supplements that provide nutrients such as vitamin and minerals shall be subject to recording in accordance with the Administrative Measures for the Registration and Recording of Health Food (Amended in 2020) promulgated by the SAMR in 2020.

7. BUSINESS OVERVIEW (Cont'd)

(ii) Regulations related to the sales of products

Import and export

The major PRC laws and regulations governing import and export of goods are Foreign Trade Law of the PRC ("**Foreign Trade Law**"), Regulations of the PRC on the Administration of Import and Export of Goods ("**Regulations on Import and Export of Goods**"), Customs Law of the PRC and Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities. In light of the Foreign Trade Law promulgated by the Standing Committee of the National People's Congress 1994, as amended on 6 April 2004 and 7 November 2016 respectively, save as otherwise provided by laws and administrative regulations, foreign trade operators engaging in goods or technology import and export shall go through the record-filing registration formalities with the competent department. Failure to do so, the process the declaration and clearance of goods imported or exported customs shall be refused by authorities. Pursuant to the Customs Law of the PRC amended in 2021, all inward and outward goods shall enter or leave the territory at a place where there is a customs office and must be declared and the duties on them must be paid. To undergo customs declaration formalities, the consignees or consigners for imported or exported goods and the customs declaration enterprises should file with the customs offices in accordance with Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities.

(iii) Regulations related to land and development of construction projects

Although all land in the PRC is owned by the State or is collectively owned, individuals and entities may obtain land use rights and hold such land use rights for development purposes.

Under the Interim Regulations on Grant and Assignment of the State-owned Urban Land Use Right of the PRC promulgated by the State Council on 29 May 1990 and last amended in November 2020, the PRC adopts a system of granting and assigning state-owned land use right. A land user shall pay a land premium to the State as the consideration for the grant of the land use right by the State for a specified period of time, during which the land user may assign, lease, mortgage or otherwise commercially exploit the land use right.

Pursuant to the Regulations on Law of the PRC on Urban and Rural Planning promulgated by the Standing Committee of the National People's Congress in October 2007 and amended in April 2019, a construction land planning permit should be obtained from the municipal planning authority with respect to the planning and use of land and a construction work planning permit must be obtained from the competent urban and rural planning government authority.

Upon the completion of a construction project, the construction enterprise must submit an application to the competent department at or above county level where the project is located for examination upon completion of building and for filing purpose, and to obtain the filing form for acceptance and examination upon completion of construction project.

7. BUSINESS OVERVIEW (Cont'd)

(iv) Regulations related to environmental protection

The major environmental laws and regulations applicable include the Environmental Protection Law of the PRC promulgated by the National People's Congress Standing Committee on 24 April 2014 and became effective on 1 January 2015, the Law on the Prevention and Control of Water Pollution of the PRC promulgated by the National People's Congress Standing Committee in 1984 and amended in 2018, the Law on the Prevention and Control of Air Pollution of the PRC promulgated by the National People's Congress Standing Committee in 1995, and amended in 2020, the Law on the Prevention and Control of Solid Waste Pollution of the PRC promulgated by the National People's Congress Standing Committee in 1995, and amended in 2020, and the Law on the Prevention and Control of Ambient Noise Pollution of the PRC promulgated by the National People's Congress Standing Committee in 1996 and amended in 2018. These laws and regulations set out detailed procedures that must be implemented throughout a project's construction and operation phases.

Pursuant to the above environmental laws and regulations, any company or enterprise shall implement environmental protection methods and procedures into their business operations and prepare environmental impact study report setting forth the impact on the environment and the measures to prevent or mitigate the impact for approval by the government authority.

7.26.4 Governing laws and regulations relating to Mexico

There is no specific regulation governing direct sales under Mexican law. However, this activity is not explicitly prohibited under Mexican law.

In accordance with the Mexican legal framework, direct sales entities do not require licences for its operations. In order to operate in compliance with the Mexican legal provisions, it is necessary to submit an operation notice for every manufacturing or commercial facility or establishment and to register its F&B products under the corresponding operation notice. For details of DXN Mexico's major licences, permits and approvals, see Annexure A of this Prospectus.

In Mexico, the Health Ministry, acting through its subsidiary agency, the Federal Commission for the Protection against Sanitary Risks (the Mexican FDA equivalent), as the authority responsible for monitoring and regulating the process, import, export, advertisement, and use of, all cosmetics and food supplements products. Additionally, the Consumer Protection Agency is responsible for monitoring the commercial information and advertisement of all cosmetics and food supplements products.

Thus, the Mexican General Health Law, the Products and Services Sanitary Control Regulations, the Mexican Official Standard NOM-141-SSA1/SCFI-2012 - Labeling for pre-packaged cosmetic products. Sanitary and commercial labeling; the Mexican Official Standard NOM-251-SSA1-2009 Hygienic practices for the processing of food, beverages or food supplements, the Mexican United States Pharmacopeia, the Consumer Protection Federal Law and the Regulations of the Consumer Protection Federal Law, between other Mexican applicable provisions, are Mexican legal provisions applicable to our operations in Mexico.

7. BUSINESS OVERVIEW (Cont'd)

Among others, the following laws are also applicable to DXN México:

- General Law of Ecological Balance and Environmental Protection (“**LGEEPA**”) and its Regulations for the Prevention and Control of Atmospheric Pollution which establishes the obligations that all companies must comply with in terms of, among others, environmental impact, highly risky activities and emissions into the atmosphere. This rule creates the authorisations, permits or licences that must be obtained to prevent, mitigate and/or compensate for adverse environmental impacts and to provide sanctions;
- Ecology and Environmental Protection Law of the State of Tlaxcala which establishes the main obligations in environmental matters in the state of Tlaxcala, on special management waste and risky activities as well as the sanctions that will be imposed on whoever that causes damages to the environment;
- Civil Code for State of Tlaxcala and the Civil Code for the Mexico City which establishes the legal framework mainly related to i) individuals and entities and the legal relationships among them; ii) the property rights, including the classification and characteristics of real and personal property and rights in rem; iii) successions, including the types of successions and the procedures for each of them; and iv) obligations; and
- General Law of Business Entities that regulates mercantile corporations as well as their creation, operation, activities, obligations and the principles on which they may operate.

7.26.5 Governing laws and regulations relating to Indonesia

(i) Regulations relating to the direct selling industry

In Indonesia, direct selling activities are currently regulated by the Government Regulation No. 29 of 2021, which contains obligations of direct selling companies to (i) have exclusive distribution rights to the products; (ii) have a marketing plan; (iii) have a code of conduct; (iv) recruit direct sellers through the networking; and (v) perform direct selling through marketing network developed by direct sellers. Pursuant to the Ministry of Trade Regulation 70/2019, every company carrying out direct selling and distribution of goods traded within the territory of Indonesia is required to have a trade business license from the authorised institution and/or agencies. Further, based on the implementation of the Government Regulation 5/2021, the trade business licence is valid as long as a company conducts its business activities.

(ii) Regulations relating to industrial business activities

Provisions regarding industrial activities are regulated Indonesian Industrial Law and its implementing regulations issued by the central government and/or the MOI. The Indonesian Industrial Law requires industrial companies to utilise natural resources in an efficient, environmentally friendly, and sustainable manner. Supervision of the fulfillment and compliance of laws and regulations on the utilisation of natural resources including compliance with the submission of plans for the utilisation and the suitability of the use of natural resources that are efficient, environmentally friendly and sustainable.

7. BUSINESS OVERVIEW (Cont'd)

Non-compliance with the Indonesian Industrial Law may lead the related industrial company being subject to administrative sanctions in the imposition of various administrative sanctions in the form of, among others, a warning letter, an administrative fine, temporary business closure, and/or suspension or revocation of the IUI.

(iii) Regulations relating to traditional medicine product industry

In Indonesia, traditional medicine product industry activities are currently regulated by Indonesian Health Law and its implementing regulations issued by the Indonesia Minister of Health. Pursuant to the Ministry of Health Regulation No. 26/2018 on Electronic Integrated Business Licence Services for the Health Sector, prior to producing the traditional medicine product in Indonesia, every traditional medicine product industry company is required to obtain the traditional medicine industry business licence. Further, according to GR 5/2021, licence for traditional medicine product industry is valid for five years but subject to renewal. Non-compliance with such laws and regulations may lead to the imposition to various administrative sanction in the form of, among others, a warning letter, notification of cancellation of business licence, temporary cessation of business activities, imposition of administrative fines, and/or revocation of business licence.

Furthermore, pursuant to the Indonesian Health Law and the Indonesian Ministry of Health Regulation No. 7 of 2012 on the Registration of Traditional Medicine, medicine circulation permit (*Izin Edar Obat*) is required for any traditional medicine that will be circulated within the territory of Indonesia. Non-compliance to the Indonesian Health Law may lead to the imprisonment of up to fifteen (15) years and a fine of maximum IDR1.5 billion.

(iv) Regulations relating to function worthiness certificate for building

Pursuant to the Government Regulation No. 16 of 2021 Implementing Regulation of Law Number 28 of 2002 on Buildings ("**GR 16/2021**"), the SLF is defined as a certificate that is given by the regional government to certify the function worthiness of a building (including houses).

The SLF has a certain validity period, which shall be extended: (i) twenty (20) years for single and terraced residential houses; or (ii) five (5) years for other buildings (other than single and terraced houses), as stipulated in Article 297 GR 16/2021.

Based on Article 327 GR 16/2021, violation on the requirement to obtain the SLF by the building owner before the utilisation of the building is subject to administrative sanctions in the forms of (i) written warnings; (ii) restriction of activities of development, utilisation and demolition; (iii) temporary or permanent suspension of activities of development stages, utilisation, and demolition; (iv) suspension of building approval, the SLF and demolition approval; (v) revocation of building approval, the SLF and demolition approval; (vi) temporary or permanent suspension of any implementation of development works; and/or (vii) temporary or permanent suspension of building utilisation.

7. BUSINESS OVERVIEW (Cont'd)

7.26.6 Governing laws and regulations relating to Peru

There is no specific regulation governing direct sales under Peruvian law. However, this activity is not explicitly prohibited under Peruvian law, but is subject to licensing requirements such as business licences in accordance with the legal framework required by the local authorities to conduct commercial activities within the jurisdiction.

DXN Peru is required to comply with, among others, the following laws for its operations:

(i) Health Act, Act No. 26842 and its regulations

According to the Health Act, Act No. 26842 and its regulations, DXN Peru is authorised by the Medicines, Supplies and Drugs General Direction of the Health Ministry to act as a Drugstore and to import and market Generic Drugs, Brand Name Drugs, Dietary Products and Sweeteners, Cosmetic Products and Natural Products.

(ii) Pharmaceutical Products, Medical Devices and Sanitary Products Act, Act No. 29459 and its regulations

Under the Pharmaceutical Products, Medical Devices and Sanitary Products Act, Act No. 29459 and its regulations, the Health General Direction of the Health Ministry will grant a Sanitary Registry for DXN Peru's products.

The Sanitary Registry allows DXN Peru to import, store, distribute, market, promote, dispense, sale and use those products. Any change or amendment to the data or conditions to the products that have a Sanitary Registry must be informed and registered to be included to the corresponding product Sanitary Registry.

7.26.7 Governing laws and regulations relating to Bolivia

There is no specific regulation governing direct sales under Bolivian law. However, direct sales activities are not explicitly prohibited under Bolivian law.

In the absence of specific regulation governing direct sales, regulations governing private and corporate law apply, for instance, there are regulations requiring operating licenses for the execution of economic activities, such as specific regulations, among others, requiring DXN Bolivia to obtain a foreign trade operator permit from the National Customs of Bolivia as well as regulations pertaining to the sale of food and health products.

The products presently sold by DXN Bolivia are nutritional dietary supplements which are regulated depending its formula under the Law of Medicine, enacted in 1996 and its regulations under the administration of the State Agency for Medicines and Health Technologies (AGEMED, by its acronym in Spanish), and the Agricultural Health and Food Safety Law, enacted in 2016 and administrated by the National Service of Agricultural Health and Food Safety hereinafter (SENASAG, by its acronym in Spanish). According to the dietary product's formula, the registration will be mandatory for the importation company as of the product itself before the aforementioned regulators for the authorisation of the manufacture, storage, import, commercialisation, and transport of F&B for human consumption.

For details of DXN Bolivia's major licences, permits and approvals, see Annexure A of this Prospectus.

7. BUSINESS OVERVIEW (Cont'd)

7.26.8 Governing laws and regulations relating to Mongolia

There is no specific regulation governing direct sales under Mongolian law. However, this activity is not explicitly prohibited under the laws, and there are certain direct selling companies which are operating in Mongolia. Under the Law on Licensing, fraudulent activities using multi-level marketing and/or pyramid scheme are prohibited. In other words, multi-level marketing scheme is permitted so long as it does not engage in fraudulent activity. In the absence of specific regulations governing direct sales, regulations governing private and corporate law matters such as the Civil Code, the Company Law and the Law on State Registration of Legal Entities shall apply as a general principle.

Depending on the type and specification of the product, the sale of products is regulated by various legislations such as the Law on Health, the Law on Medicines and Medical Devices, the Law on Hygiene, the Law on Food, the Law on Safety of Food Products and the Law on Licensing.

Under the above legislations, certain types of products require an import licence. In accordance with the Law on Medicines and Medical Devices and the Law on Licensing, this requirement applies to importation of biologically active products ("BAD"). Such licenses are issued for the duration of three (3) years subject to extension of not less than the initial duration of validity.

In addition to an import licence, under the Law on Medicines and Medical Devices and the Procedure on Registration of Medicines, raw medical products and BAD must be registered with the State Registration at the Ministry of Health prior to the sales and distribution in Mongolia. Such registration certificate is issued for five (5) years subject to extension.

7.26.9 Governing laws and regulations relating to Thailand

(i) Direct Sales and Direct Marketing Act B.E. 2545 (2002) ("Direct Sales and Direct Marketing Act 2002")

The Direct Sales and Direct Marketing Act 2002 regulates the business of direct sales, which is the business of "selling or marketing goods and services directly to the consumer through direct sales representatives, or uni-level or multi-level independent distributors". No person shall operate a direct sales business unless such business is registered with the Office of the Consumer Protection Board.

(ii) Foods Act B.E. 2522 (1979) ("Foods Act 1979")

The Foods Act 1979 aims to protect consumers from and prevent health hazards occurring due to food consumption. It governs food-related activities (e.g., the manufacture, sale, importation and labelling of food) in Thailand. It stipulates that the manufacture or importation of food for sale is prohibited unless a license from the Thai FDA has been obtained. In addition, certain types of foods (being controlled foods such as instant coffee and instant tea) are also required to be registered with the relevant authority. The products imported and sold by DXN Thailand include foods that are regulated by the Foods Act 1979, for example, coffee and tea.

7. BUSINESS OVERVIEW (Cont'd)

(iii) **Cosmetics Act B.E. 2558 (2015) ("Cosmetics Act 2015")**

The Cosmetics Act 2015 regulates the standards for cosmetics imported into, produced in and sold in Thailand. It requires any person that wishes to manufacture, import for sale or subcontract the manufacture and sale of cosmetics to register the details of such cosmetics with the Thai FDA prior to the manufacture, importation, or sale of such cosmetics. Cosmetics under the Cosmetics Act 2015 include any products intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering appearance (e.g., shampoo and soap). The products imported and sold by DXN Thailand include shampoo, soap and toothpaste, which fall under the definition of cosmetics under the Cosmetics Act 2015.

(iv) **Drugs Act B.E. 2510 (1967)**

The Drugs Act B.E. 2510 (1967) regulates the production, sale, and importation of drugs in and into Thailand. Drugs are broadly defined to include substances intended (i) for use in the diagnosis, treatment, relief, cure or prevention of human or animal disease or illness; and (ii) to affect the health, structure or function of the human or animal body. The production, sale or importation of drugs is prohibited unless a license from the Thai FDA has been obtained. In addition, the formulae of such drugs must also be registered with the Thai FDA before the production, sale or importation thereof.

7.26.10 Governing laws and regulations relating to Colombia

(i) **Regulations governing multi-level marketing in Colombia**

Companies carrying on multi-level marketing business in Colombia are required be incorporated as commercial companies in the country and to comply with the requirements of Law 1700 of 2013 ("**Law 1700**") and Regulatory Decree 24 of 2016 ("**Decree 24**") which regulate the development and exercise of multi-level marketing activities, including, among others, network marketing in any of its forms.

Pursuant to article 2 of Law 1700, multilevel activity is understood in Colombia as any organized marketing, promotion or sales activity carried out by commercial companies, including branches of foreign companies and those multilevel business activities carried out through a commercial representative, in which the following elements converge: (a) search for or the incorporation of natural persons in order for the latter to in turn incorporate other natural persons, with the ultimate purpose of selling certain goods or services; (b) payment or obtaining of compensation or other benefits of any nature for the sale of goods and services through the incorporated persons and/or earnings through discounts from the sale price; and (c) coordination, within the same commercial network, of the persons incorporated for the respective multilevel activity.

Multi-level marketing entities in Colombia are not required to obtain any separate specific licence under Law 1700 and Decree 24. However, the sale of dietary supplements, foods and beverages and cosmetics in Colombia, either by way of multi-level marketing or otherwise require either a sanitary registration or obligatory health notification granted by the National Institute for Drugs and Food Surveillance ("**INVIMA**").

7. BUSINESS OVERVIEW (Cont'd)

(ii) Regulations related to product registration or certification

Cosmetics products, household hygiene products and nutritional supplements are regulated by the INVIMA which is in-charge of the protection and promotion of health, by managing the risks associated with the consumption and use of food, medicines, medical devices and other products subject to health surveillance. The INVIMA develops a continuous surveillance of the products that are under its charge through a systematic development of activities to verify quality and safety standards.

The INVIMA may impose sanitary safety measures aimed at impeding or preventing the occurrence of an event or situation that may pose a danger to human health ranging from among others, temporary closure of the establishment, seizure of products and destruction of products. In addition, the INVIMA may initiate administrative sanctioning process that may vary between a warning, seizure of the products and fines. To authorise a natural or legal person to produce, market, import, export, package, process and/or sell dietary supplements, it is necessary to obtain a sanitary registration from the INVIMA that can be granted for a maximum of ten (10) years, renewable for equal periods.

Nutritional supplements

Nutritional supplements are regulated by Decree 3249 of 2006 and Resolution No. 3096 of 2007. The regulatory framework establishes: (i) the requirements for the manufacture and marketing of these products; (ii) the types of sanitary registration (manufacture and sell, import and sell and import, package and sell); (iii) the responsibility of the holder of the registration for the adverse effects caused by the product; (iv) the requirements for containers and labelling; and (v) the requirements for the packaging and labelling of the products.

Cosmetics

On cosmetic products, the INVIMA must issue an authorization known as the Mandatory Health Notification ("**NSO**") to the manufacturer, importer or seller to commercialise a product in the Colombian market after complying with all the requirements established in the sanitary regulations in force.

Decision No. 516 of the Andean Community established the need of the NSO for the commercialisation of cosmetic products. This Decision was regulated through Resolution No. 797 which implemented the requirements and procedures for the NSO, its renewal and the recognition of the identification code. In 2018, the Andean Community issued Decision No. 833 updating the NSO regulatory framework which, among others, established (i) a list of the international approved ingredients that can be incorporated in cosmetics; (ii) the application for the issuance of the NSO code which must be submitted by means of an affidavit; (iii) that any modification of the product must be reported, prior to the marketing of the cosmetic product in question; and (iv) that the NSO will be granted for a maximum of seven (7) years.

Household hygiene products

On household hygiene products, the INVIMA must issue an authorisation corresponding to the NSO. Decision No. 721 of the Andean Community established the need of the NSO for the commercialization of household hygiene products. This Decision determines all legal and technical requirements that products must comply with, to be commercialized.

7. BUSINESS OVERVIEW (Cont'd)

7.26.11 Governing laws and regulations relating to Morocco

There is no specific regulation governing direct sales under Moroccan law. However, this activity is not explicitly prohibited under Moroccan law subject to any licensing requirements as may be required by the local authorities in carrying out commercial activities within the jurisdiction.

In the absence of specific regulation governing direct sales, under Moroccan law, regulations governing private and corporate law apply. There are specific regulations relating to the sanitary safety of food products as set out below:

Law n° 28-07 relating to the sanitary safety of food products, promulgated by the Dahir n°1-10-08 of February 11, 2010

This law establishes the general principles of food and feed safety. It determines the conditions under which primary products, food and feed must be handled, treated, processed, packaged, packed, transported, stored, distributed, displayed for sale or exported in order to be qualified as a safe product, whether in a fresh or processed state, regardless of the processes and systems of preservation, processing and manufacture used. Further, this law provides for general requirements to allow only safe products to be placed on the market, including products, by laying down general rules on hygiene, healthiness, the use of cleaning and disinfection products, the permissible levels of contamination in primary products, food and feedstuffs to which they must conform, including the standards to be met by the including the standards that have been made compulsory. It also indicates the mandatory rules for consumer information, through the labelling of primary products, food and feed, and the determination of accompanying documents.

7.26.12 Governing laws and regulations relating to Philippines

There are no specific laws in the Philippines that govern multi-level marketing. The Consumer Act of the Philippines however, prohibits “chain distribution plans” or “pyramid sales”. The regulators primarily responsible for implementing the Consumer Act prohibition against “chain distribution plans” or “pyramid sales schemes”, the Department of Trade and Industry and the Securities Exchange Commission have clarified that the said prohibition should not be seen as prohibiting legitimate multi-level marketing, which is a legitimate marketing strategy designed to generate increased business volume. In legitimate multi-level marketing, the primary purpose is to sell a product and profits are derived mainly therefrom. Whereas in illegal “chain distribution plans” or “pyramid sales schemes”, the primary purpose is to receive earnings primarily from recruiting into the network, rather than from sales.

The Philippines’ Department of Trade and Industry (“DTI”) Department Administrative Order 21-09, Guidelines on the Grant of the DTI Seal of Legitimacy for Legitimate Direct Selling and Multi-Level Marketing (Philippines) (“**Guidelines**”), as amended by DTI Department Administrative Order 22-04, are a set of guidelines issued by the DTI on the issuance of a “DTI Seal of Legitimacy” to entities engaged in legitimate direct selling and multi-level marketing to confirm that these entities are not engaged in pyramid sales schemes. The Guidelines, which took effect on 2 February 2022 and which were further amended on 2 June 2022, are not a mandatory licensing requirement and instead apply to entities that voluntarily apply for the DTI Seal of Legitimacy. DIPL Philippines Branch had on 16 September 2022 voluntarily applied for the DTI Seal of Legitimacy.

In the absence of specific regulation governing direct sales, under Philippines law, regulations governing private and corporate law apply, which include, among others, the regulations issued by the Philippines FDA regulating the importation and distribution of products:

7. BUSINESS OVERVIEW (Cont'd)

Philippines FDA Act and Relevant Philippines FDA Issuances

The Philippines FDA is the designated regulatory agency empowered to implement Republic Act No. 9711. The Philippines FDA regulates certain products and activities, which consequently require entities to register and obtain the approval of the Philippines FDA prior to rolling out the regulated products and carrying out certain activities. Thus, the Philippines FDA issuances require all food establishments to secure a License to Operate ("**LTO**") before engaging in food manufacturing, importation, exportation, sale, offer for sale, distribution, transfer and where applicable, the use, testing, promotion, advertisement and/or sponsorship of food products.

Pursuant to Department of Health ("**DOH**") Administrative Order No. 2014-029 in relation with DOH Administrative Order No. 2020-017 and DOH Administrative Order 2016-003, all establishments are required to secure an LTO before engaging in manufacturing, importation, exportation, sale, offer for sale, distribution, transfer and where applicable, the use, testing, promotion, advertisement and/or sponsorship of food, cosmetic and household products. For this purpose, the Philippines FDA defines an LTO as an authorisation issued by the Philippines FDA to an establishment to grant permission to undertake a trade or carry out a business activity, such as manufacturing, importation, exportation, sale, offering for sale, distribution or transfer of food products.

DOH Administrative Order No. 2014-029 in connection with DOH Administrative Order No. 2020-017 and DOH Administrative Order 2016-003 also provides that establishments shall first apply for LTOs, and once such LTO has been obtained from the Philippines FDA, applications for Certificate of Product Registration ("**CPR**") should be filed. For this purpose, the Philippines FDA defines CPR as an authorisation issued by the Philippines FDA for specific health products after evaluation and approval of submitted registration requirements.

7.26.13 Governing laws and regulations relating to United States

The activities of Daxen USA are subject to regulation by the United States Federal Government and the State of California.

The operations are regulated federally by Section 5 of the Federal Trade Commission Act ("**FTC Act**") covering Unfair and Deceptive Trade Practices, 15 U.S.C. § 45.

There are no specific laws governing direct selling under the FTC Act. However, under California law where Daxen USA operates its principal activity, there are specific California regulations concerning direct selling. These laws include the California Penal Code Sections 319 and 327, regulating lottery schemes and pyramid schemes respectively. Additionally, California Business and Professions Code Section 1700 contains the Unfair Practices Act.

Section 5 of the FTC Act covering Unfair and Deceptive Trade Practices, 15 U.S.C. § 45 prohibits "unfair or deceptive acts or practices in or affecting commerce." The prohibition applies to all persons and entities engaged in commerce in the United States.

California Penal Code Section 319 defines what constitutes a lottery as "is any scheme for the disposal or distribution of property by chance, among persons who have paid or promised to pay any valuable consideration for the chance of obtaining such property or a portion of it, or for any share or any interest in such property, upon any agreement, understanding, or expectation that it is to be distributed or disposed of by lot or chance, whether called a lottery, raffle, or gift enterprise, or by whatever name the same may be known."

7. BUSINESS OVERVIEW (Cont'd)

California Penal Code Section 327 states that people who orchestrate or operate any scheme in which "the disposal or distribution of property whereby a participant pays a valuable consideration for the chance to receive compensation for introducing one or more additional persons into participation in the scheme or for the chance to receive compensation when a person introduced by the participant introduces a new participant," are guilty of a public offense punishable by jail or prison sentencing.

California Business and Professions Code Section 1700 contains the Unfair Practices Act which prohibits any unlawful, unfair or fraudulent business practices and any unfair, deceptive, untrue or misleading advertising.

There are no permits or licenses required to undertake direct selling activity.

As at the LPD, we have obtained the requisite direct selling licences to carry on our direct selling activities as detailed in Annexure A of this Prospectus and we are not aware of any contravention of the requirements and provisions of any relevant laws and regulations in our core markets pertaining to direct selling business.

7.27 Non-compliances with the relevant laws, regulations, rules and requirements governing the conduct of the operations of material subsidiaries of our Group

7.27.1 Non-compliances in respect of the material properties of our Group's material operations in Malaysia

In Malaysia, we are required to comply with land use and express conditions on the land titles. Further, CCCs or equivalent are required for the occupation of buildings or part thereof. The issuance of a CCC is preceded by the issuance of a KM and a building plan approval. Where a CCC is not able to be obtained, a KMT and PS are to be applied for in accordance with the directions of the relevant local council.

The table below summarises the total estimated costs (being the estimated rectification costs to rectify and potential maximum penalties applicable) relating to the non-compliances of both material and non-material properties in Malaysia:

No.	Building	Estimated cost to rectify non-compliances (A) (RM'000)	Potential maximum penalty (B) (RM'000)	Total estimated costs (C)= (A) + (B) (RM'000)	% of the DXN Group's PBT for the FYE 28 February 2021 (%)
1.	Material properties in Malaysia ⁽¹⁾	1,960.0	1,971.6	3,931.6	1.3
2.	Non-material properties in Malaysia ⁽²⁾	775.0	1,734.9	2,509.9	0.9
	Total	2,735.0	3,706.5	6,441.5	2.2

Notes:

- (1) Refers to properties consisting of manufacturing and cultivation facilities used for our operations, the details of which are listed in Annexure B of this Prospectus.
- (2) Refers to non-material properties such as a bungalow, farm toilet, surau, guard post, fishery farm buildings and plastic houses.

7. BUSINESS OVERVIEW (Cont'd)

In relation to the material properties in Malaysia which consist of manufacturing and cultivation facilities used for our operations, where the non-compliances include not having obtained the requisite CCC or equivalent and/or where there is a breach of land use and/or express condition of title, the details of which are listed in Annexure B of this Prospectus, our Group has vacated and ceased operations at the non-compliant buildings and where applicable, relocated its operations to other buildings with CCC.

The foregoing non-compliances with respect to the material properties in Malaysia do not have a material impact on the business operations and financial condition of our Group for the following reasons:

- (i) In the FYE 28 February 2021, DXN Pharma's cultivation facilities in Kedah, Malaysia produced 51.5 tonnes of RG powder, while Daxen Agritech's cultivation facilities in Odisha, India produced 5.1 tonnes of RG powder. Our Group used approximately 34.9 tonnes of RG powder in our production of Ganoderma-based products in the FYE 28 February 2021, all of which are sourced from in-house cultivation facilities of DXN Pharma located at GM 1109 Lot 2116, Mukim of Malau, District of Kubang Pasu, Kedah, Malaysia (i.e. 12 sheds used for the cultivation of Ganoderma ("**Gano Sheds (A)**") and 14 sheds used for the cultivation of Ganoderma ("**Gano Sheds (C)**"), and Daxen Agritech located in Odisha, India.

The non-compliant Gano Sheds (A) and Gano Sheds (C) and Agro Dryer Building were previously used for Ganoderma cultivation (for the harvesting of RG) and drying process in Malaysia, while 30 sheds used for the cultivation of Ganoderma located at GM 16 Lot 832, Mukim of Malau, District of Kubang Pasu ("**Gano Sheds (B)**") were dormant. Approximately 90.0% of the total RG powder used in our Group's production of Ganoderma-based products in the FYE 28 February 2021 was cultivated in Malaysia (i.e. Gano Sheds (A) and Gano Sheds (C)) and the remaining 10.0% of the RG powder was cultivated in India.

Although our Group has ceased operations at the non-compliant Gano Sheds (A), Gano Sheds (B) and Gano Sheds (C) since September 2021, we have sufficient dried Ganoderma supply for our Malaysian operations from our existing reserve stock and a third-party supplier in China. As and when required, we will continue to enter into similar supply arrangements to cater for our operations and we do not foresee any issue in securing further supply of dried Ganoderma from other third-party suppliers; and

- (ii) In the FYE 28 February 2021, DXN Pharma's cultivation facilities in Kedah, Malaysia produced 64.9 tonnes of Spirulina powder, while DXN Agrotech Ningxia and DXN Manufacturing India produced 53.0 tonnes and 2.0 tonnes of Spirulina powder respectively. In addition, DXN Pharma also purchased 46.8 tonnes of Spirulina powder from third party suppliers. From the above, 71.9% of the Spirulina powder is derived from its in-house cultivation facilities in Malaysia, China and India, while 28.1% is from third party suppliers. Our Group used approximately 155.7 tonnes of Spirulina powder in our production of Spirulina-based products in the FYE 28 February 2021.

7. BUSINESS OVERVIEW (Cont'd)

Although our Group has ceased operations at the non-compliant Spirulina ponds since September 2021, we have more than sufficient Spirulina powder for our Malaysian operations, from our existing reserve stock and supply from DXN Agrotech Ningxia which has 250 Spirulina ponds that is able to produce 150 tonnes of Spirulina annually as well as from third-party suppliers. As and when required, we will continue to enter into similar supply arrangements to cater for our operations and do not foresee any issue in securing further supply of Spirulina powder from third-party suppliers.

7.27.2 Non-compliances in respect of our Group's operations in China

In relation to Florin Fujian's operations in China, DXN Corporation Ningxia has on 17 May 2022 entered into the Florin Fujian SSA to dispose of Florin Fujian including its wholly-owned subsidiary, Anxi Gande Foluohua, to the other remaining shareholder of Florin Fujian, Fujian Anxi Jinjiang Source Tea Technology Co., Ltd. In the event the Florin Fujian SSA is terminated, Anxi Gande Foluohua will have to undertake the following rectification measures to rectify the non-compliances in respect of Anxi Gande Foluohua's tea cultivation and manufacturing facility at No. 99 Fuxiyang, Huaidong Village, Gande Town (leased by Anxi Gande Foluohua) as shown in the table below. Our Board is of the view that the termination risk of the Florin Fujian SSA is not significant.

No.	Non-compliances	Rectification measures to be taken
1.	Country-level permit for the use of a one-storey steel building, not obtained by Anxi Gande Foluohua. The one-storey building is used as a warehouse for temporary storage of raw materials and preliminary processing of certain raw materials.	Anxi Gande Foluohua to relocate the existing operations to the main factory which has the necessary permit, and to demolish the one-storey steel building.
2.	Parts of factory gate and guard booth located in the open space on the south side ("Plot No. 2") of the factory leased by Anxi Gande Foluohua is not in compliance with the category of land use for tea plantation, barren land and forested land.	Anxi Gande Foluohua to demolish the parts of the factory gate and guard both which are non-compliant.
3.	Prior written consent of at least two thirds (2/3) of Huaidong village members or representatives has not been obtained for the lease of the open space on the west side ("Plot No. 1") and south side (Plot No. 2) of the factory leased by Anxi Gande Foluohua which is required pursuant to PRC law on land contract in rural areas and PRC land administration and administrative measures for the transfer of rural land management right. Parts of the factory gate and guard booth located on Plot No. 2 are affected.	Anxi Gande Foluohua to terminate the lease for Plot No. 1 and Plot No. 2.
4.	Anxi Gande Foluohua's has yet to complete the environmental check and acceptance for the construction and usage of its office building and plants. Our Group does not foresee any major issues in obtaining the acceptance for the construction and usage of its office building and plants.	Proposal for Anxi Gande Foluohua to engage a consultant to conduct the environmental appraisal procedure and make the relevant submission to the relevant authorities.

7. BUSINESS OVERVIEW (Cont'd)

The non-compliances in respect of our Group's operations in China do not have a material impact to the business operations and financial condition of our Group as sales of our tea-related products for the FYE 28 February 2021 is only RM0.3 million, representing 0.02% of total sales of our Group. For clarification, the tea plantations are not located on Plot No. 1 and Plot No. 2, and are situated on another leased land close to Plot No. 1 and Plot No. 2. The tea leaf powder (as a raw material) from Anxi Gande Foluohua makes up only 2.5% of the total tea leaf powder used by our Group in the FYE 28 February 2021. Our remaining raw material requirement of tea leaf powder is sourced from third party suppliers in China. As such, our Group is not dependent on Anxi Gande Foluohua for the supply of tea leaf powder.

In the event that Florin Fujian (including Anxi Gande Foluohua) is disposed, our Group will continue to source tea leaf powder from Anxi Gande Foluohua as a third party supplier as well as from other third party suppliers in China.

7.27.3 Non-compliance in respect of the material property of our Group's operations in Indonesia

In Indonesia, a building owner must obtain a certificate of function worthiness (*Sertifikat Laik Fungsi*) ("**SLF**") to utilise a building. To comply with the SLF requirement, as at the LPD, Daxen Indonesia has submitted the SLF application for its manufacturing facility in Bogor, Indonesia. For further details, see Section B.1 of Annexure B of this Prospectus. The non-compliance in respect of the material property of our Group's operations in Indonesia does not have a material impact to the business operations and financial condition of our Group as Daxen Indonesia is not prohibited from by Indonesian laws from continuing its operations on the property despite not having an SLF in the interim period.

7.27.4 Non-compliance in respect of the foreign investments in India

Our Indian Subsidiaries have undertaken certain transactions in the past in violation of the FEMA (read with the FEMA and then prevailing rules/regulations) including failing to notify or obtaining approval from the RBI and other regulatory authorities in India in respect of certain transactions, filing of annual Foreign Liabilities and Assets (FLA) returns with the RBI, or registering for entity user registration. To rectify the non-compliances, we have engaged a consultant in India to assist our Indian Subsidiaries to submit the relevant applications, firstly, to regularise and subsequently, to compound the non-compliant transactions before the regulatory authorities. While some of the non-compliances have been regularised as at the LPD, the filing of regularisation applications and processing thereof by the relevant authorities, in totality may take up to one year from the date of this Prospectus, and we expect to incur monetary penalties of a non-material amount for the relevant non-compliance.

7. BUSINESS OVERVIEW (Cont'd)

The table below summarises the total estimated costs (being the estimated rectification costs and potential maximum penalties being the compounding penalty) and the non-compliance amounts relating to the abovementioned non-compliances:

No.	Entity involved in the non-compliances in respect of foreign investments	Potential maximum penalty				% of our Group's PBT for the FYE 28 February 2021 ⁽²⁾
		Estimated cost to rectify non-compliances (A)	Compounding penalty (B)	Non-compliance amount ⁽¹⁾	Total estimated costs (C)= (A) + (B)	
		(RM'000)	(RM'000)	(RM'000)	(RM'000)	
1.	Daxen Agritech	71.2	86.8	5,972.8	158.0	0.1
2.	DXN Marketing India	33.8	19.6	11.2	53.4	*
3.	DXN Manufacturing India	64.8	29.0	30,407.5	93.8	*
4.	DXN Clinics	10.7	2.8	5.6	13.5	*
5.	Esen Lifesciences	43.0	36.4	2,185.2	79.5	*
Total		223.5	174.6	38,582.3	398.2	0.1

Notes:

* Negligible

(1) As the non-compliance amounts are not directly levied on a company under section 13 of FEMA unless a particular non-compliance results in undue gains and flouts money laundering laws, these non-compliance amounts are excluded from the total estimated costs relating to the non-compliances on foreign investments in India.

(2) Computed as the total estimated costs (being the costs of rectification and potential maximum penalty being the compounding penalty) divided by the PBT for the FYE 28 February 2021.

The non-compliances in respect of our foreign investments in India, individually and collectively, do not have a material impact to the business operations and financial condition of our Group as:

- (i) our shareholding in our Indian Subsidiaries are not rendered void by virtue of the non-compliances; and
- (ii) the actions or non-actions of our Indian Subsidiaries which gave rise to the non-compliances are procedural in nature and not substantive and therefore, should not lead to imposition of Section 13 of the FEMA which is generally invoked for contraventions involving substantive violation of the FEMA provisions resulting in undue gains or flouts money laundering laws.

7. BUSINESS OVERVIEW (Cont'd)**7.27.5 Overall impact of the outstanding non-compliances as at the LPD**

The table below summarises the total estimated costs (being the estimated rectification costs and potential maximum penalties applicable) relating to all the non-compliances mentioned in Sections 7.27.1 to 7.27.4 above.

No.	Summary description of non-compliances	Reference to section in the Prospectus	Estimated cost to rectify non-compliances (RM'000)	Potential maximum penalty (RM'000)	Total estimated costs (RM'000)	% of our Group's PBT for the FYE 28 February 2021 (%)
(1)	Non-compliances in respect of material properties of our Group's operations in Malaysia	7.28.1	1,960.0	1,971.6	3,931.6	1.3
(2)	Non-compliances in respect of our Group's operations and environmental matters in China	7.28.2	298.8	2,735.5	3,034.3	1.1
(3)	Non-compliances in respect of material property of our Group's operations in Indonesia	7.28.3	105.0	-	105.0	*
(4)	Non-compliances in respect of foreign investments in India	7.28.4	223.5	174.7 ⁽¹⁾	398.2	0.1
Total			2,587.3	4,881.8	7,469.1	2.5

Notes:

* *Negligible*

(1) *Exclusive of non-compliance penalties amounting to RM38.6 million which is not directly levied on a company under Section 13 of FEMA unless a particular non-compliance results in undue gains and flouts money laundering laws.*

The total estimated costs to rectify the non-compliances and the potential maximum penalties applicable to all the non-compliances 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 rectification costs and the potential maximum penalties of all the non-compliances represents less than 5% of our Group's PBT for the FYE 28 February 2021.

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 listing. Our management is following up closely and liaising with relevant authorities to resolve the said non-compliances in the best interest of our Company. We will update our shareholders on the status of our outstanding non-compliance incidents in our annual reports.

7. BUSINESS OVERVIEW (Cont'd)

Our Board has implemented the following measures to enhance the internal control system of our Group and prevent the recurrence of the non-compliance incidents set out in Sections 7.27.1 to 7.27.4 of this Prospectus:

- (i) on 10 February 2022, we have established, among others, our Audit Committee and Risk Management Committee. Our Audit Committee's terms of reference which sets out its duties and obligation include overseeing our Group's internal control framework to ensure operational effectiveness and efficiency, and encourage legal and regulatory compliance. Our Risk Management Committee's terms of reference include reviewing the risk management framework and its related policies within our Group, ensuring the infrastructure, resources and systems are in place and adequate for risk management, and that processes for the identification, measurement and analysis, reporting, and mitigation of risks are in place. See Sections 9.2.6 and 9.2.9 of this Prospectus for further details on the composition and function of our Audit Committee and Risk Management Committee respectively;
- (ii) in April 2022, we have established a legal and regulatory compliance committee ("**LRCC**") comprising members from different departments and functions in our Group such as finance, project investments, sustainability, legal, marketing, compliance and factory operations. The LRCC is responsible for monitoring and overseeing our Group's legal and regulatory compliance matters including the compliance with licensing, permits and approvals for the various businesses in the various jurisdictions and to ensure that non-compliance incidents are adequately investigated and the reporting of issues to appropriate parties in a timely manner. All entities within our Group shall report to the LRCC on matters relating to legal and regulatory non-compliances. The LRCC shall monitor the status of our Group's compliance with our requisite legal and regulatory obligations and where necessary, shall then report to our Executive Committee, the progress of rectification plans and status of our Group's overall compliance. Our Executive Committee shall in turn report our Group's compliance obligations, issues and breaches to our Board. Our Executive Committee also evaluates the adequacy of tools, resources, trainings and subject matter expert for our Group to meet our compliance obligations;
- (iii) in September 2021, we have also established a Group Governance and Risk Management ("**GGRM**") department, for purposes of co-ordinating and advising on risk and control activities to ensure that the management of our Group's response to mitigate risks identified is carried out effectively, and also performing quarterly risk reviews in line with our Group's enterprise risk management framework. Our Risk Management Committee shall in turn report our Group's risk management issues to our Board. With regard to the non-compliance incidents as set out in Sections 7.27.1 to 7.27.4 of the Prospectus, the GGRM will be responsible for evaluating the compliance risk faced by our Group resulting from the non-compliance incidents, and reviewing the effectiveness of internal policies, procedures and processes implemented by our Group in ensuring compliance. The GGRM will report directly to our Risk Management Committee on the compliance risk faced by our Group;

7. BUSINESS OVERVIEW (Cont'd)

- (iv) our Group's Internal Audit department will also undertake an independent review and assessment on the effectiveness of the internal control measures implemented by our Group in accordance with our legal and regulatory compliance framework to prevent future non-compliance incidents. Our Group's Internal Audit department provides independent assurance to our Board (via our Audit Committee) and management regarding our Group's internal controls through audit procedures designed to evaluate effectiveness of internal controls and assessing compliance with policies and laws and regulations and provide recommendations on improving the compliance of our Group, amongst other things. Our Group's Internal Audit department will report directly to our Audit Committee on the audit findings pertaining to internal controls;
- (v) Tricor Axcelasia Sdn Bhd ("**Tricor Axcelasia**") was engaged to, among others, review our legal and regulatory compliance framework including related policies and procedures that were put in place to address the non-compliance incidents set out in Sections 7.27.1 to 7.27.4 of this Prospectus and we have implemented the recommendations suggested by Tricor Axcelasia for our legal and regulatory compliance framework including its related policies and procedures;
- (vi) implemented compliance incident management process and appointed dedicated personnel to monitor the various policies, procedures and framework which were put in place for our operations locally and globally and to report any findings of non-compliances of which the impact is expected to exceed internal materiality thresholds to the LRCC and GGRM who will then define the appropriate course of action and to report to our Executive Committee and Risk Management Committee, respectively; and
- (vii) where necessary, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and compliance, and to provide us updates on the applicable laws related to our business operations from time to time after our Listing. We will also engage professionals where necessary to provide training to our Directors and employees to develop a clear understanding of matters related to our internal controls and compliances for them to leverage on their understanding to enhance our policies and processes and implementation of the same.

7.28 Material Dependency on Commercial Contracts, Agreements or Other Arrangements

As at the LPD, there are no commercial contracts, agreements, other arrangements or other matters entered into by or issued to us which we are materially dependent on, and which are material to our business and profitability.

7. BUSINESS OVERVIEW (Cont'd)

7.29 Health, Safety and Environmental Matters

7.29.1 Health and Safety

The health and safety of our employees and any third-party visitors to our premises is important to us. To minimise accidents, injury or occupational diseases, we endeavour to comply with relevant statutory requirements such as OSHA and regulations from the DOSH for our operations in Malaysia as well as comparable regulators and regulations in other jurisdictions for our operations elsewhere, provide and enforce codes of practice and procedures relating to health and safety and provide employees with the necessary skills and knowledge to meet their occupational health and safety responsibilities at the workplace.

7.29.2 Environmental

In addition to complying with regulatory and statutory environmental requirements (such as the Malaysian Environmental Quality Act 1974, Environmental Quality (Clean Air) Regulations 1978 and Environmental Quality (Scheduled Waste) Regulations 2005), we have sought to voluntarily implement self-regulations in accordance with suggestions by the DOE. We have taken internal steps such as establishing an Environmental Policy, Environmental Performance Monitoring Committee and Environmental Regulatory Compliance Monitoring Committee to continuously plan, check, react and improve on our environmental efforts and comply with regulatory and statutory requirements.

In 2000, the DXN Pharma facility received the ISO 14001 certification, which is the international standard that specifies requirements for an effective environmental management system. See Section 7.14 of this Prospectus for further details on our quality control. The stated goals of our environmental management system are to: (1) protect the environment, (2) reduce our waste and toxic emissions, (3) maximise our resources and productivity and (4) to reduce our activities that may impair future generations' enjoyment of resources.

In accordance with these regulations, policies and standards, we take steps at our facility in Kedah, Malaysia such as: testing and treating wastewater before it is discharged; sending waste and by-products from the Ganoderma harvest (known as "bag logs" or "bag waste") to a biomass collector to be recycled as biofertilisers; and ensuring that our carbon dioxide, smoke and other air emissions are in compliance with Malaysian law. This includes meeting permissible levels set by the Malaysian Environmental Quality Act 1974 and rules and regulations administered by the DOE.

We seek to act in accordance with environmental regulations in India such as the Air (Prevention and Control of Pollution) Act, 1981, the Water (Prevention and Control of Pollution) Act, 1974 and the Environment (Protection) Act 1986. At DXN Manufacturing India, we have taken steps in accordance with such environmental regulations such as establishing an Environmental Policy and continuously planning, checking, reacting and improving on our environmental efforts and complying with regulatory requirements. At Daxen Agritech, we have taken steps such as using our accumulated combustion technologies and water filtration technologies, by constructing a resource-saving system to minimise our pollution through our waste management practices, implementing a procedure for purchasing good quality raw materials that seeks to reduce waste and pollution, using scientific techniques of disposal and waste management, training employees for pollution control, identifying and documenting any activity or equipment that has the potential to pollute or otherwise degrade the environment and regularly monitoring our operations in every department to identify opportunities to reduce our environmental impact.

7. BUSINESS OVERVIEW (Cont'd)

Similarly, in accordance with environmental regulations in China such as the Environmental Protection Law of the PRC, Law on the Prevention and Control of Water Pollution of the PRC, Law on the Prevention and Control of Air Pollution of the PRC, Law on the Prevention and Control of Solid Waste Pollution of the PRC, and Law on the Prevention and Control of Ambient Noise Pollution of the PRC, we have taken steps in the construction of a new production plant such as engaging third-party consultants to provide write-ups on project feasibility and project environmental impact for submission to local authorities as part of the approval process before commencing our new project. These reports state that project construction meets the requirements of national and local industrial policies. These reports also conclude that it is feasible to set up the production plant on the proposed site. We intend to adopt the pollution prevention and control measures that are proposed in the reports to ensure our pollutant emissions are up to the relevant standards, have little impact on the environment and will not cause changes in regional environmental functions.

As certain of our natural ingredients are certified organic by authorities such as the EU, the USDA's NOP and the Ministry of Agriculture and Agro-Based Industry Malaysia (now Ministry of Agriculture and Food Industries), no chemicals are used in the cultivation processes of those crops (which include Ganoderma, Spirulina and Cordyceps).

Further, as we cultivate Ganoderma in bags, as opposed to planting Ganoderma in soil, we are able to avoid issues of soil contamination.

7.30 Corporate Social Responsibility and Environment

We operate our business with social and environmental responsibility with an awareness that climate change is impacting human lives and health in a variety of ways, and aim towards a high standard of corporate governance.

7.30.1 Environmental

We successfully renewed the ISO14001 Environmental Management System, which is a set of international standards for designing and implementing an environment management comprising policies, processes, plans, practices and records which define the rules governing how we interact with the environment and preventing our operations from causing negative impact on the environment. To demonstrate our commitment to ESG, our Group had invested on a solar panel system in 2021 for a factory in Malaysia, which we believe will reduce the use of non-renewable energy sources and greenhouse gases emissions. As a big part of our environmental impact arises from our factory and farm operations, we take every effort to mitigate wastage from these operations and manage the resources available well.

Our key areas of focus in our environmental and climate change management emphasises to enhance energy consumption efficiency, ensure efficient use of water and maximising the effectiveness of our 5Rs (Refuse, Reduce, Reuse, Repurpose and Recycle) initiatives. For example, efforts to tackle the Group's emission through air and noise pollution were managed through efforts ranging from internal monitoring of air quality, engaging license party to independently review air quality, noise assessment, implementation of preventive action plans (i.e. provision of personal hearing protectors, trainings, audiometric testing, medical examination, etc), and re-engineering business processes (i.e. modification and installation of equipment) to ensure both air and noise emission are managed in accordance with the rules and regulations by the DOE. To minimise water pollution, sewage treatment plants and industrial effluent treatment systems are put in place to remove contaminants from sewage or wastewater to produce effluent suitable for discharge to the surrounding

7. BUSINESS OVERVIEW (Cont'd)

environment. An approved scheduled waste collector submits an inventory waste record through our Electronic Scheduled Waste Information System ("ESWIS") every month. We also continuously improve existing controls and practices in waste management ranging from improving scheduled waste storage area and segregation methods, pre-planned preventive maintenance to ensure existing plants, machine and equipment operating in optimum level, thus minimising the possible waste generated from our operation processes. We have built our transportation and logistics arrangements with a goal to minimise environmental harm, putting in place systems which allow us to plan delivery routing based on the optimal safety stock levels, reducing trips per delivery and carbon footprint. We also adopt a purchasing strategy which enable resources to be utilised with minimal wastage of materials and overstocking

7.30.2 Social

We recognise our responsibility to all stakeholders in the supply chain, including shareholders, employees, customers, trade partners, communities and government agencies, and strive to balance business development and the needs of our stakeholders. In promoting transparency and accountability in the Group, we have taken steps to communicate and create awareness (i.e. training) on anti-bribery/corruption to all directors, employees, suppliers and business associates, to seek their commitment to comply with the policies. Our partners are carefully identified and assessed, possess the right skills and whose corporate values are aligned with our own standards and required to comply with our procurement policy developed based on universally accepted principles and local laws, as the basic standards for social compliance. In adhering to standards of ethical conduct, we design our internal approach to ensure that our procurement teams are aware of the environmental and social impact of purchasing decisions. In addition, measures are initiated to ensure that the relationships with suppliers are handled fairly and in Group's best interests.

Our employees have equal opportunities for career advancement based on merit, performance, experience, and academic qualification regardless of race and gender. The Group supports the upgrading of employees' skills and knowledge to enhance each of our employee's competency, including sponsoring training/educational programs via training bond for eligible employees and providing Internal Trainer Incentive for eligible employee who conducted internal trainings for the others. For the FYE 28 February 2022, we recorded a total of 8,836.5 training hours, incurring training cost totalling RM125,414.27 covering both internal and external organised training programmes. The average training hours per employee was 1.56 hours.

We actively participate in projects and activities that benefit the society. In 2020, we launched the "One Dollar One Child" campaign against childhood malnutrition and have so far coordinated the distribution of free Spirulina to underprivileged children in India. We intend to continue to distribute free Spirulina to underprivileged children as part of this campaign in other jurisdictions. We encouraged our Members to donate to this charitable cause by giving them an equivalent amount of "One Dollar One Child" points (redeemable for certain of our products) for every dollar contributed.

We have also conducted a range of local charity and engagement efforts including: hosting educational tours at our facilities in Kedah, Malaysia; making direct donations to charitable organisations such as the International Buddhist College in Thailand; contributing health supplement products to children suffering from Night Blindness in Pakistan; organising one-to-one matching donations for natural disaster relief, such as the 2015 Nepal Earthquake (for every one dollar our Members contribute, we contribute the same amount) as well as local blood donation drives at our headquarters in Kedah, Malaysia.

7. BUSINESS OVERVIEW (Cont'd)

In response to the COVID-19 pandemic and crisis in India, we have also donated oxygen concentrators, masks, PPE kits and other supplies in India.

7.30.3 Governance

We have in place a code of conduct and ethics which sets out our internal control policies and procedures, which include managing conflicts of interest, preventing bribery and corruption, money laundering and insider trading:

- in accordance with our insider trading policy, directors and employees are discouraged from engaging in speculative trading in our securities and are required to observe the prohibitions imposed on "insiders" under the Capital Markets and Services Act 2007. Directors and employees in possession of material or price sensitive non-public information may not trade in our securities, and are in general required to comply with the Listing Requirements;
- our anti-money laundering policy requires our directors, employees and associates to ensure that business is conducted with reputable customers, for legitimate business purposes and with legitimate funds. Directors, employees and associates are required to report suspected money laundering activities to our Group human resources or legal department, and comply with the Anti-Money Laundering and Anti-Terrorism Financing Act 2001; and
- we have established an anti-bribery and corruption policy to ensure compliance with applicable anti-bribery and corruption laws and regulations, including the Malaysian Anti-Corruption Commission Act 2009. Our directors and employees are required to keep prompt and accurate records of transactions and payment, be alert to and flag suspicious transactions, and report violations or suspected violations of our policies via our whistleblowing mechanism. Directors, employees and associates are required to declare actual or potential conflicts of interest.

7.31 Awards

The table below sets out certain key awards that we have received:

Year	Award
2004	DXN received the "3rd Asia Pacific International Honesty Enterprise" award.
2004	DIPL Philippines Branch received the "Most Outstanding Direct Selling Company" and "Top Innovative Company of the Year" award.
2005	DXN received the "2nd Super Excellence Master Award of Direct Sales 2005" award for its outstanding performance in the development of innovative marketing strategies, good business practices and effective planning.
2006	DXN received the "5th Asia Pacific International Honesty Enterprise - Keris Award 2006" for its vision and mission, innovation and strategies, management of human resources, operations efficiency, and research and technology for the production of quality products.
2006	DXN received the "Asia Pacific Super Excellent Brand Book of Records 2006" award for its outstanding achievements, excellent service and good quality products.

7. BUSINESS OVERVIEW (Cont'd)

Year	Award
2007	DXN Pharma and DXN Industries received the "28th International Award for Technology and Quality (New Millennium Award)" for its trajectory and business excellence.
2008	DXN was selected as the "Most Outstanding Participant" at the First Direct Selling Festival (Middle East) in Dubai.
2009	DXN received the "Direct Selling Award for Outstanding Management" award at the Direct Selling Festival (Middle East) in Dubai.
2010	DXN Spirulina was selected as the "best food supplement in Pakistan" and received the "Brand of the Year Award 2010".
2011	DXN received the "Most Successful Network Marketing Company in the UAE" award at the 2nd Malaysia Business Awards in Dubai organised by the Malaysia Business Council UAE.
2012	DXN Pharma received the "Industry Excellence Award" from the National Pharmaceutical Control Bureau, MOH.
2012	DXN Peru was ranked #5,225 by sales in the 2012 Edition of "Peru: The Top 10,000 Companies".
2013	DXN Peru was ranked #4,427 by sales in the 2013 Edition of "Peru: The Top 10,000 Companies".
2013	DXN Pakistan received the "Brands Scientist Certificate for the Year" award.
2013	DIPL Philippines Branch received the "Perfect 10 Award".
2014	DXN Peru was ranked #3,032 by sales in the 2014 Edition of "Peru: The Top 10,000 Companies".
2015	DXN Peru was ranked #2,870 by sales in the 2015 Edition of "Peru: The Top 10,000 Companies".
2017	DXN Pakistan received the "Brand of the Year Award" under the "Herbal Food Supplement" category from the Federation of Pakistan Chambers of Commerce & Industry.
2020	DXN received the Best Direct Selling Company (Global) Award in the Domestic Trade Award (APDN 2020) from the MDTCA.

7. BUSINESS OVERVIEW (Cont'd)

7.32 Key Accreditations

The table below sets out the key certifications and accreditations we have received:

Name of Standard	Certifying Authority	Purpose/Scope	Recipient
ISO 9001:2015	Lloyd's Register	Quality management system	DXN Pharma
ISO 14001:2015	Lloyd's Register	Environmental management system	DXN Pharma
ISO 22716:2007	Lloyd's Register	Manufacture of PCC products	DXN Industries
MS ISO/IEC 17025:2017	Department of Standards Malaysia	Quality management system	Bio Synergy
myOrganic	Ministry of Agriculture and Agro-Based Industry Malaysia (now Ministry of Agriculture and Food Industries)	Cultivation of Ganoderma, Spirulina, elm oyster mushroom, Lion's Mane mushroom, Tiger Milk mushroom, Cordyceps, Poria cocos fungus, Splitgill mushroom and Noni	DXN Pharma
GMP	MOH	Manufacture of food products	DXN Industries
Organic EU Certificate	Control Union Certifications	Cultivation of RG, GL, Cordyceps and Lion's Mane mushroom	DXN Pharma
USDA-NOP Certificate	Control Union Certifications	Cultivation of RG, GL, Cordyceps and Lion's Mane mushroom	DXN Pharma
HACCP	MOH	Manufacture of food products	DXN Industries
Halal Certificate	JAKIM	Halal products certification	DXN Industries DXN Pharma